International Transport Intermediaries Club Limited

Annual Report & Financial Statements

for the year ended 31 May 2023

Registered Number 2725312

Contents

INTERNATIONAL TRANSPORT INTERMEDIARIES CLUB LIMITED

Notice of Meeting

Notice is hereby given that the 31st Annual General Meeting of the members of International Transport Intermediaries Club Limited ("ITIC") will be held at the Hotel Cenobio Dei Dogi, Camogli, Italy at 12 noon on Thursday, 21 September 2023 for the following purposes:

o To receive the Strategic and Directors' Report with Financial Statements for the year ended 31 May 2023 and, if they are approved, to adopt them.

o To elect directors.

o To confirm the appointment of Auditors and to authorise the directors to agree their remuneration.

o To transact any other business of an Annual General Meeting.

By order of the board

DocuSigned by:

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K Halpenny
Secretary

17 July 2023

Notes:

i) A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote instead of him or her. A person so appointed must be a member of ITIC. The instrument appointing a proxy must be deposited with the Secretary not less than forty-eight hours before the meeting.

ii) The agenda papers for the Annual General Meeting setting out the resolutions and containing the minutes of the last Annual General Meeting are made available to members prior to the meeting via ITIC's website.

INTERNATIONAL TRANSPORT INTERMEDIARIES CLUB LIMITED

Directors		Company and Location
J D Woyda (Chairman)		Clarkson plc, London
R M Bishop (Chairman Nominations Committee)		V Ships, Glasgow
F Bognin (Chair Audit Investment & Risk Committee)		RINA Spa, Genoa
C Devantier		Maersk Broker, Copenhagen
T M Evans (Chief Financial Officer)		Executive director of ITIC Ltd
T G Durkin		Independent director
A J Groom		Independent director
T J Irving (Chief Executive Officer)		Executive director of ITIC Ltd
T T Jones	Resigned 22 September 2022	Non-executive director, Luxembourg
B D R Maclehose	Appointed 22 September 2022	J & J Denholm Ltd
J G Palin	Appointed 22 September 2022	Arrow Shipbroking Group
A M Leach	Appointed 22 September 2022	GAC Group (Holdings) Ltd
S R A Portunato		SeaQuest Shipmanagement SA, Geneva
L G Säfverström	Resigned 7 March 2023	Gulf Agency Company Ltd, Dubai
C C Schou		Wilhelmsen Ship Management Ltd, Singapore
M Shakesheff	Resigned 19 April 2023	Casper Shipping Ltd, Middlesbrough

Secretary

K P Halpenny

Registered Office and Business Address

90 Fenchurch Street
London
EC3M 4ST

Telephone: +44 (0)20 7204 2928
Email: ITIC@thomasmiller.com

Strategic Report

The directors present their strategic report on ITIC for the year ended 31 May 2023.

Principal Activities

The principal activity of ITIC during the year was the insurance of professional indemnity and public liability risks of professionals in the transport industry.

Strategic Direction

The objective of ITIC is to provide competitively priced professional indemnity insurance (and related products) with loss prevention advice to businesses (known as members) servicing the marine and transport industry through a mutual insurance company, which maintains strong reserves and which is supported by at least "A-" rated reinsurance security for limits in excess of the retention, sound risk management, quality service and competent staff.

Business Review

The board considers that the key indicators that will communicate the financial performance and strength of ITIC to its members are: gross earned premium, combined ratio, being total underwriting costs and general expenses as a percentage of gross earned premium; and operating surplus before investment result and taxation.

The board also uses a number of other key performance indicators, key risk indicators and key control indicators to assess the performance of individual parts of the business.

The gross earned premium drives the scale of the business. Action is taken continuously to ensure that business is written at rates required to achieve the target return. Joining and leaving members are continuously monitored. The continuity credit for renewing members is a mechanism for distributing excess reserves or retaining reserves where appropriate.

The combined ratio, including various cost ratios, monitors the performance of ITIC from a number of perspectives.

The operating surplus before taxation is the key performance measure. ITIC aims to deliver sustainable surpluses over the insurance cycle by choosing and underwriting risks at appropriate rates, coupled with rigorous expense control and the delivery of superior customer service to its members and intermediaries.

The following table extracts the main headings that management use to monitor the business performance. The directors find it useful to show the results at a summary level and to show the results before and after the cost of the quota share reinsurance arrangement. The surplus reconciles to the surplus on the technical account in the statement of income and expenditure account and all line items reconcile directly back to those included within the income and expenditure account and accompanying notes.
As illustrated below, premium increased by 4.4% coming from a net increase in members and strong renewals. Acquisition costs and excess of loss reinsurance costs remained steady. Net claims costs increased following the the low preceding year. The prior year benefited from significant releases in provisions from earlier years. Management fees reduced to reflect lower incentive fees this year whilst other expenses increased because of set up costs incurred in the initial set up of an overseas subsidiary which is expected to start underwriting later in 2023. Noting the ongoing strong performance, the board decided to maintain the level of continuity credit for 2023/24 at 20%-30%, the same as 2022/23. The combined loss ratio before continuity credit and quota share reinsurance for the financial year was 67.6% compared with the prior year's 56.3%.

The investment return for the year was negative which reduced the surplus before tax compared to the previous year.

	Notes	2023 US$ 000s	2023 % of gross earned premium	2022 US$ 000s	2022 % of gross earned premium
Gross earned premium	5	68,545	100.0%	65,672	100.0%
Less acquisition costs including management fee element	8	(11,512)	16.8%	(11,575)	17.6%
Less excess of loss reinsurance costs	6	(5,303)	7.7%	(5,365)	8.2%
Net retained premium		51,730	75.5%	48,732	74.2%
Claims incurred net of excess of loss recoveries including management fee element	7	(21,161)	30.9%	(11,818)	18.0%
Management Fee (excluding acquisition and claims elements)	9	(6,103)	8.9%	(6,602)	10.1%
Other expenses	8	(2,240)	3.3%	(1,613)	2.5%
Total claims and other expenses		(29,504)	43.0%	(20,033)	30.5%
Total costs (excluding continuity credit)		*(46,319)*	*67.6%*	*(36,973)*	*56.3%*
Operating surplus before continuity credit and quota share reinsurance		22,226	32.4%	28,699	43.7%
Less continuity credit	5	(14,586)	21.3%	(14,201)	21.6%
Net cost of quota share reinsurance	see below *	(5,013)	7.3%	(8,953)	13.6%
Surplus / (deficit) on technical account before investment result		2,627	3.8%	5,545	8.4%

The net result from the quota share reinsurance is made up as follows:

Outward quota share reinsurance on premium	6	(61,691)	(59,105)
Add back quota share reinsurance on continuity credit	6	13,128	12,780
Add back quota share acquisition costs (note 10)	6	8,428	8,327
Add back quota share reinsurance - excess of loss	6	4,773	4,829
Add back quota share recoveries	7	16,328	7,665
		(19,034)	(25,504)
Plus ceding commission from TIMIA	6	14,021	16,551
Net cost of quota share reinsurance		(5,013)	(8,953)

The statement of financial position shows US$50,466,000 (2022: US$48,334,000) as retained reserves.

Investments

The total deposited at banks and invested in bonds and other fixed interest securities amounted to US$57,253,000 (2022: US$66,597,000). This produced a negative return of US$15,000 (2022: negative US$641,000).

ITIC has retained its strong capital position and its retained reserves at 31 May 2023 will remain comfortably above the Prudential Regulation Authority's minimum capital requirements (last year's return showed 1,349% coverage), the Standard Formula Solvency Capital Requirement (last year's return showed 479% coverage) and the Own Risk and Solvency Assessment's capital requirement.

Reinsurance

ITIC places two main types of reinsurance.

- ITIC's excess of loss reinsurance cost includes the cost of the underlying contract and the cost of the reinsurance in respect of limits of cover in excess of those provided by ITIC. This cost for the year was US$5,303,000 (2022 - US$5,365,000).
- ITIC also has quota share reinsurance through Transport Intermediaries Mutual Insurance Association Ltd. The aggregate of claims within ITIC's retention is reinsured on a 90% quota share basis by Transport Intermediaries Mutual Insurance Association Ltd of Hamilton, Bermuda.

The quota share policy cost US$19,034,000 (2022 - US$25,504,000) less a ceding commission of US$14,021,000 (2022 - $16,551,000). See Business Review above for a breakdown.

Analysis of Funds in 2021 (Closed) and 2022 (Open) Policy Years and Reserves as at 31 May 2023

The following table shows the accumulated surplus split down by ITIC policy year. This is different to the breakdown by ITIC financial year as shown in the income and expenditure account.

	At 31 May 2023	Change in year	At 31 May 2022
	US$	US$	US$
	000s	000s	000s
General reserves and earlier years (all closed)	47,958	4,484	43,474
2021/22 policy year (closed March 2023)	1,028	(2,944)	3,972
2022/23 policy year (open)	1,480	592	888
General reserves at end of year	50,466	2,132	48,334

The results above are stated after:

1. Quota share costs comprising 90% of: premium, net of brokerage, commissions, excess of loss reinsurance premiums and claims net of reinsurance recoveries.

2. The ceding commission received from the quota share reinsurer covering the management fee, general expenses and exchange gains and losses of ITIC.

At their meeting in March 2023, the directors decided to close ITIC's 2021/22 policy year leaving only the 2022/23 policy year open.

Companies Act Section 172(1)

The likely consequences of any long term decisions

The ITIC board considers ITIC's future operations and strategy at board meetings and at less formal strategy days. Decisions impacting the future of ITIC are carefully considered and, if appropriate, approved by the board.

The interests of ITIC's employees

ITIC has no employees. It has outsourced its day to day operation to International Transport Intermediaries Management Company Limited ("ITIM"), a company owned by Thomas Miller Holdings Limited. The board of ITIC have appointed two of ITIM's directors to the main board.

The need to foster the ITIC's business relationships with suppliers, customers and others.

In terms of the wider community impacted by ITIC, as a mutual insurer, ITIC exists for the benefit of its members, who are also insureds of ITIC. To this end ITIC's board aims to provide a high quality service for a competitive price. From 1992, ITIC's success has enabled it to distribute excess funds back to members by way of continuity credits for renewing members.

ITIC outsources management of the day-to-day operations to ITIM. In this regard, the board ensures that any business conducted with ITIM is done so on appropriate terms.

Through its managers, ITIC maintains contact and high level engagement with the management of its key brokers and reinsurers. The board receives periodic updates on ITIC's key broker and reinsurer relationships.

Strategic Report (continued)

The impact of ITIC's operations on the community and the environment.

As a service orientated organisation, ITIC does not consider itself to have a material impact on the environment. The board has established a policy on climate change which is owned by ITIC's Chief Underwriting Office and Chief Financial Officer and this considers the risk of climate change associated with ITIC.

ITIC considers the best interests of its members as a priority. This includes returning excess funds to its members by way of continuity credits, and acting as a sounding board for industry issues by participating and presenting in conferences on the benefits of having the appropriate professional indemnity insurance cover.

The desirability of ITIC maintaining a reputation for high standards of business conduct.

The board has in place a conduct risk policy that applies to both the board and the managers and ensures that ITIC does the right things for its customers whilst keeping them, and the integrity of the markets in which they operate central to everything that ITIC does.

The need to act fairly between members of ITIC.

The conduct risk policy as referred to above, ensures that customers are treated fairly. In addition the board has established a conflicts of interest policy which ensures that any conflict of interest around member issues are appropriately disclosed and dealt with at board level.

Decisions in the year.

During the year, the board made a number of decisions. These include decisions on the renewal proposal to members, the reinsurance program and the level of continuity credit. Further decisions are made in respect of other matters discussed at board meetings as shown in "Meetings of Directors" in the directors' report. In addition, as noted in "Future Development", the board has decided to set up a subsidiary in Cyprus.

The directors therefore consider that the requirements of Section 172(1) are appropriately addressed within ITIC's policies and procedures.

Future Development

At its board meetings, the directors consider future developments. They expect that the coming year will show an increase in premium, potentially some additional claims and a continuing volatile investment market. It is expected that ITIC will maintain a sustainable level of business activity for the foreseeable future. In November 2022, the directors agreed to set up a subsidiary in Cyprus to underwrite its EEA business. This is expected to save on acquisition costs whilst adding to management fee and other expenses. The net impact will be broadly cost neutral but will enable ITIC to be more independent. The subsidiary is expected to be set up in the second half of 2023.

Membership

As at 31 May 2023, 615 members' main activity was ship agency (port and liner agency), 652 ship and bunker brokers, 390 ship, crew, commercial and yacht managers, 1,200 marine surveyors (including Lloyd's Agents, hydrographic surveyors and P&I Club Correspondents) and naval architects and 720 representing other professionals in the transport and aviation industry. Some members carry on more than one of these activities and many members are insured jointly with their subsidiary or related companies. The membership is drawn from 132 countries the majority being from Europe, with a substantial number of members from North America, Australasia, the Far East and the Middle East.

Risk Management

ITIC has risk management procedures in place which address the five risk areas laid out in the Prudential Regulation Authority's Handbook. These are credit risk, market risk, liquidity risk, operational risk and insurance risk. ITIC has developed a business risk assessment which defines the risks and sets out the procedures that are in place to mitigate those risks. The business risk assessment is reviewed regularly by the board.

ITIC has taken steps, where appropriate and possible, to mitigate the risks with internal controls and procedures and management oversight. Where appropriate, ITIC monitors its risks through regular reporting of monetary and non-monetary risks via a series of key risk indicators. These are presented to the board and / or AIR committee four times per year. ITIC's principal risks and uncertainties are to insurance (including Loss of financial strength and Loss of business to competition); market (including loss or impairment of investments), currency, credit, liquidity and cashflow risks are further explained in note 4 of these financial statements. ITIC accepts levels of risk in different areas as set out in its Risk Appetite Statement.

ITIC addresses other risks namely political (including change to UK tax agreement) and climate change risk. ITIC considers how these could impact the financial risks and insurance risk exposures via its emerging risks log as well as via the climate change policy and plan. ITIC also considers fraud risks (including misappropriation of investment funds) and this is managed through the fraud risks register.

ITIC currently has a climate change policy and plan to address the relevant environmental, social and governance requirements and this is being refined during 2023. ITIC has put in place a policy to assist in managing the financial risks associated with the effects of climate change and to ensure that ITIC has adequate oversight and control of this area and understands how climate change relates to other risk groups. The financial risks emanating from climate change can impact other risk groups, specifically the strategy, insurance, credit and market risk areas. Financial risks from climate change arise through two primary channels, being physical and transition factors. In addition, liability can arise from third parties who have suffered loss or damage from physical or transition risk factors associated with climate change.

The objective of the climate change policy is to:

i. embed the consideration of the financial risks from climate change in ITIC's governance arrangements;
ii. incorporate the financial risks from climate change into existing financial risk management practice;
iii. use (long term) scenario analysis to inform strategy setting and risk assessment and identification; and
iv. develop an approach to disclosure on the financial risks from climate change.

The board is responsible for setting the climate change policy and ensuring that there are adequate processes in place to monitor and manage the financial risks from climate change within the parameters defined by the risk appetite. The risk function is responsible for assessing and monitoring the risk profile from climate change against the risk appetite and its tolerances. Stress and scenario testing relating to financial risks from climate change is being developed by the risk function and will be monitored regularly. There is a review at the board and Audit Investment and Risk committee of key risks, including risks associated with climate change. The ORSA considers the impact of climate change on the organisation. Risk identification and management is in progress at 31 May 2023.

ITIC is comfortable that it has identified and taken into consideration its risk environment, as summarised above, and that it holds sufficient capital and reserves to cover its potential impact. The ITIC board approved its Own Risk and Solvency Assessment at the board meeting in March 2023 and this was submitted to the Prudential Regulation Authority shortly afterwards.

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Jeff Woyda
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J D Woyda - Chairman

DocuSigned by:
Thomas Irving
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T J Irving - Chief Executive Officer

17 July 2023

Directors' Report

Summary of the financial year

The directors present their directors report on ITIC for the year ended 31 May 2023.

The results of ITIC are contained in the accounts on pages 13 to 32. The surplus before taxation for the year ended 31 May 2023 was US$2,091,000 (2022: surplus US$2,070,000). Additional explanation is included in the Strategic Report on page 4.

Directors

The names of the present directors, all of whom have held office during the year unless stated otherwise, are shown on page 3.

In the case of each of the persons who are directors at the time this report is approved, so far as the directors are aware, the following applies:

(a) There is no relevant audit information of which ITIC’s auditors are unaware; and

(b) They have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that ITIC's auditors are aware of that information.

Reinsurance relationship with Transport Intermediaries Mutual Insurance Association Limited ("TIMIA")

ITIC reinsures with TIMIA, registered in Bermuda, on a 90% quota share basis both its liabilities from 1 September 1992 and its liabilities assumed under the agreement to run-off Transport Intermediaries Mutual Insurance Association Limited and the Chartered and International Shipbrokers P&I Club Limited ("CISBA").

Meetings of the Directors

The board met on five occasions in order to carry out its general and specific responsibilities under the Memorandum of Association and Rules of ITIC. The number of directors present at these meetings were as follows:

14 July 2022	8 directors present
2 September 2022	15 directors present
22 September 2022	15 directors present
15 November 2022	14 directors present
23 March 2023	14 directors present

The directors considered the following topics at their meetings:

Audit Investment & Risk committee minutes
Board nominations
Business plan
Claims report including cases for consideration
Closure of earlier policy years
Directors’ and officers’ liability insurance cover
Directors’ fees
Doing business in the EEA
Finance report including forecasts and budgets
Fit & proper declaration
Free reserve strategy review
General data protection regulation
Internal audit reports
Investment report, policy and mandate
Litigation against ITIC (*)
Modern Slavery Act 2015 declaration
Management agreement and fees
Material third party contracts
Nominations committee minutes
Operational resilience
Own Risk & Solvency Assessment
Policy reviews
Regulatory issues and letters
Reinsurance renewal
Renewal proposal
Report and financial statements, audit and regulatory returns
Risk assessments and risk appetite
Rotation of auditors
Rule updates and changes
Sales, marketing & communications report
Solvency and Financial Condition Report
Strategy review
Terms of reference for board and committees
Underwriting report

* Regarding litigation against ITIC, there are several cases in relation to claims where ITIC, in its capacity as the insurer of policyholders, has been brought into the claim as an additional defendant. This is considered to be a normal part of business and ITIC makes provisions for such cases, if required, as part of its assessment of outstanding claims reserves at the year end. Otherwise, there is no known current litigation against ITIC.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Directors' Report, the Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of ITIC and of the surplus or deficit of ITIC for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that ITIC will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain ITIC's transactions and disclose with reasonable accuracy at any time the financial position of ITIC and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of ITIC and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

The following matters have been discussed within the Strategic Report:

i) Likely future developments in the business of the company; and
ii) The financial risk management objectives and policies of the company.

Sustainability

As part of its existing risk management framework, ITIC has in place a plan for dealing with the impact of climate change on its business operations and the associated risks. Ongoing assessment of ITIC's impact is in place and the plan will be refined during 2023.

ITIC falls under the scope of the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Reporting) Regulations 2018 ("the Regulations") based on its turnover and balance sheet total. The directors have determined that ITIC is a low energy user, using less than 40,000 kwh per year. As noted earlier, ITIC's core management and business activities are outsourced to Thomas Miller. For these reasons the directors have not included information in relation to ITIC's energy and carbon usage.

Impact of crisis in Ukraine

The business impact of the war in Ukraine has been significant, but has not materially impacted ITIC's financial position or its risks. The Board took the decision to run-off the Russian portfolios in an orderly fashion and in as short a time as this could be achieved. This has largely been accomplished and as at the year-end, only two policies, which were two year policies, remain in force and will not be renewed when their terms expire. ITIC has continued to service the business being run-off in the professional manner expected in accordance with the ITIC's mutual status. The Managers have also looked throughout the year for opportunities to support ITIC's two Ukrainian Members. The conflict highlighted additional legal and regulatory complexity as sanctions and other legal developments require constant vigilance and action. ITIC has navigated this landscape effectively.

Impact of high inflation

Rising inflation has been a new factor impacting ITIC's environment. Included within the claim estimates is a loading for the spike in inflation being experienced in many economies. This loading is in addition to the provision for inflation applied in each year. The directors do not consider there to be any significant risk to the activities of ITIC or any material financial impact.

Directors' indemnities

Directors' and officers' insurance cover has been established for all directors to provide appropriate cover for their reasonable actions on behalf of ITIC. This constitutes a qualifying third-party indemnity provision as defined by section 234 of the Companies Act 2006. The policy was in force during the financial year and remains in force for all current and past directors of ITIC.

Assessment of going concern

The company has retained reserves of US$50,466,000 (2022: US$48,334,000).

The solvency ratio as at 30 November 2022, when last calculated, was 466% (Solvency II available own funds US$56,580,000) compared to the previous year end, 31 May 2022 where it was 479% based on the standard formula solvency capital requirement applicable to it. With strong underwriting but negative investment results, the solvency ratio as at 31 May 2023 is expected to be in line with the 30 November 2022 position.

The directors have considered the ongoing impact of the crisis in Ukraine, as noted above, as well as other economic factors such as inflation, energy prices, and cost of living crisis on the current and forecast position of the company. The directors consider it appropriate to adopt the going concern basis of accounting in the preparation of these financial statements and are not aware of any material uncertainties to ITIC's ability to continue to do so for at least 12 months from the date of authorisation of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual accounts.

Post balance sheet events

The board made a decision to establish a subsidiary in Cyprus through which to underwrite its European business. ITIC is in the process of obtaining approval from the Cypriot regulators and it is hoped that the new company, to be named International Transport Intermediaries Insurance Company (Europe) Limited ("ITIICE") will commence underwriting during the next financial year. In addition, it is planned that the portfolio of current policies and claims reserves will be transferred into this entity from UK P&I N.V., ITIC's current fronter in Europe.

There were no other post balance sheet events requiring disclosure.

Auditors

This year end is the last for BDO LLP as auditors as they have reached the end of their permitted tenure. PKF will be the new auditors and a resolution will be proposed for their appointment in accordance with Section 489 of the Companies Act 2006 at the Annual General Meeting to be held on 21 September 2023.

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Jeff Woyda	Thomas Irving	
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J D Woyda	T J Irving	
Chairman	Chief Executive Officer	17 July 2023

REPORT OF THE INDEPENDENT AUDITORS

Independent Auditors' Report to the Members of International Transport Intermediaries Club Limited

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 May 2023 and of the its surplus for the year then ended;
- the financial statements - have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of International Transport Intermediaries Club Limited (the 'Company') for the year ended 31 May 2023 which comprise the Income and Expenditure Account, the Statement of Financial Position, the Statement of Changes in Reserves, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and Financial Reporting Standard 103 Insurance Contracts (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit Investment and Risk Committee.

Independence

Following the recommendation of the Audit Investment and Risk Committee, we were appointed by the Board of Directors on 13 December 2002 to audit the financial statements for the year ending 31 May 2003 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 21 years, covering the years ending 31 May 2003 to 31 May 2023. We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Review of the Directors going concern assessment. As a part of this we reviewed the Company's capital position to the solvency capital ratio as well as the Own Risk and Solvency Assessment ('ORSA'), reconciling current positions to the financial statements and challenged the future assumptions embedded within the solvency projection model for reasonableness. We have also checked that the modelling used for solvency is in line with industry standards.

- Reviewed and challenged the Company's current plans and budgets included in its forecasts, assessing growth assertions against published market assumptions as well as other assumptions relating to overheads, commissions, investment income and claims.
- We assessed the impact of emerging issues and the current macroeconomic environment on the future capital position of the Company.
- Considered the impact of climate change on the Company's activities and its financial position based on our knowledge of the Company.
- Considered the accuracy of the Directors forecasting ability by comparing previous reporting periods budgets to current year actuals.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

		2023	2022
Key audit matters	Valuation of claims outstanding and Reinsurer's Share of claims outstanding.	Yes	Yes
	Revenue recognition	Yes	Yes
Materiality	Financial statements as a whole		
	US$2.5m (2022:US$2.4m) based on 5% (2022: 5%) of net assets.		

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

REPORT OF THE INDEPENDENT AUDITORS (continued)

Key audit matter	How the scope of our audit addressed the key audit matter
Valuation of claims outstanding and Reinsurer's Share of claims outstanding As disclosed within note 2 (f), 3 and note 7 – 'claims provisions and related recoveries'. Gross Claims outstanding figure at the year-end was $74,3m (2022: $77.9m), with the net balance being $6.2m (2022: $6.2m). The valuation of claims outstanding both gross and net of reinsurance is a key area of estimation within the financial statements. There is a risk that inappropriate assumptions and judgements are made when determining the valuation of claims outstanding. Claims outstanding is made up of individual estimates on claims notified to the Company and claims incurred but not enough reported ('IBNER'). 1. Case estimates rely on: - The correct and timely entry of claims information onto the claims system before the year end; and - Adjustments being made to significant year end estimates and payments being absorbed by the Company's assessment of IBNER. 2. IBNER modelling is reliant on: - Relevant claims data being input correctly into actuarial models; and - The application of appropriate actuarial techniques, judgements and assumptions. 3. The Company reduced its insurance risk through a programme of quota share and excess of loss therefore the reinsurer's share of technical provisions is reliant on the assumptions and judgements on the gross figure.	We have performed the following procedures: Gross Claims outstanding: - We, with the assistance of our actuarial specialists performed the following: o Conducted independent projections of claims outstanding as at 31 May 2023 and compared these with the Company's booked amounts in order to check the booked claims outstanding for reasonableness. o Constructed an independent range of reasonable best estimates to evaluate the results of our reprojections. o Performed an analysis of change in reserves between prior year and current year on a gross and net basis. o Reviewed management's assumptions and methods to address the impact of inflation in the claims outstanding. o We have tested the underlying data used in the claims outstanding calculation and the data provided to our actuarial specialists to perform their calculation by checking the completeness and accuracy of the data inputs by matching to the Company's accounting records which we have tested on a sample basis as part of our audit. o Tested a sample of movements pre and post-year end to the relevant claims estimate documentation to verify whether these adjustments were accounted for in the appropriate period. o Performed testing on a sample of claims estimates as at year end, by agreeing the case estimates to relevant supporting documentation (legal correspondence and loss adjuster forms) to verify the correct recording and valuation of claims estimates. Valuation of Reinsurance share of Technical Provisions (claims outstanding): - With the assistance of our actuarial specialists we reviewed the netting off methodology and assumptions applied to the gross claims outstanding for the impact on the excess of loss and quota share reinsurance. - Recalculated the quota share element of the reinsurers' share of technical provisions in accordance with the quota share agreement. - Performed testing over other reinsurers' share of claims outstanding by obtaining the retention rates per policy year and recalculating the reinsurance share of claims estimates. Key Observations: - Based on our audit procedures performed we consider the judgements and assumptions made in the Valuation of claims outstanding and Reinsurer's Share of claims outstanding to be appropriate.
Revenue recognition As disclosed within note 2 (b-d) and note 5 – 'Premium including movement on unearned premium' the Gross Written Premium figure at the year-end was $60.4m (2022: $80.4m), with the gross Unearned premium figure $40m (2022:$48.8m). The Company underwrites multi-year policies, which incept throughout the year, giving rise to unearned premium as per note 5 within the financial statements. Earned premium is also reliant on the accuracy and completeness of data entered into the underwriting system. Therefore, any errors or omissions in data entry will affect the accuracy of revenue recognition. There is a risk that the revenue recognition policies may not reflect the underlying risk profile of the business underwritten due to the following: - Earnings pattern not following the exposure profile; - Unearned premiums reserve calculated incorrectly; and - Premiums incepting in the final months of the year not being appropriately included within the financial statements. The Company also recognises continuity credit which is netted off against gross written premium and there is also a risk that the continuity credit adjustments made during the life of policies may not be appropriately recognised in the financial statements. For these reasons revenue recognition was considered to be a key audit matter.	We performed the following procedures: - Assessed whether the basis for recognising premiums were materially appropriate in accordance with the requirements of applicable accounting standards. - Reviewed the earnings methodology applied by the Company by line of business and assessed them against the requirements of applicable accounting standards. - On a sample basis we tested gross written premiums to supporting documentation to check that the information input into the underwriting system agreed to the supporting documentation and reconciled the total listing to the trial balance. - Recalculated the total of the unearned premiums reserve at the year end using the gross written premium data for the year. - Performed an analysis of the relationship between deferred acquisition costs and written acquisition costs by comparing these to the relationship between gross written premiums and unearned premiums to check that these are aligned. - For cut-off we tested a sample of pre and post year end premiums to check that the final month of premiums in the 2023 financial statements was complete by agreeing the sample to the relevant policy document to determine whether it was recorded in the correct financial year. For the continuity credit: - We recalculated a sample of policies to check that the 2nd year manual continuity credit calculation is in line with the approved circular for the underwriting year. Key observations: We consider that management's judgements in respect of the earnings of premium and estimation of premium are reasonable.

REPORT OF THE INDEPENDENT AUDITORS (continued)

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Company financial statements	2023	2022
		US$	US$
Materiality		2.50	2.40
Basis for determining materiality	5% of net assets (2022: 5% of net assets)		
Rationale for the benchmark applied	As a mutual insurer, the main objective of the Company is to maintain a sufficient level of reserves to cover the claims that arise within the Company. This is determined largely by the solvency of the Company and the accounting measure most relevant to this is net assets.		
Performance materiality		1.89	1.80
Basis for determining performance materiality	75% of financial statement materiality. We selected 75% as this was reflective of our assessed risk of the financial statements containing misstatements, after considering previous experience of this audit engagement.		

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of $126,000 (2022: $120,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the statement of Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations

we considered the significant laws and regulations to be:

- Companies Act of 2006.
- Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) regulations.
- Financial Reporting Standards 102 and 103 applicable in the UK
- The General Data Protection Regulations (GDPR)

The Company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified these to be the FCA and PRA regulations and Bribery Act 2010.

Our procedures in respect of the above included:
- Obtaining an understanding of the legal and regulatory framework applicable to the Company's operations.
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations.
- Enquiring of the those charged with governance and other management of instances of non-compliance.
- Review of correspondence with regulatory and tax authorities, including the PRA and FCA for any instances of non-compliance with laws and regulations;
- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Review of legal expenditure accounts to understand the nature of expenditure incurred; and
- Review of the ORSA for any evidence of non-compliance with the PRA Solvency II regulations.

Fraud

- We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included: Enquiring of those charged with governance, internal audit and management as to whether they have knowledge of any actual, suspected or alleged fraud. Review of Board, Audit Investment and Risk Committee meeting minutes and correspondence with regulatory authorities throughout the year for any known or suspected instances of fraud.
- Identifying any unusual journal entries based on criteria that are indicative of a high risk of fraud.
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements.
- Obtain an understanding of the control environment in monitoring compliance with laws and regulations.
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be valuation of claims outstanding, management override of controls and revenue recognition. Our procedures in respect of the above included:
- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Testing a sample of manual revenue journal entries to third party information to ensure that they are not indicative of management bias;
- Performing the procedures set out in the key audit matters section relating to revenue recognition; and
- With the assistance of our actuarial specialists, reviewed the assumptions and methodology applied by the Company in the valuation of claims outstanding and performed reprojections of the claims outstanding to verify the methods utilised are appropriate and are not indicative of management bias (Refer to the key audit matters section above).

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Tom Reed

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Thomas Reed (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor, London, UK
BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

20 July 2023

INCOME AND EXPENDITURE ACCOUNT
for the year ended 31 May 2023

	Notes	2023 US$ 000s	2023 US$ 000s	2022 US$ 000s	2022 US$ 000s
TECHNICAL ACCOUNT					
Gross premiums written	2, 5	60,416		80,427	
Less continuity credits raised	5	(16,278)		(14,698)	
Premiums written		44,138		65,729	
Outward reinsurance premiums	2, 6	(17,806)		(34,815)	
Net premiums written		26,332		30,914	
Change in gross provision for unearned premium less deferred continuity credits	5	9,821		(14,258)	
Reinsurers' share	6	(8,838)		12,832	
		983		(1,426)	
Earned premiums net of reinsurance	**6**		**27,315**		**29,488**
Claims paid					
Gross amount	7	(22,571)		(23,225)	
Reinsurers' share	7	17,629		18,092	
		(4,942)		(5,133)	
Change in the provision for claims					
Gross amount	7	3,602		15,601	
Reinsurers' share	7	(3,493)		(14,621)	
		109		980	
Claims incurred net of reinsurance	**7**		**(4,833)**		**(4,153)**
Net operating expenses	8		**(19,855)**		**(19,790)**
Balance on the technical account before investment income			**2,627**		**5,545**
Transfer of investment result from the non-technical account			**(15)**		**(641)**
Balance on the technical account			**2,612**		**4,904**
NON-TECHNICAL ACCOUNT					
Balance on the technical account			**2,612**		**4,904**
Investment result - realised	14	(23)		3,696	
Unrealised (losses) / gains on investments	14	8		(4,337)	
Transfer of investment result to the technical account		15		641	
Other income – exchange result	15	(521)		(2,834)	
			(521)		(2,834)
Surplus before tax			**2,091**		**2,070**
Tax	16		41		122
Surplus after tax			**2,132**		**2,192**

All the above transactions relate to continuing activities. There is no other comprehensive income. The notes on pages 17 to 32 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION **Company No 2725312**
as at 31 May 2023

	Notes	2023 US$ 000s	2023 US$ 000s	2022 US$ 000s	2022 US$ 000s
ASSETS					
Investments					
Other financial investments	2, 17		53,606		57,838
Forward Contracts	17		-		-
Reinsurers' share of technical provisions					
Unearned premium provision	6	35,988		43,891	
Claims outstanding	7	68,103		71,596	
			104,091		115,487
Debtors					
Arising out of direct insurance operations	18	24,437		31,811	
Arising out of reinsurance operations	18	1,191		1,278	
Other debtors	19	50		134	
Deferred Tax Asset	19	163		-	
			25,841		33,223
Other Assets					
Cash at bank			3,647		8,759
Prepayments and accrued income					
Accrued interest		216		181	
Deferred acquisition costs	10	5,827		6,379	
Prepayments		-		-	
			6,043		6,560
TOTAL ASSETS			**193,228**		**221,867**
LIABILITIES					
Reserves					
Income and expenditure account			50,466		48,334
Technical provisions					
Provision for unearned premiums	5	39,986		48,768	
Claims outstanding – gross amount	7	74,323		77,925	
			114,309		126,693
Financial Liability					
Forward Contracts			22		2
Creditors					
Arising out of direct insurance operations - amounts due to members / brokers		26		49	
Arising out of reinsurance operations	20	19,782		36,933	
Other creditors including taxation and social security	21	1,553		1,738	
			21,361		38,720
Accruals	22		7,070		8,118
TOTAL LIABILITIES AND RESERVES			**193,228**		**221,867**

The notes on pages 17 to 32 form an integral part of these financial statements.

The financial statements on pages 13 to 32 were approved by the directors on 17 July 2023.

DocuSigned by:	DocuSigned by:	DocuSigned by:
Jeff Woyda	Francesca BOGNIN	Thomas Irving
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J D Woyda	F Bognin	T J Irving
Director	Director	Director and Chief Executive Officer

INTERNATIONAL TRANSPORT INTERMEDIARIES CLUB LIMITED

STATEMENT OF CHANGES IN RESERVES
as at 31 May 2023

	2023 US$ 000s	2022 US$ 000s
Balance at start of the year	48,334	46,142
Surplus for the year	2,132	2,192
Other comprehensive income for the year	-	-
Balance at end of the year	**50,466**	**48,334**

The notes on pages 17 to 32 form an integral part of these financial statements.

CASH FLOW STATEMENT
for the year ended 31 May 2023

	2023 US$ 000s	2022 US$ 000s
Operating activities		
Calls & premiums received, net of continuity credit paid	51,490	59,194
Reinsurance premium paid	(35,453)	(37,374)
Claims paid	(22,571)	(23,225)
Reinsurance recoveries received	17,716	16,936
Acquisition costs	(10,960)	(12,851)
Operating expenses paid	(9,282)	(6,654)
Interest and dividends received	1,404	3,758
Taxation paid	163	(585)
Net cash (utilised) / provided by operating activities	**(7,493)**	**(801)**
Investing activities		
Purchase of investments	(34,081)	(33,953)
Sale of investments	36,859	40,536
Exchange gains / (losses)	(397)	(3,010)
Net cash used in investing activities	**2,381**	**3,573**
Net change in cash and cash equivalents	**(5,112)**	**2,772**
Cash and cash equivalents at the beginning of the year	8,759	5,987
Effect of exchange rate fluctuations on cash and cash equivalents	-	-
Cash and cash equivalents at the end of the year	**3,647**	**8,759**

The notes on pages 17 to 32 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Note 1 Constitution

ITIC is incorporated in England and Wales under the Companies Act 2006 as a company limited by guarantee and not having a share capital. ITIC's company registration number is 2725312 and its registered address is 90 Fenchurch Street, London EC3M 4ST.

In the event of ITIC's liquidation the net assets of ITIC are to be distributed among the current members in proportion to the amounts of premium payable by them during the preceding three years.

Note 2 Accounting policies

(a) Statement of compliance and basis of preparation

These financial statements have been prepared in accordance with the Companies Act 2006, Schedule 3 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and applicable accounting standards in the United Kingdom ("UK GAAP"). The financial statements are prepared in accordance with "FRS102: The financial reporting standard applicable in the UK and Republic of Ireland" and "FRS103: Insurance contracts".

The financial statements have been prepared on the historical cost basis, except for financial investments which are presented at fair value.

The company has retained reserves of US$50,466,000 (2022: US$48,334,000). The solvency ratio as at 30 November 2022, when last calculated, was 466% (available own funds US$56,580,000) compared to the previous year end, 31 May 2022 where it was 479% based on the standard formula solvency capital requirement applicable to it. The solvency ratio as at 31 May 2023 is expected to be in line with the 30 November 2022 position. The directors have considered the impact of high inflation and the crisis in Ukraine, as disclosed in the Strategic Report. The directors consider it appropriate to adopt the going concern basis of accounting in the preparation of these financial statements and are not aware of any material uncertainties to ITIC's ability to continue to do so for at least 12 months from the date of authorisation of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual accounts.

(b) Policy year accounting

ITIC's business is accounted for on an annual basis. Each policy year runs in line with the club financial year. For reporting the policy year position to the members, calls and premiums together with reinsurance premiums are allocated to the policy years in which they incept. Claims and related reinsurance recoveries are allocated to the policy year in which the claim is first notified. General expenses and management fees are allocated to the current policy year. A policy year is usually closed during the policy year following the year of inception during which time members are liable for their rateable proportion of any deficiency resulting from an excess of claims and expenses over income. The board are empowered to return premium via a continuity credit if they believe that it is appropriate to do so. The policy year position is shown in the analysis of funds section within the strategic report.

The income and expenditure account for a year represents the aggregate of changes during the financial year on all policy years.

(c) Gross written premiums

Gross written premiums arise from annual and multi-year policies. All premiums are recognised on inception of the policy. Gross written premiums are the total receivable for contracts entered into during the accounting period together with any premium adjustments relating to prior periods. Continuity credits are discounts provided to renewing members against the renewed policy. All premiums and continuity credits are shown gross of commission payable to intermediaries and are exclusive of taxes and duties levied thereon. The continuity credit is a mechanism used to return surpluses on policy years to the long term members of the club, helping the club satisfy its mutual obligations.

Gross written premiums arise from direct insurance and from fronted reinsurance. Fronted reinsurance arises where policies are underwritten in the name of another entity which then wholly reinsures the risk into ITIC. This approach will be used when ITIC needs a facility to underwrite in certain countries where it is not permitted and admitted. ITIC continues to underwrite in the EU using a Dutch company, UK P&I N.V. to front for it. The terms, policy wordings and accounting recognition for fronted reinsurance are the same as for the direct insurance written.

(d) Unearned premiums

Written premiums are recognised as earned income over the period of the policy on a time apportionment basis with the unearned portion recognised in the balance sheet. Similarly, continuity credit costs are recognised over the period of the policy on a time apportioned basis, as a discount to premiums.

(e) Deferred acquisition costs

Acquisition costs, comprising commission and other costs related to the acquisition of new insurance contracts, are deferred to the extent that they are attributable to premiums unearned at the statement of financial position date.

Note 2 Accounting policies (continued)

(f) Claims

Claims are the legal costs and expenses of the members covered by ITIC. They include all claims notified during the year, whether paid, estimated by the management or where claims reserves have been created to cover future deterioration, together with current and future claims handling fees. Claims also include adjustments for claims outstanding from previous years.

Statement of financial position

The claims provision, recognised as a part of technical provisions in the statement of financial position, comprises:
i) Estimated claims as at the statement of financial position date on notified claims outstanding in all policy years;
ii) Additional provision to allow for adverse developments on estimated claims including those claims where no estimate is currently thought to be required. This comprises a provision for claims incurred but not enough reserved ("IBNER") plus a claims margin;
iii) Provision for the managers' future claims handling costs; and
iv) Since ITIC insures on a claims made basis, there is no need to provide for incurred but not reported claims.

The risks associated with insurance contracts are complex and subject to a number of variables. ITIC uses several statistical and actuarial techniques based on past claims development experience. This includes indications such as average claims cost and ultimate claims numbers.

Significant delays are experienced in the settlement of certain insurance claims, the ultimate cost of which may vary from the original assessment. Adjustments to claims provisions established in previous years are reflected in the financial statements for the period in which the adjustments are made.

Income and expenditure account

The figure for claims incurred in the income and expenditure account comprises claims and costs paid during the year, the claims handling costs of the managers and the movement in the claims provision since the last statement of financial position date.

(g) Reinsurance recoveries

The claims liabilities of ITIC are reinsured for claims costing above certain levels. In addition, claims within ITIC's retention are reinsured on a 90 per cent quota share basis. The figure credited to the income and expenditure account for reinsurance recoveries represents receipts and amounts due or estimated under these arrangements on claims already notified. The quota share reinsurance policy also provides for recovery of 100% of management and general expenses and the currency gains / losses.

(h) Outward reinsurance premiums

Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inward reinsurance business being reinsured.

(i) Financial instruments

ITIC has applied the requirements of FRS 102 sections 11 and 12 to the measurement, presentation and disclosure of its financial assets. Investments in short term deposit funds and the foreign exchange security deposit are designated in the statement of financial position at fair value through profit or loss. Fair value is calculated using the bid price at the close of business on the statement of financial position date. Those purchased in foreign currencies are translated into sterling on the date of purchase. The fair value of foreign currency investments is translated at the rate of exchange ruling at the statement of financial position date.

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire, or when ITIC has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

ITIC enters into basic financial instrument transactions that results in the recognition of financial assets and liabilities such as insurance debtors and creditors, these are initially measured at cost or amortised cost and are accessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found a provision is recognised in the statement of income and expenditure.

(j) Other financial investments

Assets, including all investments of ITIC, are classified as fair value through profit and loss and are designated as such by management to minimise any measurement or recognition inconsistency with the associated liabilities.

Investments are included in the statement of financial position at market value translated at year end rates of exchange. Fair values of investments traded in active markets are measured at bid price. Where there is no active market, fair value is measured by reference to other factors such as independent valuation reports. Derivatives held as investments of ITIC, are classified as fair value through profit and loss in line with the treatment of other investments.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions at an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.

The costs of investments denominated in currencies other than US dollars are translated into US dollars on the date of purchase. Any subsequent changes in value, whether arising from market value or exchange rate movements, are charged or credited to the income and expenditure account. The movement in unrealised investment gains and losses includes the reversal of previously recognised unrealised gains and losses on investments disposed of in the current period.

Net gains or losses arising from changes in fair value of financial assets at fair value through profit or loss are presented in the income and expenditure account within 'unrealised gains/(losses) on investments' in the period in which they arise.

(k) Investment returns

Investment returns comprise dividend income from equities, income on fixed interest securities and interest on deposits and on cash. As part of ITIC's quota share reinsurance arrangements with TIMIA, the total ITIC and TIMIA investment result is apportioned between the two companies on a 10:90 split.

Dividends are recognised as income on the date the relevant securities are marked ex-dividend. Other investment income is recognised on the accruals basis.

(l) Cash and cash equivalents

Cash and cash equivalents consist of: cash in hand, balances with banks and investments in money market instruments which are readily convertible, being those with original maturities of three months or less. Cash and cash equivalents in foreign currency are translated based on the relevant exchange rates at the reporting date.

(m) Foreign currencies

ITIC's functional and presentation currency is US dollars and the figures shown within the financial statements are rounded to the nearest thousand.

Transactions in foreign currencies have been translated into US dollars at the rate applicable for the month in which the transaction took place. At each reporting date, monetary assets and liabilities that are denominated on foreign currencies, are translated into US dollars at the rates of exchange ruling at the end of the reporting period.

All exchange gains and losses, whether realised or unrealised, are included in the foreign exchange gains and losses in the income and expenditure account.

(n) Taxation

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. The company is a mutual and is not taxed on its operating result or exchange gains / (losses) but only on its investment income. Tax is calculated in full on timing differences that result in an obligation at the statement of financial position date to pay more tax or a right to pay less tax at a future date. The rates used in these calculations are those which are expected to apply when the timing differences crystallise, based on the current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in the periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax balances are not discounted.

Note 3 Critical accounting estimates and judgements

ITIC makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The following critical accounting estimates and judgements are made by ITIC:

The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is ITIC's most critical accounting estimate. The carrying amount for the liability and any related reinsurance recovery is shown in the notes to the accounts. There are several sources of uncertainty that need to be considered. Estimates are made for the expected ultimate cost of claims reported at the end of the reporting period and thus comprise of case estimates plus an additional provision for claims IBNER (see note 2f).

The provision for IBNER is generally subject to a greater degree of uncertainty than the case estimates. In calculating the estimated liability, ITIC uses a variety of estimation techniques based upon statistical analyses of historical experience which assumes past trends can be used to project future developments. The methods used and estimates made, are reviewed regularly.

Note 4 **Management of risks**

ITIC is governed by the board of directors which drives decision making within ITIC from board level through to operational decision making within the managers. The board considers the type and scale of risk that ITIC is prepared to accept in its ordinary course of activity and this is used to develop strategy, risk appetite and decision making.

ITIC is focused on the identification and management of potential risks. This covers all aspects of risk management including that to which ITIC is exposed through its core activity as a provider of insurance services plus the broader range of risks. ITIC's considers its key risks as the following:

- Insurance risk - incorporating underwriting and reserving risk;
- Market risk - incorporating investment risk, and interest rate risk;
- Currency risk - the risk of adverse currency exchange movements;
- Credit risk - the risk that a counterparty is unable to pay amounts in full when due; and
- Liquidity and cash flow risk - the risk that cash may not be available to pay obligations as they fall due.

Financial risk management objective

ITIC is exposed to financial risk through its financial investments, reinsurance assets and liabilities to policy holders. In particular, the key financial risk is that the proceeds from financial investments are not sufficient to fund the obligations arising from policies as they fall due. The most important components of this financial risk are market risk or investment risk (comprised of interest rate risk, equity price risk and currency risk) together with credit risk and liquidity risk.

ITIC manages these risks using a risk governance structure incorporating the managers' risk committee and the Audit Investment & Risk Committee. Further details can be found in the Strategic Report on pages 4 to 7.

The board is responsible, advised by ITIC's Chairman working with the Audit Investment & Risk Committee, for setting investment policy and the appropriate level of market or investment risk. This is set with reference to the overall risks faced by ITIC which are analysed as part of the ORSA process.

The processes used to manage risks within ITIC are unchanged from the previous period.

(a) Insurance risk

ITIC's exposure to insurance risk is initiated by the underwriting process and incorporates the possibility that an insured event occurs, leading to a claim on ITIC from a member. The risk is managed by the underwriting process, acquisition of the reinsurance cover, and the management of claims costs.

ITIC's main insurance risks can arise from:
- Inappropriate underwriting of risks;
- Prohibitive cost / unavailability of reinsurance;
- Failure to react to major increase in claims;
- Impact of new legislation on risks written; and
- Over reliance on significant premium payers.

The objective of ITIC's insurance risk management process is to establish effective underwriting, reinsurance and reserving strategies which are agreed and monitored by ITIC's board in accordance with its risk appetite statement.

ITIC establishes provisions for unpaid claims and related expenses to cover its expected liability. These provisions are established through the application of actuarial techniques and assumptions. In order to minimise the risk of understating these provisions, the assumptions made and actuarial techniques employed are reviewed in detail by management.

ITIC considers that the liability for insurance claims recognised in the statement of financial position is adequate. However, actual experience will differ from the expected outcome and this is monitored in ITIC's Key Risk Indicators which are reported to the board and Audit Investment & Risk Committee at their meetings.

The results of sensitivity testing are set out below, showing the impact on the surplus before tax, gross and net of reinsurance. The impact of the change in a single factor is shown, with the assumption unchanged. The sensitivity was chosen because the loss ratio is a key performance indicator of the business. The analysis assumes that a change in loss ratio (claims including management fee element as a percentage of earned premium less acquisition costs) is driven by the change in claims incurred. The 5% assumption for sensitivity is chosen to demonstrate a typical level of swing that might be experienced.

	2023	2022
	US$	US$
Increase in loss ratio (see definition below) by 5 percentage points from 37% to 42% (2022 - 22% to 27%)	000s	000s
Based on gross premium net of acquisition costs	(2,852)	(2,705)
Based on gross premium net of acquisition costs and reinsurances	(259)	(244)

A 5 per cent decrease in loss ratios would have an equal and opposite effect.

Loss ratio is calculated as claims incurred net of excess of loss recoveries (including management fee element) as a percentage of gross earned premium less acquisition costs (including management fee element). These figures are shown in the strategic report.

Note 4 Management of risks (continued)

Underwriting process

ITIC has an underwriting policy which is approved by the board annually which manages the underwriting risk. The policy sets out the processes by which the risk is managed.

ITIC operates a risk rating system which provides underwriting parameters for assessing the premium to be charged. All policies are signed off by the underwriting director or an individual delegated by the underwriting director.

Reinsurance

ITIC's reinsurance programme is designed to manage risk to an acceptable level to optimise ITIC's capital position. The programme comprises excess of loss reinsurance cover to protect against individual large losses, and a 90% quota share arrangement with TIMIA.

Reserving process

ITIC establishes provisions for unpaid reported claims and relating expenses to cover its expected liability. These provisions are established through the application of actuarial techniques and assumptions as set out in note 3 of the financial statements as directed and reviewed by the Audit Investment & Risk Committee. In order to minimise the risk of understating these provisions, the assumptions made and actuarial techniques employed are reviewed in detail by senior members of the managers and ITIC's Audit Investment & Risk Committee.

ITIC considers that the liability for insurance claims recognised in the statement of financial position is adequate. However, actual experience will differ from the expected result.

(b) Market - interest rate risk

ITIC's investment policy is set to ensure that the duration of the investment portfolio is appropriately matched to the duration of the policyholders' liabilities. Interest rate risk is monitored by comparing the mean duration of the investment portfolio and that of the policyholders' liabilities. The mean duration is an indicator of the sensitivity of the assets and liabilities to changes in the current interest rates.

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. In the event of a parallel shift of the yield curve up by 100 basis points, the benchmark portfolio value will move by the modified duration of approximately three years. This will result in a circa 3.1% loss on the fixed income portfolio.

For ITIC, this would result in a loss for the period and a decrease in investment values of approximately US$1,726,000 (2022: US$1,667,000) if all other assumptions remain unchanged.

A decrease of 100 basis points in bond yields would result in the opposite effect (i.e. increase in investment values of approximately equal magnitude) assuming all other assumptions remain unchanged.

Note 4 **Management of risks (continued)**

(c) Currency risk

ITIC is exposed to currency risk in respect of assets under policies of insurance denominated in currencies other than US dollars. The most significant currency risk to which ITIC is exposed to are pounds sterling and the Euro.

The following table shows ITIC's net retained reserves by currency. ITIC seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities within the financial investments denominated in the same currency. It should be noted that the table presented below shows balances arising from insurance and reinsurance contracts, the balance with quota share reinsurer and other debtors and creditors.

	US$	GBP	EUR	Other	Total
	US$	US$	US$	US$	US$
2023	000s	000s	000s	000s	000s
Debt securities, UCITS and cash	53,781	2,092	1,442	154	57,469
Forward Contracts	(2,410)	-	2,388	-	(22)
Reinsurers share of unearned premium provision	21,585	5,443	6,328	2,632	35,988
Reinsurers share of gross claims provisions	68,103				68,103
Debtors arising from direct insurance operations	13,167	3,753	5,764	1,753	24,437
Debtors arising from reinsurance operations	1,191	-	-	-	1,191
Other debtors	163	50	-	-	213
Gross claims provisions	(58,015)	(7,872)	(6,640)	(1,796)	(74,323)
Deferred acquisition costs	3,480	705	1,131	511	5,827
Creditors arising out of direct insurance operations - amounts due to members / brokers	(45)	-	(5)	24	(26)
Provision for unearned premiums	(23,983)	(6,048)	(7,032)	(2,923)	(39,986)
Creditors arising out of reinsurance operations	(24,221)	3,352	1,970	(883)	(19,782)
Other creditors including taxation and social security	(1,553)				(1,553)
Accruals	(4,343)	(1,437)	(685)	(605)	(7,070)
Total retained reserves	46,900	38	4,661	(1,133)	50,466

	US$	GBP	EUR	Other	Total
	US$	US$	US$	US$	US$
2022	000s	000s	000s	000s	000s
Debt securities, UCITS and cash	62,461	997	2,486	834	66,778
Forward Contracts	(1,705)	-	1,703	-	(2)
Reinsurers share of unearned premium provision	26,013	6,591	8,459	2,828	43,891
Reinsurers share of gross claims provisions	71,596				71,596
Debtors arising from direct insurance operations	18,851	4,951	5,963	2,046	31,811
Debtors arising from reinsurance operations	1,278	-	-	-	1,278
Other debtors	122	12	-	-	134
Gross claims provisions	(59,320)	(9,012)	(8,265)	(1,328)	(77,925)
Deferred acquisition costs	3,536	928	1,403	512	6,379
Creditors arising out of direct insurance operations - amounts due to members / brokers	(47)	(1)	(1)		(49)
Provision for unearned premiums	(28,904)	(7,323)	(9,399)	(3,142)	(48,768)
Creditors arising out of reinsurance operations	(41,379)	3,336	2,288	(1,178)	(36,933)
Other creditors including taxation and social security	(1,738)				(1,738)
Accruals	(5,109)	(1,186)	(995)	(828)	(8,118)
Total retained reserves	45,655	(707)	3,642	(256)	48,334

The change in exchange rates of sterling and the euro is the most likely cause of significant exchange gains or losses, hence these currencies are used for the sensitivity analysis. A 5 per cent strengthening of the following currencies against the US dollar would be estimated to have increased / (decreased) the surplus after tax and reserves at the year-end by the following amounts:

	Effect on Surplus after tax
As at 31 May 2023	
Sterling	2
Euro	233
As at 31 May 2022	
Sterling	(35)
Euro	182

A 5 per cent weakening of these currencies against the US dollar would have an equal and opposite effect.

Note 4 Management of risks (continued)

(d) Credit risk

Credit risk is the risk a counterparty will be unable to pay the amounts in full when due. The main areas where ITIC is exposed to credit risk are:

- Reinsurers' share of insurance liabilities;
- Amounts due from reinsurers in respect of claims already paid;
- Amounts due from policyholders;
- Amounts due from insurance intermediaries;
- Amounts due from bond issuers;
- Cash at banks and deposits with credit institutions; and
- Counterparty risk with respect to derivative transactions.

Reinsurance is used to manage insurance risk. This does not, however, discharge ITIC's liability as primary insurer. If a reinsurer fails to pay a claim, ITIC remains liable for the payment to the policyholder.

Credit risk on reinsurance balances is mitigated by assessing the creditworthiness of the reinsurer before it is used and strict criteria are applied (including rating the financial strength of the reinsurer) before a reinsurer is approved. All excess of loss reinsurance contracts are subject to an A- or above rating. The quota share reinsurance is placed with TIMIA. TIMIA is unrated but ITIC holds a fixed charge of US$40.5m on the TIMIA investments portfolio. This fixed charge security, together with TIMIA’s net asset value of US$179.5m as at 31 May 2023, provides satisfactory mitigation comfort over the credit risk exposure arising from the remaining portion of the claims recovery quota share which is unsecured.

Debtors arising out of direct insurance operations comprise premium owed by the members of the club. Credit risk relating to this risk is managed through take on procedures for the assured. Furthermore, if the assured does not pay, then cover may be cancelled back to inception.

Counterparty limits based on the credit ratings are also in place in relation to the amounts due from bond issuers and cash and bank deposits.

The following table provides information regarding aggregated credit risk exposure for financial assets with external credit ratings as at 31 May 2023. The credit rating bands are provided by independent ratings agencies:

2023	AAA US$ 000s	AA US$ 000s	A US$ 000s	BBB+ or less or not rated US$ 000s	Total US$ 000s
Fixed interest - Government	-	51,028	-	-	51,028
Fixed interest - Corporate	-	-	-	-	-
Forward Contracts	-	-	-	-	-
UCITS	2,578	-	-	-	2,578
Claims recoveries excess of loss reinsurance	-	-	6,130	-	6,130
Claims recoveries quota share reinsurance	-	-	-	61,973	61,973
Cash	-	-	-	3,647	3,647
Arising for insurance and reinsurance operations	-	-	-	25,628	25,628
Total	2,578	51,028	6,130	91,248	150,984

2022	AAA US$ 000s	AA US$ 000s	A US$ 000s	BBB+ or less or not rated US$ 000s	Total US$ 000s
Fixed interest - Government	-	53,490	-	-	53,490
Fixed interest - Corporate	-	-	-	-	-
Forward Contracts	-	-	-	-	-
UCITS	4,348	-	-	-	4,348
Claims recoveries excess of loss reinsurance	-	-	8,935	-	8,935
Claims recoveries quota share reinsurance	-	-	-	62,661	62,661
Cash	-	-	-	8,759	8,759
Arising for insurance and reinsurance operations	-	-	-	33,089	33,089
Total	4,348	53,490	8,935	104,509	171,282

ITIC's policy is to make a full provision against all reinsurance debts with an age in excess of two years and fifty per cent for reinsurance debts between one and two years old. ITIC issues notices of cancellation against premium debts greater than 60 days overdue unless there is good reason not to do so. In the event of cancellation the policy is cancelled back to inception.

Claims recovery balances in respect of quota share reinsurance include US$41,268,000 (2022 - US$40,354,000) covered by a fixed charge on a portfolio of assets held by Transport Intermediaries Mutual Insurance Association Limited.

After assessing all other financial assets at the end of the year, no objective evidence was found to suggest that any were impaired (2022: no impairments).

Note 4 Management of risks (continued)

(e) Liquidity and cash flow risk

Liquidity and cash flow risk is the risk that cash may not be available at a reasonable cost to pay obligations as they fall due. ITIC maintains holdings in short term deposits to ensure there are sufficient funds available to cover anticipated liabilities and unexpected levels of demand. As at 31 May 2023 ITIC's short term deposits amounted to US$3,647,000 (2022: US$8,759,000). The tables below provide a maturity analysis of ITIC's financial instruments which may be varied at the discretion of the investment manager. The assets in the below tables are not impaired due to the fact that their full value are deemed to be recoverable.

2023	Less than 6 months or on demand US$ 000s	6 months - 1 year US$ 000s	1 - 2 years US$ 000s	2-5 years US$ 000s	> 5 years US$ 000s	Carrying value in the statement of financial position US$ 000s
Debt securities	2,578	10,764	3,217	27,082	9,966	53,606
Forward Contracts	(22)	-	-	-	-	(22)
Reinsurers share of technical provisions - claims outstanding	15,744	10,201	13,279	8,967	19,912	68,103
Debtors arising out of direct insurance operations	10,148	6,270	8,019	-	-	24,437
Debtors arising out of reinsurance operations	1,191	-	-	-	-	1,191
Other debtors	213	-	-	-	-	213
Cash and cash equivalents	3,647	-	-	-	-	3,647
Technical provisions - claims outstanding	(17,181)	(11,133)	(14,492)	(9,786)	(21,731)	(74,323)
Creditors	(1,553)	-	-	-	-	(1,553)
Creditors arising from reinsurance operations	(1,138)	5,002	-	-	(23,672)	(19,808)
Total	13,627	21,104	10,022	26,263	(15,525)	55,491

2022	Less than 6 months or on demand US$ 000s	6 months - 1 year US$ 000s	1 - 2 years US$ 000s	2-5 years US$ 000s	> 5 years US$ 000s	Carrying value in the statement of financial position US$ 000s
Debt securities	4,348	-	11,047	42,443	-	57,838
Forward Contracts	(2)	-	-	-	-	(2)
Reinsurers share of technical provisions - claims outstanding	15,473	10,701	14,506	9,844	21,072	71,596
Assets arising from reinsurance contracts held	16,566	13,039	2,206	-	-	31,811
Debtors arising from insurance contracts	1,278	-	-	-	-	1,278
Other debtors	134	-	-	-	-	134
Cash and cash equivalents	8,759	-	-	-	-	8,759
Technical provisions - claims outstanding	(16,841)	(11,647)	(15,788)	(10,714)	(22,935)	(77,925)
Creditors	(1,738)	-	-	-	-	(1,738)
Creditors arising from reinsurance operations	(1,186)	(12,166)	-	-	(23,630)	(36,982)
Total	26,791	(73)	11,971	41,573	(25,493)	54,769

(f) Capital management

ITIC maintains capital, comprising of policyholders' funds (surplus and reserves), consistent with ITIC's risk profile and the regulatory requirements of the business. As at 31 May 2023, the total free reserves available amounted to US$50,466,000 (2022: US$48,334,000). ITIC's strategy is to maintain sufficient capital to exceed the Standard Formula Solvency II Capital Requirements ("SF SCR") such that there is less than a 1 in 200 chance of breaching this requirement over the subsequent year. The solvency ratio as at 30 November 2022, when last calculated, was 466% (available own funds US$56,580,000) compared to the previous year end, 31 May 2022 where it was 479% based on the standard formula solvency capital requirement applicable to it. The solvency ratio as at 31 May 2023 is expected to be in line with the 30 November 2022 position. The solvency position is reviewed by the board on an ongoing basis with a view to maintaining a level of capital sufficient to cover significant risks and regulatory requirements and these have not been breached in the current year.

Note 5 Premium including movement on unearned premium

ITIC writes only one class of business. Premium is written in one or two year policies and the renewal of these policies is uneven. As a result, more premium is written in years ending in an even number. The business review clearly summarises the premium on an earned basis and this shows a more even split between consecutive years. On 1 November 2019, as part of the Brexit solution, ITIC commenced underwriting through UK P&I NV in the Netherlands to write business in other EU countries. This is done on a fronting arrangement and the business is 100% reinsured to ITIC.

	2023 US$ 000s	2022 US$ 000s
Gross premium written:		
Direct insurance - members located in UK	16,261	21,820
Direct insurance - members located outside EU	25,253	33,405
Reinsurance - members located in other EU States	18,902	25,202
	60,416	**80,427**

Note 5 Premium including movement on unearned premium (continued)

Unearned premium is that part of gross premiums written, net of continuity credits, which is estimated to be earned in the following or subsequent financial years. The income and expenditure account shows the change in the provision for unearned premium and comprises the following:

	2023 Premium US$ 000s	2023 Continuity credit US$ 000s	2023 Total US$ 000s	2022 Premium US$ 000s	2022 Continuity credit US$ 000s	2022 Total US$ 000s
Written in year	**60,416**	**(16,278)**	44,138	**80,427**	**(14,698)**	65,729
Unearned provision brought forward	59,049	(10,281)	48,768	46,797	(10,144)	36,653
Foreign exchange differences	1,115	(76)	1,039	(2,503)	360	(2,143)
Less: Unearned provision carried forward	(52,035)	12,049	**(39,986)**	(59,049)	10,281	**(48,768)**
Movement in year	8,129	1,692	**9,821**	(14,755)	497	**(14,258)**
Earned / expensed in year	**68,545**	**(14,586)**	53,959	**65,672**	**(14,201)**	51,471

Note 6 Outward reinsurance premiums

Outward reinsurance premiums comprise quota share premium, continuity credit and acquisition costs between ITIC and TIMIA. In addition, there is the excess of loss insurance cost less the quota share in relation to this. Further there is a quota share ceding commission between ITIC and TIMIA.

	2023 Outward quota share reinsurance on premium US$ 000s	2023 Outward quota share reinsurance continuity credit US$ 000s	2023 Other reinsurance US$ 000s	2023 Total US$ 000s	2022 Outward quota share reinsurance on premium US$ 000s	2022 Outward quota share reinsurance continuity credit US$ 000s	2022 Other reinsurance US$ 000s	2022 Total US$ 000s
Written in year	(54,375)	14,650	-	(39,725)	(72,385)	13,228	-	(59,157)
Plus ceding commissions from TIMIA	-	-	14,021	14,021	-	-	16,551	16,551
Plus quota share on acquisition costs (note 10)	-	-	8,428	8,428	-	-	8,327	8,327
Less excess of loss insurance			(5,303)	(5,303)			(5,365)	(5,365)
Plus quota share reinsurance - excess of loss	-	-	4,773	4,773	-	-	4,829	4,829
Outward reinsurance premiums				**(17,806)**				**(34,815)**
Unearned provision brought forward	(53,144)	9,253	-	(43,891)	(42,117)	9,130	-	(32,987)
Foreign exchange differences	(1,004)	69	-	(935)	2,253	(325)	-	1,928
Less: Unearned provision carried forward	46,832	(10,844)	-	35,988	53,144	(9,253)	-	43,891
Reinsurers share	**(7,316)**	**(1,522)**	**-**	**(8,838)**	**13,280**	**(448)**	**-**	**12,832**
Earned / expensed in year	(61,691)	13,128	21,919	(26,644)	(59,105)	12,780	24,342	(21,983)
Earned premiums net of reinsurance				**27,315**				**29,488**

The ceding commission from TIMIA is calculated in accordance with the reinsurance contract with TIMIA. The reinsurance payable to TIMIA is calculated after adjustment of operating costs and exchange movements incurred by ITIC. The quota share on acquisition costs refers to 90% of the acquisition costs incurred by ITIC on its premium income and transferred on to TIMIA, again this is part of the reinsurance contract with TIMIA.

Note 7 Claims including reinsurance recoveries

	2023 Claims paid US$ 000s	2023 Claims recovery excess US$ 000s	2023 Claims recovery quota share US$ 000s	2023 Claims recoveries total US$ 000s	2022 Claims paid US$ 000s	2022 Claims recovery excess US$ 000s	2022 Claims recovery quota share US$ 000s	2022 Claims recoveries total US$ 000s
Claims paid	(19,520)	613	17,016	17,629	(19,924)	1,612	16,480	18,092
Claims handling fees	(3,051)	-	-	-	(3,301)	-	-	-
	(22,571)	**613**	**17,016**	**17,629**	**(23,225)**	**1,612**	**16,480**	**18,092**
Technical provisions at beginning of the year	77,925	(8,935)	(62,661)	(71,596)	93,496	(14,741)	(71,476)	(86,217)
Exchange differences	-	-	-	-	30	-	-	-
Technical provisions at the end of the year	(74,323)	6,130	61,973	68,103	(77,925)	8,935	62,661	71,596
Change in the provision for claims	**3,602**	**(2,805)**	**(688)**	**(3,493)**	**15,601**	**(5,806)**	**(8,815)**	**(14,621)**
Claims incurred	(18,969)	(2,192)	16,328	14,136	(7,624)	(4,194)	7,665	3,471
Net claims incurred, being claims paid less total claims recoveries				**(4,833)**				**(4,153)**

The reinsurers' share represents that part of the claims provision which is recoverable from reinsurers and is based on estimated recoveries against estimated claims and cost provisions.

Development claims tables

The development of insurance liabilities provides a measure of ITIC's ability to estimate the ultimate value of claims. The top half of each table below illustrates ITIC's estimate of total claims outstanding for each policy year has changed at successive year ends. The bottom half of the table reconciles the cumulative claims to the amount shown in the statement of financial position.

Gross insurance claims liability before excess of loss or quota share reinsurance recoveries:

Reporting year ended 31st May	2014 US$ 000s	2015 US$ 000s	2016 US$ 000s	2017 US$ 000s	2018 US$ 000s	2019 US$ 000s	2020 US$ 000s	2021 US$ 000s	2022 US$ 000s	2023 US$ 000s
At end of the reporting year	23,538	21,949	23,902	23,902	23,101	24,800	28,100	32,509	24,782	26,424
1 year later	21,600	18,991	22,651	18,200	31,138	24,738	32,020	22,970	20,300	
2 years later	23,696	14,200	18,498	15,700	29,543	23,706	36,015	21,620		
3 years later	21,633	15,149	18,733	13,000	25,531	21,818	36,126			
4 years later	20,361	13,769	17,793	13,000	25,170	19,720				
5 years later	19,897	17,462	16,992	11,850	23,724					
6 years later	18,715	17,978	15,819	11,650						
7 years later	19,860	15,428	15,804							
8 years later	19,293	14,894								
9 years later	19,344									
10 years later										
Estimate of ultimate claims	19,344	14,894	15,804	11,650	23,724	19,720	36,126	21,620	20,300	26,424
Cumulative payments to date	(18,095)	(14,531)	(14,496)	(7,700)	(21,738)	(12,764)	(28,342)	(13,298)	(9,401)	(3,847)
Liability recognised	1,249	363	1,308	3,950	1,986	6,956	7,784	8,322	10,899	22,577

Claims liabilities for ten years above	65,394
Claims liabilities greater than ten years	2,929
Claims run off provision	6,000
Total technical provisions included in statement of financial position: Claims outstanding – gross amount	74,323

Note 7 Claims including reinsurance recoveries (continued)

Insurance claims liability net of excess of loss and quota share reinsurance recoveries:

Reporting year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	US$	US$	US$	US$	US$	US$	US$	US$	US$	US$
	000s	000s	000s	000s	000s	000s	000s	000s	000s	000s
At end of the reporting year	2,345	2,190	2,390	2,300	2,210	2,230	2,810	3,254	2,481	2,642
1 year later	2,160	1,899	2,170	1,820	2,350	2,474	3,902	2,300	2,030	
2 years later	2,080	1,420	1,760	1,570	2,954	2,371	3,602	2,162		
3 years later	1,880	1,470	1,790	1,300	2,553	2,182	3,613			
4 years later	1,800	1,370	1,779	1,300	2,517	1,972				
5 years later	1,770	1,746	1,699	1,185	2,372					
6 years later	1,943	1,798	1,582	1,165						
7 years later	1,986	1,543	1,580							
8 years later	1,929	1,489								
9 years later	1,934									
10 years later										
Estimate of ultimate claims	1,934	1,489	1,580	1,165	2,372	1,972	3,613	2,162	2,030	2,642
Cumulative payments to date	(1,799)	(1,453)	(1,431)	(770)	(2,207)	(1,276)	(3,244)	(1,294)	(940)	(562)
Liability recognised	135	36	149	395	165	696	369	868	1,090	2,080

Claims liabilities for ten years above	5,983
Claims liabilities greater than ten years	237
Total technical provisions included in statement of financial position: Claims outstanding – net amount	6,220

Net technical provisions included in statement of financial position as the following:	
Claims outstanding - gross amount	74,323
Reinsurers' share - excess of loss reinsurers	(6,130)
Reinsurers' share - quota share reinsurer	(61,973)
Claims outstanding - net amount	6,220

The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular case and the ultimate cost of notified claims. The estimates for known outstanding claims are based on the best estimates and judgement of the managers of the final cost of individual cases. These estimates are as reliable as possible given the details of the cases and taking into account all the current information. However, the final outcome of individual cases may prove to be significantly different to the estimates made at the statement of financial position date. The estimates are reviewed regularly. The gross provision for claims includes allowances for adverse development and the managers' future claims handling costs.

A reasonable allowance has been made for adverse claims development in the future. The allowance is assessed by an actuary using standard actuarial techniques. This methodology projects the claims statistics forward based on the historical pattern of claims experience of ITIC in the past.

The movement in the gross provision for claims is the difference between the provision for outstanding claims on all financial years at the beginning of the year and the equivalent provision at the end of the year, after deduction of all claims paid during the financial year and addition of the allowance for new claims notified in the 2022/23 policy year.

Note 8 **Net operating expenses**

	Notes		2023 US$ 000s		2022 US$ 000s
Management fees	9		(6,103)		(6,602)
Acquisition costs	10		(11,512)		(11,575)
Directors' fees	11	(678)		(496)	
General expenses	12	(1,474)		(1,010)	
Fees payable to auditors - other fees payable to the auditor	13	-		(36)	
Fees payable to auditors - current year audit	13	(96)		(71)	
Fees payable to auditors - prior year audit over / (under) provision		8		(2)	
			(2,240)		(1,615)
			(19,855)		(19,792)

Note 9 **Management fees**

The fee paid to the managers relates to the cost of providing offices, staff and administration in London. The basis of this remuneration is fixed by the directors and is subject to periodic review.

The fees for the year to 31 May 2023 are based on four elements as follows:
i) The cost based element which covers the managers' costs in sterling;
ii) The operating incentive fee which is calculated at 2.7% of gross premium income;
iii) The investment incentive fee which is calculated at 0.1% of average funds under management subject to the investment return being a surplus;
iv) The investment incentive fee which is calculated at 50% of any outperformance of the investment benchmark return subject to a maximum of 0.2% of average funds under management; and
v) A further combined ratio incentive fee of US$100,000 per percentage point of combined ratio before continuity credit under 100%, subject to a cap and collar of US$1,000,000 either above or below a based expected fee of US$250,000.

The management fee cost is allocated in the technical account between management fee, acquisition costs and claims handling fees:

	2023 US$ 000s	2022 US$ 000s
Management fee	(6,103)	(6,602)
Acquisition costs (see Note 10)	(2,147)	(2,323)
Claims handling fees (see Note 7)	(3,051)	(3,301)
	(11,301)	(12,226)

Note 10 **Acquisition costs**

	2023 Acquisition costs US$ 000s	2023 Outward quota share reinsurance on acquisition costs US$ 000s	2023 Net acquisition costs US$ 000s	2022 Acquisition costs US$ 000s	2022 Outward quota share reinsurance on acquisition costs US$ 000s	2022 Net acquisition costs US$ 000s
(Credited) / debited in year	(8,699)	7,829	(870)	(10,794)	9,715	(1,079)
Unexpensed provision brought forward	(6,379)	5,741	(638)	(5,103)	4,593	(510)
Foreign exchange differences	(114)	103	(11)	266	(240)	26
Less: Unexpensed provision carried forward	**5,827**	(5,245)	582	**6,379**	(5,741)	638
Movement in year	(666)	599	(67)	1,542	(1,388)	154
(Acquisition costs expensed) / reinsurance credited in year	(9,365)	8,428	(937)	(9,252)	8,327	(925)
Allocation of acquisition costs from management fee	(2,147)			(2,323)		
Acquisition costs expensed after allocation of management fee	**(11,512)**			**(11,575)**		

Acquisition costs associated with the quota share arrangement are shown in note 6. The unexpensed provision for outward quota share reinsurance is shown in note 22.

Note 11 Directors' fees

The member non-executive directors are paid an annual fee and a fee for each meeting attended, as follows, as authorised under the bye-laws. Fees were increased from the start of April 2022. The fees for the non-member non-executive directors are individually negotiated. The executive directors are not paid any directors' fees.

	2023 Annual fee £	2023 Attendance fee £	2022 Annual fee £	2022 Attendance fee £
Chairmen of main ITIC board and Audit Investment & Risk Committee	18,750	5,200	18,750	5,200
Chairman of Nominations Committee	10,000	5,200	10,000	5,200
Directors	5,200	5,200	5,200	5,200

No loans have been made to the directors and none are contemplated.

	2023 US$ 000s	2022 US$ 000s
Directors' fees (there were no pension contributions)	(678)	(496)
Directors' fees in respect of the highest paid director	(85)	(52)

Note 12 General expenses

	2023 US$ 000s	2022 US$ 000s
Marketing and servicing	(238)	(137)
Directors' meetings	(254)	(134)
Seminar / conference attendance	(7)	-
Printing and design	(8)	(4)
Advertising	(105)	(82)
Postage, telephone and fax	(12)	(14)
Subscriptions	(106)	(83)
Legal and compliance fees	(638)	(410)
Insurance costs	(13)	(42)
Sundry expenses	(93)	(104)
	(1,474)	(1,010)

ITIC has no employees.

Legal and compliance fees in 2023 included US$177,000 relating to the set up of a new subsidiary in Cyprus, US$188,000 on legal advice and US$102,000 in relation to correspondents fees.

Note 13 Audit fees

An accrual of US$67,100 (2022: US$110,000) has been made for the audit fees for the financial statements.

Note 14 Investment result

	2023 US$ 000s	2022 US$ 000s
Investment result - realised		
Interest on bank deposits and bonds	1,267	1,080
Realised gains on disposals	(1,462)	51
Transfer of investment return between ITIC and TIMIA	172	2,565
	(23)	3,696
Unrealised gains / (losses) on investments	8	(4,337)
	(15)	(641)

As part of ITIC's quota share reinsurance arrangements with TIMIA, the total ITIC and TIMIA investment result is apportioned between the two companies on a 10:90 split.

Note 15 **Other costs and exchange gains / losses**

	2023 US$ 000s	2022 US$ 000s
Exchange (losses) - investing activities	(14)	(297)
Exchange (losses) / gains - currency contracts	(200)	132
Exchange (losses) - operating activities	(307)	(2,669)
	(521)	(2,834)

Note 16 **Taxation**

The tax charge / credit for the year can be reconciled to the surplus in the income statement as follows:

	2023 US$ 000s	2022 US$ 000s
The tax charge in the income and expenditure account is made up as follows:		
Current year tax charge	2	122
Over accrual previous year	39	-
	41	122
Surplus before tax	2,091	2,070
Tax on surplus at 20.0% (2022: 19.0%)	(417)	(393)
Effect of:		
Non-taxable mutual operations	523	1,054
Non-taxable exchange gains / (losses)	(104)	(538)
Under / over accrual current / previous years	39	-
Current tax charge	41	122

The March 2022 Budget announced an increase to the main rate of corporation tax from 19% to 25% from 1 April 2023. This rate was substantively enacted on 24 May 2022.

Provisions for taxation – deferred taxation	2023 US$ 000s	2022 US$ 000s
Debit / (credit) for the year	163	-

Note 17 **Other financial investments**

	2023 US$ 000s Market Value	2022 US$ 000s Market Value	2023 US$ 000s Cost	2022 US$ 000s Cost
Fixed income securities	51,028	53,490	53,317	55,787
UCITS – cash	2,578	4,348	2,575	4,348
	53,606	57,838	55,892	60,135
Forward contracts	(22)	(2)	(22)	(2)
	53,584	57,836	55,870	60,133

All holdings in fixed income securities are in securities traded on recognised exchanges and are financial instruments measured at fair value through profit and loss. "Undertakings for collective investment in transferable securities" ("UCITS") are funds held for the short term.

For financial instruments measured at fair value, for each class of derivatives, the extent and nature of the instruments, including significant terms and conditions that may affect the amount, timing and certainty of future cash flows.

Fair value estimations

In accordance with section 34 of FRS102, as a financial institution, ITIC applies these requirements for financial instruments held at fair value in the statement of financial position, and discloses the fair value measurements by the level of the following fair value hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets and liabilities;
Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (that is, prices) or indirectly (that is, derived from prices); and
Level 3 - Inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs).

Note 17 **Other financial investments (continued)**

The tables below presents ITIC's assets and liabilities measured at fair value by the level of the fair value hierarchy:

As at 31 May 2023	Level 1 US$ 000s	Level 2 US$ 000s	Level 3 US$ 000s	Total US$ 000s
Assets and financial liabilities				
Fixed Interest - Government	41,603	9,425	-	51,028
Forward Contracts	(22)	-	-	(22)
UCITS	2,578	-	-	2,578
Total	44,159	9,425	-	53,584

As at 31 May 2022	Level 1 US$ 000s	Level 2 US$ 000s	Level 3 US$ 000s	Total US$ 000s
Assets and financial liabilities				
Fixed Interest - Government	53,490	-	-	53,490
Forward Contracts	(2)	-	-	(2)
UCITS	4,348	-	-	4,348
Total	57,836	-	-	57,836

Note 18 **Debtors arising out of direct insurance and reinsurance operations**

	2023 US$ 000s	2022 US$ 000s
Debtors arising out of reinsurance operations		
Excess of loss reinsurance recoveries	1,191	1,278
	1,191	1,278
Debtors arising out of direct insurance operations		
Members' balances due	3,573	4,114
Members' balances not yet due	17,887	26,494
Cash balances held by fronting company	2,977	1,203
	24,437	31,811

Included in member' balances due is US$1,142,000 and in members' balances not yet due US$9,852,000 relating to European policies fronted by UK P&I NV (2022 - US$1,600,000 and US$5,693,000).

The members balances not yet due include an amount of US$8,019,000 relating to balances due after 12 months (2022 - US$2,206,000). Refer to note 4(e).

Note 19 **Other debtors**

	2023 US$ 000s	2022 US$ 000s
Value added tax	50	12
Corporation Tax Debtor	-	122
Deferred Tax Debtors	163	-
	213	134

Note 20 **Creditors arising out of reinsurance operations**

	2023 US$ 000s	2022 US$ 000s
Amount due to related party (quota share reinsurer - see note 23)	(18,670)	(35,796)
Outward reinsurance premiums	(1,112)	(1,137)
	(19,782)	(36,933)

Note 21 **Other creditors including taxation and social security**

	2023 US$ 000s	2022 US$ 000s
Amount due to related party (management company see note 23)	(1,553)	(1,738)
Corporation tax	-	-
	(1,553)	(1,738)

Note 22 **Accruals and deferred income**

	2023 US$ 000s	2022 US$ 000s
Claims Accruals	(421)	(1,637)
General Accruals	(186)	(269)
Sundry Creditors	(1,218)	(472)
Quota share reinsurers share of deferred insurance commission costs (see note 10)	(5,245)	(5,741)
	(7,070)	(8,119)

Note 23 **Related party transactions**

ITIC has no share capital and is controlled by the members who are also the insured. Subsequently, all insurance transactions are deemed to be between related parties and these are represented in these financial statements. These are the only transactions between ITIC and its members.

All the directors are current representatives of member companies (unless stated otherwise on page 3) and, other than the member interests of their companies, the directors have no financial interests in ITIC.

ITIC reinsures with Transport Intermediaries Mutual Insurance Association Limited of Bermuda on a 90% quota share basis both its liabilities from 1 September 1992 and its liabilities assumed under the agreement to run-off Transport Intermediaries Mutual Insurance Association Limited and the Chartered and International Shipbrokers P&I Club Limited ("CISBA").

At the year end ITIC have an amount owing to TIMIA of US$18,670,000 (2022: US$35,796,000), see note 20.

International Transport Intermediaries Management ("ITIM") provide key management personnel for ITIC and the management fee has been disclosed in Note 13. ITIM is a subsidiary of Thomas Miller Holdings Limited.

At the year end ITIC have an amount owing to ITIM of US$1,553,000 (2022: US$1,738,000 - see note 21).

Note 24 **Movement in cash, portfolio investments and financing**

	At 1 June 2022 US$ 000s	Movement US$ 000s	Change in market value US$ 000s	At 31 May 2023 US$ 000s
Cash at bank and in hand	8,759	(5,115)	3	3,647
Fixed income securities	53,490	(2,470)	8	51,028
Forward contracts	(2)	(20)	-	(22)
UCITS cash	4,348	(1,770)	-	2,578
	66,595	(9,375)	11	57,231

Note 25 **Post balance sheet events**

The board made a decision to establish a subsidiary in Cyprus through which to underwrite its European business. ITIC is in the process of obtaining approval from the Cypriot regulators and it is hoped that the new company, to be named International Transport Intermediaries Insurance Company (Europe) Limited (“ITIICE”) will commence underwriting during the next financial year. In addition, it is planned that the portfolio of current policies and claims reserves will be transferred into this entity from UK P&I N.V., ITIC's current fronter in Europe.

As noted in the directors’ report, it continues to be appropriate to prepare ITIC’s financial statements on a going concern basis.