

TRANSPORT INTERMEDIARIES MUTUAL INSURANCE ASSOCIATION LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st MAY 2023

Registered Number 11092

TRANSPORT INTERMEDIARIES MUTUAL INSURANCE ASSOCIATION LIMITED

CONTENTS

Notice of Meeting	2
Directors, Managers and Officers	3
Directors' Report and Appendix	4-5
Auditors' Report	6-7
Statement of Income and Expenditure Account	8
Statement of Financial Position	9
Statement of Changes in Reserves	10
Cash Flow Statement	11
Notes to the Financial Statements	12-21

TRANSPORT INTERMEDIARIES MUTUAL INSURANCE ASSOCIATION LIMITED

NOTICE OF MEETING

Notice is hereby given that the thirty second Annual General Meeting of the Members of the Association will be held at Hotel Cenobio Dei Dogi, Camogli, Italy at 4.30p.m. on Thursday, 21st September 2023 for the following purposes:

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

To elect Directors.

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

To transact any other business of an Annual General Meeting.

By Order of the Board

DocuSigned by:

A handwritten signature in black ink that reads "Keith Allen". The signature is written in a cursive style and is enclosed within a blue rounded rectangular border.

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Thomas Miller (Bermuda) Limited

Secretary

Date: 17th July 2023

TRANSPORT INTERMEDIARIES MUTUAL INSURANCE ASSOCIATION LIMITED

DIRECTORS, MANAGERS AND OFFICERS

DIRECTORS

K Siggins	Resigned 22 September 2022
S M Jones	Resigned 19th April 2023
T Neijmeijer	
Alistair Mactavish	Resigned 8th July 2022 and reappointed 22 September 2022
Michelle Seymour Smith	Appointed 14th July 2022
Michael Shakesheff	Appointed 19th April 2023

MANAGERS

Thomas Miller (Bermuda) Limited

COMPANY SECRETARY

Thomas Miller (Bermuda) Limited

REGISTERED OFFICE

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM10
BERMUDA

AUDITORS

Moore Stephens LP
26-28 Athol Street
Douglas
Isle of Man
IM99 1BD

TRANSPORT INTERMEDIARIES MUTUAL INSURANCE ASSOCIATION LIMITED

DIRECTORS' REPORT

The Directors present their Annual Report and the audited financial statements of Transport Intermediaries Mutual Insurance Association Limited ("the Association") for the year ended 31st May 2023.

Activities and Future Prospects

The sole activity of the Association during the year was the quota share reinsurance of International Transport Intermediaries Club Limited ('ITIC'), a company incorporated in the United Kingdom, the principal activity of which was the insurance of professional indemnity and public liability risks of professionals in the transport industry.

The Directors expect that the present level of activity will continue for the foreseeable future.

Directors

The names of the present Directors are shown on page 3. None of the Directors held any interest in the Association during the year.

Premiums and claims

All premiums and claims have been recorded in accordance with the reinsurance agreement dated 2nd March 2017 between the Association and ITIC.

The balance sheet shows US\$179,548,000 (2022 – US\$173,586,000) as reserves at the end of the year. An analysis of other reserves by policy years is shown on page 5.

Directors' Responsibilities Statement

In accordance with the provisions of Bermuda's Companies Act 1981, the Directors are required to prepare financial statements for each financial year, and have chosen these statements to be drawn up in accordance with United Kingdom generally accepted accounting practice, that give a true and fair view of the state of affairs of the Association as at the end of the financial year and of the income and expenditure of the Association for that period.

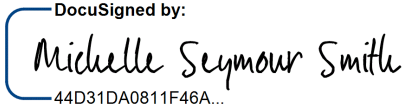
The Directors confirm that suitable accounting policies have been used and applied consistently and reasonably and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31st May 2023. The Directors also confirm that applicable UK accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results

The strength of the retained reserves of the Association enabled the payment of a continuity credit. Following the payment of this, the Association had a surplus of US\$5,962,000 for the year ended 31st May 2023 (2022 – surplus of US\$5,821,000).

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M.M. Seymour-Smith
Director
17th July 2023

TRANSPORT INTERMEDIARIES MUTUAL INSURANCE ASSOCIATION LIMITED**APPENDIX TO THE DIRECTORS' REPORT****Analysis of Funds in 2021 (Closed) and 2022 (Open) Policy Years and Reserves as at 31st May 2023**

	Notes (below)	Reserves from			Total
		Policy Years	Closed	Open	General /
		Prior to 2021 \$000s	Policy year 2021 \$000s	Policy year 2022 \$000s	Statutory Reserves \$000s
Premiums			33,169	35,362	
Less: Underwriting costs	1		(15,795)	(21,274)	
			<u>17,374</u>	<u>14,088</u>	
Investment income			(5,613)	40	
			<u>11,761</u>	<u>14,128</u>	
Ceding Commission			(16,509)	(14,093)	
Anticipated surplus		<u>184,261</u>	<u>(4,748)</u>	<u>35</u>	<u>179,548</u>

Notes

- Underwriting costs include claims paid, management fees, general expenses and exchange gains and losses.

Independent Auditors' Report to the Members of Transport Intermediaries Mutual Insurance Association Limited

Opinion

We have audited the financial statements of Transport Intermediaries Mutual Insurance Association Limited ("the Association") for the year ended 31 May 2023 which comprise the Statement of Income and Expenditure Account, Statement of Financial Position, Statement of Changes in Reserves, 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 (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31st May 2023 and of its profit for the year then ended; and
- have been properly prepared in accordance with 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are 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, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

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 Association'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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditors' 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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.

Auditors' 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 auditors' 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.

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit in respect of fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses to those assessed risks; and to respond appropriately to instances of fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the company.

Our approach was as follows:

* We obtained an understanding of the legal and regulatory requirements applicable to the company and considered that the most significant are the Bermuda Companies Act 1981 and applicable UK financial reporting standards as issued by the Financial Reporting Council.

* We obtained an understanding of how the company complies with these requirements by discussions with management and those charged with governance.

* We assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with management and those charged with governance.

* We inquired of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations.

* Based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. This included making enquiries of management and those charged with governance and obtaining additional corroborative evidence as required.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Councils website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with the terms of our engagement. 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 auditors' 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.

Moore Stephens LP
Douglas
Isle of Man

Date

TRANSPORT INTERMEDIARIES MUTUAL INSURANCE ASSOCIATION LIMITED

STATEMENT OF INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31st MAY 2023

	Note	2023 US\$ 000s	2023 US\$ 000s	2022 US\$ 000s	2022 US\$ 000s
TECHNICAL ACCOUNT					
Inward reinsurance premiums net of commission	5	27,153		42,678	
Less continuity credit raised	5	<u>(14,650)</u>		<u>(13,228)</u>	
Net premiums written			12,503		29,450
Change in gross provision for unearned premium	5	7,316		(13,280)	
Change in gross provision for continuity credit	5	<u>1,522</u>		<u>448</u>	
Change in provision			8,838		(12,832)
Gross claims paid	6	(17,016)		(16,480)	
Gross change in provision for claims	6	<u>688</u>		<u>8,815</u>	
Net incurred claims			(16,328)		(7,665)
Net operating expenses	7		(1,406)		(1,394)
Balance on the technical account for general business			<u>3,607</u>		<u>7,559</u>
NON-TECHNICAL ACCOUNT					
Balance on the technical account for general business			3,607		7,559
Investment income	11		4,005		27,141
Unrealised result on investments			(3,965)		(32,753)
			<u>3,647</u>		<u>1,947</u>
Exchange differences	12		2,315		3,874
Surplus on ordinary activities before tax			<u>5,962</u>		<u>5,821</u>
Taxation	13		-		-
Surplus on ordinary activities after tax			<u>5,962</u>		<u>5,821</u>

All the above transactions relate to continuing activities.

The accompanying notes are an integral part of these statements.

TRANSPORT INTERMEDIARIES MUTUAL INSURANCE ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31st MAY 2023

	Note	2023 US\$ 000s	2023 US\$ 000s	2022 US\$ 000s	2022 US\$ 000s
ASSETS					
INVESTMENTS					
Other financial investments	14	236,348		238,026	
Derivative financial instruments	16	1,550		61	
Cash at bank		<u>15,509</u>		<u>758</u>	
			253,407		238,845
DEBTORS					
Arising out of reinsurance operations		18,670		35,796	
Deferred acquisition costs	18	5,245		5,741	
Deferred continuity credit	5	10,844		9,253	
Accrued interest		422		345	
Sundry debtors		<u>20</u>		<u>20</u>	
			35,201		51,155
TOTAL ASSETS			<u><u>288,608</u></u>		<u><u>290,000</u></u>
LIABILITIES					
RESERVES					
Statutory reserve		250		250	
Other reserve		<u>179,298</u>		<u>173,336</u>	
			179,548		173,586
TECHNICAL PROVISIONS					
Gross claims outstanding	6b	61,973		62,661	
Unearned premium reserve	5	<u>46,832</u>		<u>53,144</u>	
			108,805		115,805
CREDITORS					
Derivative financial instruments	16	30		65	
Accrued expenses		<u>225</u>		<u>544</u>	
			255		609
TOTAL LIABILITIES			<u><u>288,608</u></u>		<u><u>290,000</u></u>

The accompanying notes are an integral part of these statements.

Director

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M.M. Seymour-Smith
Michelle Seymour Smith
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DocuSigned by:
T. Neijmeijer
T. Neijmeijer

Manager

DocuSigned by:
Thomas Miller (Bermuda) Ltd
17th July 2023
Keith Allen
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TRANSPORT INTERMEDIARIES MUTUAL INSURANCE ASSOCIATION LIMITED**STATEMENT OF CHANGES IN RESERVES
AS AT 31st MAY 2023**

	Statutory reserve	Income and expenditure account	Total
	US\$ 000s	US\$ 000s	US\$ 000s
Balance at 31st May 2021	250	167,515	167,765
Total comprehensive income for the year	-	5,821	5,821
Balance at 31st May 2022	<u>250</u>	<u>173,336</u>	<u>173,586</u>
Balance at 31st May 2022	250	173,336	173,586
Total comprehensive income for the year	-	5,962	5,962
Balance at 31st May 2023	<u>250</u>	<u>179,298</u>	<u>179,548</u>

TRANSPORT INTERMEDIARIES MUTUAL INSURANCE ASSOCIATION LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31st MAY 2023

	Note	2023 US\$ 000s	2023 US\$ 000s	2022 US\$ 000s	2022 US\$ 000s
Cash flows from operating activities					
Balance on the technical account for general business		(4,513)		12,970	
Decrease/(increase) in debtors		16,216		1,102	
Increase/(decrease) in creditors and technical provisions		616		(1,560)	
Net cash inflows/(outflows) from operating activities			12,319		12,512
Cash flows from investing activities					
Returns on investments and servicing of finance	20	3,928		27,183	
Investment purchases		(32,612)		(142,922)	
Investment sales		14,767		101,997	
Decrease/(increase) in UCITs		15,559		(2,461)	
Profit / (loss) from currency differences and forward currency contracts		790		3,835	
Net cash inflows/(outflows) from investment activities			2,432		(12,368)
Net increase/(decrease) in cash equivalents			14,751		144
Cash and cash equivalents at the beginning of the year			758		614
Cash and cash equivalents at the end of the year			15,509		758

The accompanying notes are an integral part of these statements.

TRANSPORT INTERMEDIARIES MUTUAL INSURANCE ASSOCIATION LIMITED**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st MAY 2023****1. CONSTITUTION**

The Association is incorporated in Bermuda under the Companies Act 1981 as an exempt company. In the event of the Company being wound up, the assets of the Company remaining after payment of all debts and liabilities of the Company and of all costs, charges and expenses of winding up, shall be distributed among such of the Members and/or former Members of the Company and in such proportions or amounts as the Board in its discretion shall recommend prior to such winding up, taking into account the manner in which such surplus arose and the contribution of Members of the Company to it, and subject always to the final decision of any liquidator.

2. ACCOUNTING POLICIES

a) Accounting convention

The financial statements have been prepared in accordance with United Kingdom accounting standards as applicable to a Bermuda company. The financial statements are prepared on an annual basis under the historical cost convention as modified to include certain items at fair value, and in accordance with Financial Reporting Standard ("FRS") 102 issued by the Financial Reporting Council. In addition, all insurance balances have been accounted for under the requirements of FRS 103 'Insurance contracts'.

The functional currency of the Association is considered to be US Dollars because that is the currency of the primary economic environment in which the Company operates.

b) Policy year accounting

Reinsurance premiums, claims and management fees are allocated to the policy years to which they relate. Net operating expenses are allocated to the current policy year.

A policy year is usually closed during the second or third year from 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 Directors are empowered to return all or part of any surplus to the Members.

c) Foreign currencies

Foreign currency transactions have been translated into US Dollars at rates revised at monthly intervals. All exchange gains and losses, whether realised or unrealised, are included in the Statement of Income and Expenditure Account. The differences arising on currency translation and the realised differences arising on the sale of currencies are included within realised gains within investment income.

Foreign currency assets and liabilities including investments are carried at fair value translated into US Dollars at the rates of exchange ruling at the Statement of Financial Position date. The resulting difference is treated as unrealised.

d) Financial assets and liabilities

The Association has applied the requirements of FRS 102 sections 11 and 12 to the measurement, presentation and disclosure of its financial assets, including investments. Basic financial assets include Investments, Amounts due from investment brokers and Cash and cash equivalents. Basic financial liabilities include Related party balances and Amounts due to investment brokers.

e) Premiums and ceding commissions

The quota share reinsurance premiums ceded by ITIC are recognised net of ceding commission. The ceding commission charged by ITIC during the year is based on a percentage of net premium less reinsurance and net claims and an adjustment is made at the year end to enable the ceding commission to cover the total cost of management expenses for the year.

f) Unearned premiums provision

Written premiums are recognised as earned income over the period of the policy on a time apportionment basis, having regard, where appropriate, to the incidence of risk. Continuity credit costs are recognised over the period of the policy on a time apportionment basis.

g) 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.

h) Claims

Claims are accounted for on a notification basis.

The claims provision 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.
- iii) Provision for the Managers' future claims handling costs.

The figure for claims incurred in the Statement of Income and Expenditure Account comprises claims and costs paid to ITIC during the year and the movement in the claims provision since the last Statement of Financial Position date.

TRANSPORT INTERMEDIARIES MUTUAL INSURANCE ASSOCIATION LIMITED

**NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31st MAY 2023**

2. ACCOUNTING POLICIES (Continued)

i) Financial instruments

The Association has chosen to apply the recognition, measurement and disclosure in respect of financial instruments.

Financial instruments are recognised on the Association's Statement of Financial Position when the Association becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at transaction price and are classified as either 'basic' or 'other' in accordance with Section 11 of FRS 102.

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire, or when the Association 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.

j) Other financial investments

The Association classifies its financial investments at fair value as they can be evidenced by a quoted price within an active market.

Financial investments are recognised at trade date and subsequently measured at fair value. Fair values of financial 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.

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 financial 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 in the period in which they occur.

Net gains or losses arising from changes in fair value of financial investments 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 return comprises dividend income from equities, income on fixed interest securities, interest on deposits and cash. Dividends are recognised as income on the date the relevant securities are marked ex-dividend. Other investment income is recognised on an accruals basis.

l) Cash and cash equivalents investment returns

Cash and cash equivalents consist of cash in hand and 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.

TRANSPORT INTERMEDIARIES MUTUAL INSURANCE ASSOCIATION LIMITED**NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31st MAY 2023****3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The Association 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 the Association:

a) The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Association's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Association will ultimately pay for such claims. Estimates are made for the expected ultimate cost of claims, whether reported or unreported, at the end of the reporting period.

The most significant assumptions made relate to the level of future claims, the level of future claims settlements and the legal interpretation of insurance policies. Whilst the Directors consider that the gross provision for claims is fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of provisions are reflected in the financial statements for the relevant policy year. The method used and the estimates made are reviewed regularly.

b) Fair value estimations

In accordance with section 34 of FRS 102, as a financial institution, the Association applies the requirements of paragraph 34.22 of FRS 102. This requires, for financial instruments held at fair value in the balance sheet, disclosure of fair value measurements by level within the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, price) or indirectly (that is, derived from prices).

Level 3 – Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs).

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

	Level 1 US\$ 000s	Level 2 US\$ 000s	Level 3 US\$ 000s	Total US\$ 000s
As at 31st May 2023				
Assets				
Fixed interest - Government	114,130	-	-	114,130
Fixed interest – Corporate	-	1,600	-	1,600
Equities & Alternatives	90,991	-	110	91,101
UCITS	29,517	-	-	29,517
	<u>234,638</u>	<u>1,600</u>	<u>110</u>	<u>236,348</u>
	Level 1 US\$ 000s	Level 2 US\$ 000s	Level 3 US\$ 000s	Total US\$ 000s
As at 31st May 2022				
Assets				
Fixed interest - Government	95,399	-	-	95,399
Fixed interest – Corporate	-	1,747	-	1,747
Equities & Alternatives	95,694	-	110	95,804
UCITS	45,076	-	-	45,076
	<u>236,169</u>	<u>1,747</u>	<u>110</u>	<u>238,026</u>

Level 3 items are valued on the basis of the latest financial information provided by external investment managers.

TRANSPORT INTERMEDIARIES MUTUAL INSURANCE ASSOCIATION LIMITED**NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31st MAY 2023****4. MANAGEMENT OF RISKS**

The Association is focused on the identification and management of potential risks. The Association's key risks are as follows:

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

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

a) Insurance risk

The Association assumes 90% of the retained professional indemnity insurance risks of ITIC on a quota share basis. The Association's exposure to insurance risk is initiated by the ITIC's 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 reinsurance cover, and the management of claims cost. The Association reviews the results of the reinsurance contract regularly during the year.

The Association's risk can arise from:

- Fluctuations in timing, frequency and severity of claims and settlements relative to expectations;
- Unexpected claims arising from a single source;
- Inaccurate pricing of risks when underwritten; and
- Inadequate reserves.

The Association establishes provisions for unpaid claims expenses, both reported and unreported, to cover its 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 the board.

The Association 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.

The Association only provides professional indemnity cover to ITIC and as a result, no further concentration analysis of risks by cover has been performed.

The results of sensitivity testing are set out below, showing the impact of a change in loss ratio on the surplus before tax and equity. The impact of a change in a single factor is shown, with other assumptions unchanged. The sensitivity analysis assumes that a change in loss ratio is driven by a change in claims incurred and is based on applying the loss ratio against gross premium less excess of loss reinsurance.

	2023	2022
	US\$	US\$
	000s	000s
Increase in loss ratio by 5 percentage points	(1,723)	(1,469)
Decrease in loss ratio by 5 percentage points	1,723	1,469

Reserving process

The Association establishes provisions for unpaid claims, both reported and unreported, and related expenses to cover its expected ultimate liability. These provisions are established through the application of actuarial techniques and assumptions as directed by the Audit Investment and Risk Committee of ITIC and reviewed by the Board of the Association. In order to minimise the risk of understating these provisions the assumptions made and actuarial techniques employed are reviewed in detail by the Board of the Association.

b) Market risk

The Board is responsible for setting investment policy and the appropriate level of market or investment risk.

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations in interest rates, equity prices and foreign currency exchange rates, affecting both the value of the Association's investments and its liabilities. The Association has a policy in place to manage its exposure to its investments, and this is monitored by regular reports from the investment managers to the Association's Board of Directors.

Interest rate risk

Interest rate risk arises primarily from holding investments in fixed interest securities. In addition, to the extent that claims inflation is correlated to interest rate, liabilities to policyholders are exposed to interest rate risk.

The Association'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 the fair value of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. TIMIA's fixed income portfolio has a modified duration of about 2.8 years. This means that in the event of a parallel shift of the yield curve up by 100 basis points, the portfolio's value will decline, resulting in a circa 2.8% loss on the fixed income portfolio. For TIMIA, this would result in a decrease in investment values of approximately US\$3,300,642 (2022: US\$3,241,139) assuming all other assumptions remain unchanged. A decrease in 100 basis points in bond yields would result in the opposite effect (ie. increase in investment values of approximately equal magnitude) assuming all other assumptions remain unchanged. The reality is that the impact on other parts of the business and investment portfolio should also be considered. For example, significant upward movement in yields would move the equity markets markedly.

Currency risk

The Association is exposed to currency risk in respect of assets denominated in currencies other than US Dollars. The most significant currencies to which the Association is exposed are Pounds Sterling and the Euro.

TRANSPORT INTERMEDIARIES MUTUAL INSURANCE ASSOCIATION LIMITED

NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31st MAY 2023

4. MANAGEMENT OF RISK (Continued)

b) Market risk (Continued)

The following table shows the Association's financial assets and liabilities by currency. The Association seeks to mitigate currency risk by matching liabilities with financial instruments denominated in the same currency.

	USD US\$ 000s	GBP US\$ 000s	EUR US\$ 000s	Other US\$ 000s	Total US\$ 000s
2023					
Debt securities, UCITs and cash	158,549	37,237	33,948	22,546	252,280
Derivative Contracts	78,150	(29,131)	(24,953)	(22,546)	1,520
Other debtors and creditors	(205)	-	-	-	(205)
Balance with quota share reinsured	(57,358)	(8,161)	(7,282)	(1,289)	(74,090)
Total	179,136	(55)	1,713	(1,289)	179,505
	USD US\$ 000s	GBP US\$ 000s	EUR US\$ 000s	Other US\$ 000s	Total US\$ 000s
2022					
Debt securities, UCITs and cash	156,501	36,923	23,357	22,348	239,129
Derivative Contracts	62,664	(28,394)	(11,926)	(22,348)	(4)
Other debtors and creditors	(510)	(17)	-	-	(527)
Balance with quota share reinsured	(45,450)	(9,092)	(9,485)	(1,189)	(65,216)
Total	173,205	(580)	1,946	(1,189)	173,382

A 5% strengthening of the following currencies against the Dollar would be estimated to have increased / (decreased) the surplus before tax and reserves at the year-end by the following amounts:

	Effect on Surplus after tax US\$ 000s
As at 31st May 2023	
Sterling	(3)
Euro	86
Other	(64)
As at 31st May 2022	
Sterling	(29)
Euro	97
Other	(59)

c) Credit risk

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations. The Association's exposure primarily relates to amounts recoverable from investment debtors and debtors from reinsurance brokers.

The following tables provide information regarding aggregate credit risk exposure for significant financial assets with external credit ratings. The credit rating bands are provided by independent ratings agencies.

	AAA US\$ 000s	AA US\$ 000s	A US\$ 000s	B US\$ 000s	Not rated US\$ 000s	Total US\$ 000s
2023						
Fixed interest - Government	14,367	91,553	-	-	8,210	114,130
Fixed interest - Corporate	-	983	423	193	-	1,599
Equities & Alternatives	-	-	-	-	91,101	91,101
UCITS	7,040	-	-	-	22,476	29,516
Reinsurance operations	-	-	-	-	18,670	18,670
Total	21,407	92,536	423	193	140,457	255,016
	AAA US\$ 000s	AA US\$ 000s	A US\$ 000s	B US\$ 000s	Not rated US\$ 000s	Total US\$ 000s
2022						
Fixed interest - Government	-	86,721	-	-	8,677	95,398
Fixed interest - Corporate	-	1,108	441	198	-	1,747
Equities & Alternatives	-	-	-	-	95,804	95,804
UCITS	21,720	-	-	-	23,356	45,076
Reinsurance operations	-	-	-	-	35,796	35,796
Total	21,720	87,829	441	198	163,633	273,821

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

TRANSPORT INTERMEDIARIES MUTUAL INSURANCE ASSOCIATION LIMITED

**NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31st MAY 2023**

4. MANAGEMENT OF RISK (Continued)

d) 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.

The tables below provide a maturity analysis of the Association's financial assets

	Within 1 year US\$ 000s	1-5 years US\$ 000s	Over 5 years US\$ 000s	Total US\$ 000s
2023				
Financial investments	142,480	73,565	21,821	237,866
Debtors arising out of reinsurance operations	18,670	-	-	18,670
Other debtors	16,531	-	-	16,531
Cash and cash equivalents	15,509	-	-	15,509
Total	193,190	73,565	21,821	288,576
	Within 1 year US\$ 000s	1-5 years US\$ 000s	Over 5 years US\$ 000s	Total US\$ 000s
2022				
Financial investments	140,976	84,657	12,389	238,022
Debtors arising out of reinsurance operations	35,796	-	-	35,796
Other debtors	15,359	-	-	15,359
Cash and cash equivalents	758	-	-	758
Total	192,889	84,657	12,389	289,935

e) Sensitivity analysis

The sensitivity analyses above show the impact of a change in one input assumption with other assumptions remaining unchanged. In reality, there is normally correlation between the change in certain assumptions and other factors which would potentially have a significant impact on the effect noted above. There have been no changes to methods and assumptions used in the calculation of sensitivity analyses from the previous year.

f) Capital management

The Association maintains capital, comprising of Statutory Reserve and other reserves, consistent with the Association's risk profile and the regulatory requirements of the business.

The Association's regulator is the Bermuda Monetary Authority ("BMA"). Under the BMA regime the Association is obliged to assess and maintain an amount of net assets in excess of the minimum requirements.

At the year end the Association's capital resources exceeded the minimum solvency requirement by a considerable margin. The Association has complied with the externally imposed capital requirements to which it is subject.

5. INWARD REINSURANCE PREMIUMS NET OF COMMISSION

	2023 Inward quota share reinsurance on premium US\$ 000s	2023 Inward quota share reinsurance on continuity credit US\$ 000s	2023 Total US\$ 000s	2022 Inward quota share reinsurance on premium US\$ 000s	2022 Inward quota share reinsurance on continuity credit US\$ 000s	2022 Total US\$ 000s
Quota share of ceded gross premium/continuity credit	54,375	(14,650)	39,725	72,385	(13,228)	59,157
Less quota share of ceded acquisition costs	(8,428)	-	(8,428)	(8,327)	-	(8,327)
Less quota share of ceded excess of loss reinsurance	(4,773)	-	(4,773)	(4,829)	-	(4,829)
Less commissions and expenses to cedent	(14,021)	-	(14,021)	(16,551)	-	(16,551)
Inward reinsurance premiums net of commission/continuity credits	27,153	(14,650)	12,503	42,678	(13,228)	29,450
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)
Unearned provision carried forward	(46,832)	10,844	(35,988)	(53,144)	9,253	(43,891)
Change in provision	7,316	1,522	8,838	(13,280)	448	(12,832)
Earned / (expensed) in year	34,469	(13,128)	21,341	29,398	(12,780)	16,618

Unearned premium is that part of gross premium written 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.

TRANSPORT INTERMEDIARIES MUTUAL INSURANCE ASSOCIATION LIMITED

NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31st MAY 2023

6. CLAIMS AND INSURANCE ASSETS AND LIABILITIES

(a) Claims and the outstanding claims reserve

	2023 Claims recovery quota share	2022 Claims recovery quota share
Claims paid	(17,016)	(16,480)
Technical provisions at beginning of the year	62,661	71,476
Technical provisions at the end of the year	<u>(61,973)</u>	<u>(62,661)</u>
Change in the provision for claims	688	8,815
Net claims incurred, being claims paid less total claims recoveries	<u>(16,328)</u>	<u>(7,665)</u>

The above table shows the net claims paid and the movement on the claims technical provisions.

(b) Claims development

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 claims outstanding provision includes a reasonable allowance for adverse development and the Managers' future claims handling costs. 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 in the past.

The movement in the gross provision for claims is the difference between the provision for outstanding claims on all policy 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 2022/2023 policy year.

The development of insurance liabilities provides a measure of the Association's ability to estimate the ultimate value of claims. The table shows a policy year by year analysis for the previous 10 years of the technical provisions as shown in the Statement of Financial Position.

The table below is shown in US\$ 000's.

	2014 US\$ 000s	2015 US\$ 000s	2016 US\$ 000s	2017 US\$ 000s	2018 US\$ 000s
At end of first financial year	21,105	19,710	21,510	20,700	19,890
One year later	19,440	17,091	19,530	16,380	21,150
Two years later	18,720	12,780	15,840	14,130	26,586
Three years later	16,920	13,230	16,110	11,700	22,977
Four years later	16,200	12,330	16,011	11,700	22,653
Five years later	15,930	15,714	15,291	10,665	21,352
Six years later	17,487	16,182	14,238	10,485	
Seven years later	17,874	13,887	14,224		
Eight years later	17,361	13,405			
Nine years later	17,410				
Current estimate	17,410	13,405	14,224	10,485	21,352
Cumulative Payments	(16,187)	(13,078)	(12,878)	(6,930)	(19,865)
	<u>1,223</u>	<u>327</u>	<u>1,346</u>	<u>3,555</u>	<u>1,487</u>
	2019 US\$ 000s	2020 US\$ 000s	2021 US\$ 000s	2022 US\$ 000s	2023 US\$ 000s
At end of first financial year	20,070	25,290	29,286	22,329	21,352
One year later	22,266	35,118	20,700	10,485	
Two years later	21,339	32,418	14,224		
Three years later	19,638	13,405			
Four years later	17,410				
Five years later					
Six years later					
Seven years later					
Eight years later					
Nine years later					
Current estimate	17,748	32,513	19,458	18,270	23,782
Cumulative Payments	(11,488)	(29,199)	(11,645)	(8,461)	(5,059)
	<u>6,260</u>	<u>3,314</u>	<u>7,813</u>	<u>9,809</u>	<u>18,723</u>
Total					53,857
Claims liabilities greater than ten years					2,116
Claims run off provision					6,000
Total technical provisions included in statement of financial position					<u>61,973</u>

TRANSPORT INTERMEDIARIES MUTUAL INSURANCE ASSOCIATION LIMITED**NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31st MAY 2023****7. NET OPERATING EXPENSES**

	Note	2023 US\$ 000s	2022 US\$ 000s
Audit fees		36	35
Directors' fees	8	104	96
General expenses	10	406	453
Management fees	9	860	810
		<u>1,406</u>	<u>1,394</u>

8. DIRECTORS' FEES

Every Director and the Chairman is paid an annual fee and a fee for each meeting attended, as follows:

	Annual Fee		Attendance Fee	
	2023 US\$ 000s	2022 US\$ 000s	2023 US\$ 000s	2022 US\$ 000s
Chairman	14.0	14.0	6.3	6.3
Directors	6.3	6.3	6.3	6.3

No loans have been made to the Directors and none are contemplated (2022: None).

9. MANAGEMENT FEES

The fees paid to the Managers relate to the cost of providing offices, staff and administration. The basis of this remuneration is fixed by the Directors in accordance with the Rules, and is subject to periodic review.

10. GENERAL EXPENSES

	2023 US\$ 000s	2022 US\$ 000s
Directors' and Officers' insurance	18	20
Regulatory fees	11	11
Bank charges and sundry expenses	34	16
Directors' meetings	103	12
Professional fees	71	235
Investment management fees	169	159
	<u>406</u>	<u>453</u>

The Association has no employees.

11. INVESTMENT INCOME

	2023 US\$ 000s	2022 US\$ 000s
Interest	2,777	(568)
Realised gain on disposal	1,228	27,709
	<u>4,005</u>	<u>27,141</u>

Under an agreement reached with the U.K. Inland Revenue (now HMRC) in 1993, ITIC is taxed on 10% of the combined global realised and unrealised investment income of the Association and ITIC. On an annual basis, global realised and unrealised investment income is adjusted to maintain 90% of this income in the Association. The current adjustment was an increase of US\$172,000 (2022: increase of US\$2,565,000).

12. EXCHANGE DIFFERENCES

	2023 US\$ 000s	2022 US\$ 000s
Exchange (loss) /gain on investing activities	1,842	1,741
Exchange (loss)/ gain on operating activities	473	2,133
	<u>2,315</u>	<u>3,874</u>

TRANSPORT INTERMEDIARIES MUTUAL INSURANCE ASSOCIATION LIMITED**NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31st MAY 2023****13. TAXATION**

Under current Bermuda law, the Association is not required to pay taxes in Bermuda on either income or capital gains. The Association has received an undertaking from the Bermuda government that, in the event of income or capital gains taxes being imposed, the Association will be exempted from such taxes until the year 2035.

14. INVESTMENTS

	Market Value		Cost	
	2023 US\$ 000s	2022 US\$ 000s	2023 US\$ 000s	2022 US\$ 000s
Fixed interest securities	115,730	97,146	122,560	74,031
Equities & Absolute Return Funds	91,101	95,804	84,535	78,889
UCITS	29,517	45,076	29,987	43,418
	<u>236,348</u>	<u>238,026</u>	<u>237,082</u>	<u>196,338</u>

15. COMMITMENTS

The Association has entered into a commitment to invest \$5,000,000 with FdG Capital Partners. As of 31st May 2023 US\$4,207,544 (2022 - US\$4,207,544) has been invested, resulting in an unfunded commitment of US\$792,456 (2022 – US\$792,456).

16. DERIVATIVE FINANCIAL INSTRUMENTS**(a) Cash flow hedges**

The Association does not use forward currency contracts that meet the hedge accounting criteria.

(b) Non hedge derivatives

Forward currency contracts are entered into in order to manage the currency exposure of the investment portfolio. The contracts are for the forward sale of currencies which are matched by holdings of those currencies. The open contracts have been revalued at year-end rates of exchange. The profit or loss on exchange on these contracts is included within exchange gains and losses. These are economic hedges, but do not meet the hedge accounting criteria.

	2023	2023	2023	2022	2022	2022
	US\$ 000s	Fair value asset	Fair value liability	US\$ 000s	Fair value asset	Fair value liability
Non hedge derivatives	(871)	1,550	(30)	(13,480)	61	(65)
Total	<u>(871)</u>	<u>1,550</u>	<u>(30)</u>	<u>(13,480)</u>	<u>61</u>	<u>(65)</u>

17. DEBENTURE

The Association has covenanted under a debenture to discharge certain liabilities to ITIC, which are due under the reinsurance agreement. The assets held in a segregated investment account in respect of the secured obligations at 31st May 2023 was US\$40.5 million (2022 – US\$40.4 million).

The Association has covenanted under a debenture to discharge certain liabilities to UK P&I NV, ITIC's ceding insurance company for EU-resident Members. The assets held in a segregated investment account in respect of these secured obligations at 31st May 2023 was US\$24.1 million (2022 - US\$25.1 million). A deed of release dated 9th June 2023 was approved by all parties releasing each other party from all guarantees, covenants, liabilities and obligations owed to it.

18. DEFERRED ACQUISITION COSTS

	2023	2022
	US\$ 000s	US\$ 000s
Opening Provision	5,741	4,593
Net costs deferred / incurred	2,111	2,710
Movement in foreign exchange	(2,607)	(1,562)
Closing Provision	<u>5,245</u>	<u>5,741</u>

19. RELATED PARTY TRANSACTIONS

The Association has no share capital and is controlled by the Members. The Members of the Association are ITIC and the Directors of the Association. All reinsurance transactions are between the Association and ITIC and are stated in the technical account. Monies owed between the Association and ITIC are stated in the Statement of Financial Position under Debtors arising out of Reinsurance Operations.

One of the four Directors is a current representative of a Member company. Other than the insurance via ITIC and Member interests of the Directors' companies, the Directors have no financial interests in the Association.

TRANSPORT INTERMEDIARIES MUTUAL INSURANCE ASSOCIATION LIMITED**NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31st MAY 2023****19. RELATED PARTY TRANSACTIONS (Continued)**

The Association has undertaken to cover the expenses of Transport Intermediaries Mutual Insurance Association (IOM) Ltd, an Isle of Man registered company which remained dormant during the year. Expenses of US\$12,876 (2022 – US\$17,226) were incurred during the year and these are recorded in the Statement of Income and Expenditure Account. The Transport Intermediaries Mutual Insurance Association (IOM) has a letter of credit in place with Citibank for £50,000 which is backed 100% by the Association's Ceding Insurer, ITIC.

20. ANALYSIS OF CASH FLOW FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2023	2022
	US\$	US\$
	000s	000s
Returns on investments and servicing of finance:		
Interest received	2,700	(526)
Profit on sale of investments	1,228	27,709
	<u>3,928</u>	<u>27,183</u>