

Financial highlights 2014

STRONG PERFORMANCE IN CHALLENGING MARKETS

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CHAIRMAN'S REVIEW



The Club performed well in 2014 producing a surplus after tax of just over US\$14 million.

The Club continues to have in place a whole account quota share and stop loss policy to provide further balance sheet protection.

The global economy continues to be challenging for Members of the Club. While growth in the United States is predicted to increase in 2015, the outlook for many other countries is weak and the drop in the oil price over the last six months has added to the volatility experienced since 2008.

In the insurance market the low level of natural catastrophe losses of recent years continued in 2014, and this coupled with a widely reported benign claims environment has led to already soft premium rating conditions becoming softer still, particularly in respect of reinsurance. Such conditions have been compounded by capital not historically employed in the insurance sector seeking an insurance home, as recent year returns in the insurance sector have generally been better than in other investment markets.

While every insurer will to some extent be impacted by these factors, the Club is less affected than most. As a primary mutual insurer, the Club works closely with each Member to adapt its approach to each Member's needs and to deliver services to help Members more effectively manage their operations. By doing this the Club's finances are more significantly impacted by Members' claims fortunes than by the supply of insurance capital. The Club's strong performance in recent years has in part, therefore, been due to the value delivered through the Club's claims and loss prevention services.

Trading Position

The Club performed well in 2014 producing a surplus after tax of just over US\$14 million. That result increases the Club's total surplus and reserves to US\$176 million. This is a record level for the Club and further strengthens the Club's capital position. The benign large claims experience in 2013 continued in 2014. That factor, which was compounded by a smaller than expected development of prior year claims, was a major contributor to the operating result. In respect of claims under US\$1 million, the very good performance in 2013 was not repeated, with the more significant claims in that band returning to long term trend levels. Claims above US\$1 million, however, were some way below expectations.

For the Club, Members' records are the major driver of premium levels. The aim of the Club's underwriters is to assess Members at the necessary rates to cover their risk exposures. Beyond the requirement to meet the needs of the Club's regulators and ratings agencies, there is no particular need for the Club to deliver a specified return on capital, unlike non-mutual insurers. This means that if claims levels are low, premium levels will also be subdued as Members will not be asked to pay more than their collective risk exposures. The Club is also impacted, but to a lesser extent, by insurance market forces and the strong supply of capital has led to a weak pricing environment as widely reported.

At the renewals of the Club's general reinsurance programmes for the 2014 and 2015 years good price reductions were achieved. The reductions follow from an improving loss record with the Club's long standing reinsurance partners, together with the inclusion in the main programme of an element of reinsurance that has historically been run separately, but which over the last two renewals has become increasingly integrated. That change aside, the structure of the main general excess of loss programme remains essentially the same. The Club continues to have in place a whole account quota share and stop loss policy to provide further balance sheet protection.

In respect of investment matters, 2014 did not see quite the same performance in US investment markets as 2013 had. The instability of recent years continued and as a result, the Club maintained its approach of holding its investible assets mostly in cash

For what is now the ninth successive year the A- (Excellent) rating has been maintained and our expectation is that it will continue to be in 2015.

I am delighted to tell you that the overall satisfaction scores from Members and brokers exceeded the Club's KPI target score and in fact were the highest scores recorded since the survey process began.

The Club's risk management function has continued to be actively engaged in the international debates concerning the SOLAS verification of gross mass of containers and the finalisation of the IMO/ILO/UNECE CTU Code.

and short dated government and corporate bonds. A small holding in US and UK equities was maintained to boost the overall return and this approach was successful with an ex-currency return of 1.3% in the year.

Maintaining the Club's financial strength rating with AM Best is a main aim when the Board plans the Club's finances. For what is now the ninth successive year the A- (Excellent) rating has been maintained and our expectation is that it will continue to be in 2015.

Solvency II comes in to force across Europe on 1 January 2016. In the lead in to this date the Club has worked hard to put in place the necessary preparations. Notably in 2014 the Club submitted its interim Own Risks and Solvency Assessment (ORSA) overview document to the United Kingdom's financial services regulator. More generally, the Club is well placed to fully meet the requirements of Solvency II.

Customer Satisfaction Survey

As I commented last year in this Review, customer feedback is very important to the Club Board. The Club continuously strives to maintain the high standards that Members and their brokers have become accustomed to and the Customer Satisfaction Survey plays an important role in capturing that feedback, measuring it over time and identifying areas on which to focus service improvements. In March 2014 the Club ran what will now be a bi-annual survey of Members and their brokers. The survey, undertaken by an independent research organisation, sought feedback on the overall level of satisfaction with the Club's service and how that compares relative to the experience of its competitors.

I am delighted to tell you that the overall satisfaction scores from Members and brokers exceeded the Club's KPI target score and in fact were the highest scores recorded since the survey process began. It was also very pleasing to note that there have been positive improvements in the scores across all of the regions in which the Club operates, and very high levels of satisfaction with claims and underwriting service delivery.

There were no areas of significant service improvement identified in the survey. We recognise, however, that there is no room to be complacent if we are to continue to adapt and meet the needs of our customers and to deliver on what is at the heart of the Club's brand, 'Established Expertise'. We continue, therefore to work hard to meet, and where possible, exceed the standards we have set in the Club's Service Commitment.

I would like to take this opportunity to personally thank all of those Members and brokers who participated in the survey and to encourage you to continue to give us feedback on the Club's service in your day to day dealings with the Club.

Loss Prevention

The Club continues to focus its loss prevention activities at two levels; working with the industry to deliver improvements and helping Members improve their operational performance. The Club's risk management function has continued to be actively engaged in the international debates concerning the SOLAS verification of gross mass of containers and the finalisation of the IMO/ILO/UNECE CTU Code. Both these matters entered implementation phase before the end of 2014. These initiatives, spanning all modes, are seen as significant in advancing safety in the industry, not only having the potential to reduce attritional cargo loss and damage claims, but also preclude a portion of injury claims and major casualties. As a result, energy is being put into collaborating with a number of different organisations through the supply chain, including those representing shipper interests.

These international legal developments will undoubtedly, if adequately and consistently implemented, bring about some improvements through the supply chain. However, to the extent that they are apparent, the benefits may accrue more to landside operations. The Club is therefore active amongst the maritime community in promoting action in relation to the remaining elements of the MARIN 'Lashing@Sea' investigation.

Apart from day-to-day interactions between underwriters and claims handlers with Members and their brokers, there are scores of specific loss prevention meetings each year at Members' premises around the world. During these interactions the Club continues to push hard on improving safety practices for landside operations. In too many instances pedestrians are particularly exposed to injury because of inadequate traffic flow management and separation. Improving general safety has been shown to improve all aspects of operational performance, not restricted to costs related to liabilities or assets.

All the valuable information and lessons learned collected by the Club in its activities continues to be highlighted through the Club's publications and particularly its monthly e-newsletter, TT Talk.

All the valuable information and lessons learned collected by the Club in its activities continues to be highlighted through the Club's publications and particularly its monthly e-newsletter, TT Talk. The topics covered range from cargo and equipment management issues, through general safety matters and regulatory developments to explanation of shipping and trade practices.

Directors and Officers

The Club Board said goodbye in the year to two long serving Directors, Joe Dorto and Gerd Sjöholm. Mr Dorto joined the Club Board in 1989, had been Deputy Chairman of TT Bermuda since 2009 and served on the Nominations Committee since 1992. Mrs Sjöholm joined the TT Bermuda Board in 2003. She also served on the TTI Board and since 2008 was Chairman of the Audit and Risk Committee. The role of Chairman of that important Committee has been taken by Ulrich Kranich. In addition, Messrs Zhou Hu and Dirk Jürgensen resigned from the Board in the year and very sadly, Dave Rennie passed away. My thanks and those of my fellow Directors go to all of them for their wise counsel during their time in office.

Mr Dorto's departure from the Board created a vacancy for the position of Deputy Chairman of TT Bermuda which was taken by James Callahan. Similarly the departure of Mrs Sjöholm created a vacancy for the position of Deputy Chairman of TTI and that position was taken by Josef Küttel.

I can tell you that your Club Board continues to be made up of a strong group of individuals who are representative of the membership by region and category of operator. The Board continues to attract high quality individuals to represent Members' interests.

I would like especially this year to thank the Managers of the Club. The Club's results over last two years, 2013 and 2014, clearly show the benefits of the strategy that they recommended to the Board in 2009 and subsequently implemented under the Board's oversight. An improved and more stable financial performance coupled with very good feedback on service to members should not pass without comment.

This year the Club Board will meet in Auckland, Southampton (Bermuda) and Seattle. Member events will be held alongside these meetings. The Directors and I look forward to discussing the Club with you and any suggestions you may have for improvements.

K Pontoppidan

Chairman

26 March 2015

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FINANCIAL HIGHLIGHTS

As at 31 December 2014

A-

(EXCELLENT)

AM Best financial strength rating

Strong capital position equivalent to A++, the highest rating on the AM Best capital adequacy model.

182.2

Gross earned premiums (2013 = 181.8)

US\$ million

90.0

Gross paid claims (2013 = 114.3)

US\$ million

85.6%

Financial year combined ratio (2013 = 87.4)

(total claims and expenses divided by net earned premiums, excluding exchange movements and quota share reinsurance)

1.3%

Underlying investment return (2013 = 1.7)

14.1

Net result (2013 = 12.0)

US\$ million

175.7

Total surplus and reserves (2013 = 161.6)

US\$ million



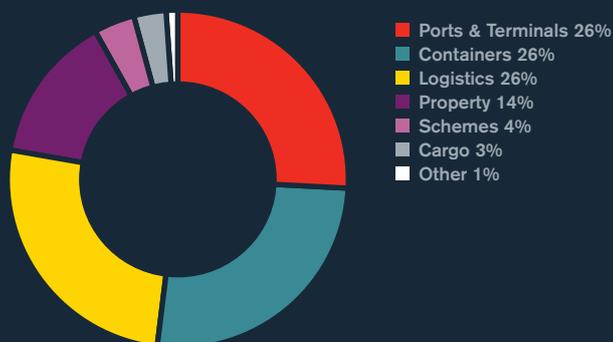
FIVE-YEAR SUMMARY

	2010 US\$000s	2011 US\$000s	2012 US\$000s	2013 US\$000s	2014 US\$000s
Gross earned premiums	171,171	175,455	182,126	181,823	182,215
Brokerage and commission	(20,226)	(18,765)	(18,983)	(19,707)	(20,414)
Earned premiums net of brokerage and commission	150,945	156,690	163,143	162,116	161,801
Reinsurance premiums ceded	(40,013)	(42,234)	(45,981)	(44,604)	(42,916)
Net claims incurred	(69,762)	(91,577)	(91,413)	(79,982)	(65,078)
Net operating expenses	(29,589)	(22,113)	(26,424)	(28,601)	(30,664)
Investment return	3,718	3,572	5,454	7,037	5,197
Exchange gains/(losses)	(1,170)	(2,036)	1,219	(1,842)	(10,832)
Interest payable	(1,047)	(1,028)	(1,368)	(1,650)	(1,891)
Taxation	(249)	(29)	(413)	(504)	(1,495)
Surplus/(deficit) for the year	12,833	1,245	4,217	11,970	14,122

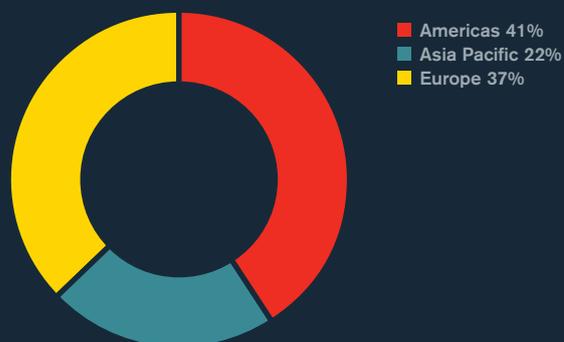
Summary balance sheets

Total cash and investments	459,658	451,355	485,202	494,927	507,891
Other assets	121,645	157,398	158,674	146,433	101,186
Total assets	581,303	608,753	643,876	641,360	609,077
Gross unearned premiums and claims reserves	(378,603)	(416,575)	(436,735)	(401,291)	(361,229)
Other liabilities	(29,457)	(17,672)	(28,381)	(49,301)	(42,920)
Subordinated loan	(29,050)	(29,068)	(29,105)	(29,143)	(29,181)
Total surplus and reserves	144,193	145,438	149,655	161,625	175,747

COMPARATIVE FIGURES



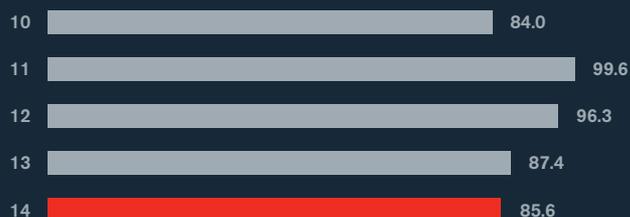
Gross earned premiums
by category



Gross earned premiums
by region



Gross earned premiums
US\$ million



Combined ratio
%
(total claims and expenses divided by net earned premiums,
excluding exchange movements and quota share reinsurance)



Investment return
%



Net result
US\$ Million

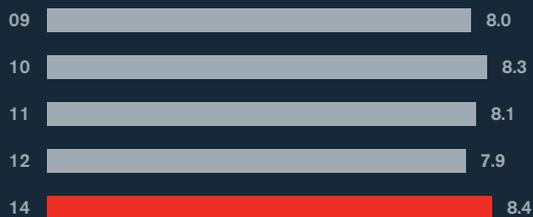
COMPARATIVE FIGURES



Total assets
US\$ Million



Surplus and reserves
US\$ Million



Customer satisfaction survey

Index scored out of a maximum of 10, completed by independent research. This is now a biannual survey so there is no 2013 figure.



Member retention (based on number of members)
%

BOARD OF DIRECTORS

As of 31 March 2015

* Directors of Through Transport Mutual Insurance Association Ltd (TTB)

Directors of TT Club Mutual Insurance Ltd (TTI)

Chairman



K Pontoppidan

* #

Copenhagen

Deputy Chairman, TTB



J Callahan

*

Nautilus International Holding Corporation, Los Angeles

Deputy Chairman, TTI



J Küttel

* #

Ermewa, Geneva



M Engelstoff

*

A P Møller-Maersk, Copenhagen



T Faries

*

Appleby, Bermuda



C Fenton

#

Through Transport Mutual Services (UK) Ltd, London



A Fullbrook

*

OEC Group, New York



G Gluck

*

M&S Shipping Group PLC, London



K Hellmann

*

Hellmann Worldwide Logistics GmbH & Co KG, Osnabrück



B Hsieh

*

Evergreen Group, Taipei



S Kelly

*

Modern Terminals Limited, Hong Kong



U Kranich

*

Hapag-Lloyd AG, Hamburg



C Larrañaga

*

Terminal de Contenidors de Barcelona



T Leggett

*

Specialist Director – Finance



H Maekawa

*

Kawasaki Kisen Kaisha Limited, Tokyo



R Murchison

*

Murchison Group, Argentina



Y Narayan

*

DP World, Dubai



M Onslow

#

Specialist Director – Insurance



E O'Toole

*

International Port Holdings Ltd, London



O Rakknes

*

Atlantic Container Line AB, New Jersey



C Sadoski

*

Carrix Inc, Seattle



N Smedegaard

*

DFDS Group, Copenhagen



C K Tan

*

Pacific International Lines (Pte) Ltd, Singapore



J Thomson

*

Specialist Director – Investments



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www.ttclub.com