

**International Transport  
Intermediaries Club Limited**

**Directors' Report  
& Financial Statements  
for the year ended 31st May, 2009**

Registered Number 2725312

WEDNESDAY



\*P97W3C5L\*

PC4

05/08/2009

890

COMPANIES HOUSE

# **International Transport Intermediaries Club Limited**

## **Contents**

	<b>Page</b>
Notice of Meeting	1
Directors	2
Secretary and Registered Office	3
Directors' Report	4
Auditors' Report	8
Income and Expenditure Account	10
Balance Sheet	11
Cash Flow Statement	12
Notes to the Financial Statements	14

# International Transport Intermediaries Club Limited

## Notice of Meeting

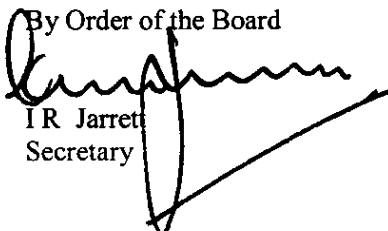
Notice is hereby given that the sixteenth Annual General Meeting of the Members of the Club will be held at The Delamar Hotel, Greenwich, Connecticut, USA at 2.00pm on Thursday, 24<sup>th</sup> September, 2009 for the following purposes:

To receive the Directors' Report with Financial Statements for the year ended 31st May, 2009 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  
  
I R Jarrett  
Secretary

16<sup>th</sup> July, 2009

- 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. A person so appointed must be a Member of the Club. 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 will be sent to the Members prior to the meeting.

## **International Transport Intermediaries Club Limited**

<b>Directors</b>	<b>Company and Location</b>
<b>Chairman</b>	
H Gilbert	Wallem Limited London
E F Davila	Maritima Davila Madrid S.A. Madrid
C Döhle	Paul Günther Schiffsmakler GmbH & Co.KG Hamburg
B Engblom (retired 24 <sup>th</sup> September 2008)	GAC Shipping Ltd AB Stockholm
R J Flynn	Mallory Jones Lynch Flynn Switzerland
P D French	BMT Group Limited London
G R Frith	Container Ship Management Ltd Bermuda
D Fry	Columbia Ship Management Ltd Limassol
S Jones (appointed 9 <sup>th</sup> January 2009)	General Steamship Agencies Inc San Francisco
A R W Marsh	Braemar Seascopes Limited London

Continued on next page

## **International Transport Intermediaries Club Limited**

### **Directors cont.**

### **Company and Location**

U Salerno (appointed 26<sup>th</sup> March 2009)

RINA Spa  
Genoa

T Sit

Jardine Shipping Services  
Hong Kong

B Tonsberg

Wilhelmsen Maritime Services  
Singapore

### **Secretary**

I R Jarrett

### **Registered Office and Business Address**

90 Fenchurch Street  
London  
EC3M 4ST

Telephone: (+44) 020 7338 0150  
Fax: (+44) 020 7338 0151

# **International Transport Intermediaries Club Limited**

## **Directors' Report**

The Directors have pleasure in presenting their Report and the Financial Statements of the Club for the year ended 31st May, 2009.

### **Principal Activities**

The principal activity of the Club during the year was the insurance of Professional Indemnity and Public Liability Risks of professionals in the Transport Industry.

### **Future Development**

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

### **Reinsurance Relationship with TIM**

ITIC reinsures with Transport Intermediaries Mutual Insurance Association Limited (TIM), Bermuda on a 90% quota share basis both its liabilities from 1st 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).

### **Directors**

The names of the present Directors, all of whom have held office during the year, are shown on Pages 2 and 3.

In the case of each of the persons who are Directors at the time this report is approved, the following applies:

- (a) So far as the Directors are aware, there is no relevant audit information of which the Club'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 the Club's auditors are aware of that information.

### **Membership**

The number of Members entered in the Club on 31st May, 2009 was 1,886, of which 546 carry on, as their principal activity, the business of ship agency, 390 shipbroking, 235 ship management, 401 naval architect, marine surveying and consultants and 314 represent other professionals in the transport 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 90 countries the majority being from Europe, with a substantial number of Members from North America, Australasia, the Far East and the Middle East.

# **International Transport Intermediaries Club Limited**

## **Directors' Report contd.**

### **Summary of the financial year**

#### **(i) Calls and Premiums**

The Club's gross premium income for the year under review, including the change in the provision for unearned premiums, was US\$47,254,000 (2008:US\$42,963,000).

#### **(ii) Investments**

The total deposited at banks and invested in bonds and other fixed interest securities amounted to US\$27,200,000 (2008: US\$28,284,000).

#### **(iii) Claims**

Claims paid net of reinsurance recoveries during the year under review amounted to US\$3,689,000 (2008: US\$3,418,000).

#### **(iv) General Expenses**

General Expenses for the year were US\$1,339,000 (2008: US\$1,099,000), an analysis of which is shown in Note 14 on page 21.

#### **(v) Reinsurance**

The reinsurance cost of US\$21,071,000 comprises the cost of the Club's excess loss reinsurance of US\$5,712,000 and the cost of the Club's quota share reinsurance of US\$15,390,000. The Club's excess loss reinsurance cost includes the cost of the underlying contract, the cost of the reinsurance in respect of limits of cover in excess of those provided by the Club and also the cost of a contract which protects the aggregate of claims within the Club's retention.

The aggregate of claims within the Club's retention is reinsured on a 90% quota share basis by Transport Intermediaries Mutual Insurance Association Ltd of Hamilton, Bermuda.

#### **(vi) Reserves**

The balance sheet shows US\$15,764,000 (2008: US\$15,496,000) as reserves. An analysis of this figure is shown in the Appendix to the Directors' Report on page 7.

#### **(vii) Surplus for the Year.**

The surplus for the year before tax was US\$844,000 (2008: US\$2,082,000).

### **Risk Management**

The Club has risk management procedures in place which address the five risk areas laid out in the Financial Services Authority's Handbook. These are credit risk, market risk, liquidity risk, operational risk and insurance risk. The Club has developed a risk log which defines the risks and sets out the procedures that are in place to mitigate those risks. The risk log is reviewed regularly by the Board.

# International Transport Intermediaries Club Limited

## Directors' Report contd.

### Meetings of the Directors

The Board met on 17th July, 2008, 30th September, 2008 and 26th March, 2009 in order to carry out its general and specific responsibilities under the Memorandum of Association and Rules of the Club. The number of Directors present at these meetings were 4, 10 and 10 respectively.

The Directors considered the following topics at their meetings:

Claims	Report and Financial Statements
Rule Changes	Directors' Fees
Closure of the 2007 Policy Year	Marketing
Reinsurance Cover	Premium Levels
Investment of the Club's Funds	Regulatory Affairs
Directors' and Officers' Liability Insurance Cover	Risk Assessment and Management
Tax	Agreement
Financial Report	

### Statement of Directors' Responsibilities

The directors are responsible for preparing the Directors' 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 the club and of the surplus or deficit of the club 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 the Club will continue in business.

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



H Gilbert

Chairman



A S Munro

Managers

16<sup>th</sup> July, 2009



# International Transport Intermediaries Club Limited

## Appendix to the Directors' Report

### Analysis of Funds in Open Policy Years and Reserves as at 31st May, 2009

	Notes (below)	2008 Policy Year US\$000s	General Reserve US\$000s	Total US\$000s
Calls and premiums	1	42,348		
Less:				
Underwriting costs	2	<u>38,989</u>		
	A	3,359		
Investment result	B	<u>(1,249)</u>		
	A+B=C	2,110	22,602	24,712
Known outstanding claims and IBNER				
Less reinsurance recoveries	3	<u>1,453</u>	<u>1,720</u>	<u>3,173</u>
Anticipated surplus	C-D=E	657	20,882	21,539
Continuity credit	F			5,551
Future claims handling fees	G			<u>224</u>
Reserves	E-F-G=H			<u>15,764</u>

#### Notes

1. Calls and Premiums are net of brokerage and commissions.
2. Underwriting costs include claims paid less reinsurance recoveries, reinsurance premiums payable, ceding commission, management fee, general expenses and exchange gains and losses.
3. IBNER is a provision for the deterioration in known estimates on claims relating to incidents which have been notified before the end of the accounting period.
4. At their meeting in March 2009, the Directors decided to close the Club's 2007 policy year leaving only the 2008 policy year open.

# **International Transport Intermediaries Club Limited**

## **REPORT OF THE INDEPENDENT AUDITORS**

### **Independent Auditors' Report to the Members of International Transport Intermediaries Club Ltd**

We have audited the financial statements of International Transport Intermediaries Club Ltd for the year ended 31 May 2009 which are set out on pages 10 to 26. 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).

This report is made solely to the company's members, as a body, in accordance with Sections 495 - 496 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.

#### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

# **International Transport Intermediaries Club Limited**

## **Independent Auditors' Report to the Members of International Transport Intermediaries Club Ltd**

### **Opinion on 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 2009 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

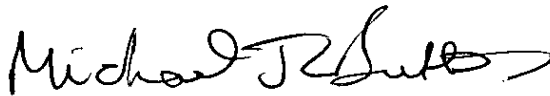
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records or 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.



Michael Butler (Senior Statutory Auditor)  
for and on behalf of Moore Stephens LLP, Statutory Auditor

24 JULY 2009

St. Paul's House  
Warwick Lane  
London  
EC4M 7BP

## International Transport Intermediaries Club Limited

### INCOME AND EXPENDITURE ACCOUNT for the year ended 31<sup>st</sup> May, 2009

	Notes	2009 US\$ 000s	2008 US\$ 000s
<b>TECHNICAL ACCOUNT</b>			
<b>Earned premiums, net of reinsurance</b>			
Gross premiums written	2, 28	39,361	59,102
Outward reinsurance premiums	2,3	(21,071)	(40,308)
Net premiums written		18,290	18,794
Change in gross provision for unearned premiums	4, 28	7,893	(16,139)
Reinsurers' share	5	(7,104)	14,526
		789	(1,613)
Earned premiums net of reinsurance		19,079	17,181
<b>Claims incurred net of reinsurance</b>			
<b>Claims paid</b>			
Gross amount	6	( 18,291)	(14,176)
Reinsurers' share	7	14,602	10,758
		(3,689)	(3,418)
<b>Change in the provision for claims</b>			
Gross amount	8	2,324	(13,183)
Reinsurers' share	9	(2,369)	12,569
		(45)	(614)
Claims incurred net of reinsurance		(3,734)	(4,032)
Net operating expenses	10	(12,059)	(11,319)
<b>Balance on the general business Technical Account</b>		3,286	1,830
<b>NON-TECHNICAL ACCOUNT</b>			
Balance on the general business Technical Account		3,286	1,830
Investment Income	16	24	542
Unrealised (losses) on investments		(1,282)	(290)
Other income – exchange (losses)	17	(1,184)	-
Surplus on ordinary activities before tax		844	2,082
Tax on ordinary activities	18	361	(75)
Surplus on ordinary activities after tax		1,205	2,007
Surplus at 31 <sup>st</sup> May, 2008		15,496	14,463
Continuity Credit		(937)	(974)
Surplus at 31 <sup>st</sup> May, 2009		15,764	15,496

All recognised gains and losses arising in the year have been dealt with within the Income and Expenditure account.

All the above transactions relate to continuing activities. The Notes on pages 14 to 26 form an integral part of these financial statements.

# International Transport Intermediaries Club Limited

BALANCE SHEET as at 31 <sup>st</sup> May, 2009	Notes	2009 US\$ 000s	2008 US\$ 000s
<b>ASSETS</b>			
<b>Investments</b>			
Other financial investments	2, 19, 20, 21	24,157	23,578
<b>Reinsurers' share of technical provisions</b>			
Unearned premium reserve	5	26,024	33,128
Claims outstanding	27	43,287	45,656
		69,311	78,784
<b>Debtors</b>			
Arising out of direct insurance operations	22	18,029	24,316
Other debtors	23	119	55
Deferred Tax Asset	18	255	-
		18,403	24,371
<b>Other Assets</b>			
Cash at bank	20, 21	3,043	4,706
<b>Prepayments and accrued income</b>			
Accrued interest		119	66
Deferred acquisition costs		3,035	3,730
Prepayments		2,023	1,767
		5,177	5,563
<b>TOTAL ASSETS</b>		<u>120,091</u>	<u>137,002</u>
<b>LIABILITIES</b>			
<b>Reserves</b>			
Income and Expenditure Account		15,764	15,496
<b>Technical provisions</b>			
Provision for unearned premiums		28,915	36,808
Claims outstanding – gross amount	27	46,684	49,008
		75,599	85,816
<b>Creditors</b>			
Arising out of direct insurance operations	24	1,782	2,001
Arising out of reinsurance operations		23,292	29,771
Other creditors including taxation and social security	25	198	260
		25,272	32,032
<b>Accruals</b>	26	3,456	3,658
<b>TOTAL LIABILITIES</b>		<u>120,091</u>	<u>137,002</u>

The notes on pages 14 to 26 form an integral part of these financial statements.

The financial statements on pages 10 to 26 were approved by the Directors on 16<sup>th</sup> July, 2009

H Gilbert  
Directors

P D French

A S Munro  
Managers




# International Transport Intermediaries Club Limited

## CASH FLOW STATEMENT for the year ended 31st May, 2009

### Reconciliation of balance on the general business Technical account to net cash inflow from operating activities

	Notes	2009 US\$ 000s	2008 US\$ 000s
Balance on the general business technical Account		3,286	1,830
Decrease / (increase) in debtors		6,722	(11,929)
(Decrease) / increase in creditors		(6,886)	13,858
(Decrease) / increase in net Technical Provisions		(744)	2,227
Net cash inflow from operating activities		<u>2,378</u>	<u>5,986</u>
<b>Cash flow statement</b>			
Net cash inflow from operating activities		2,378	5,986
Returns on investments & servicing of finance	30	(1,213)	606
Taxation		(30)	(238)
Financing	30	<u>(937)</u>	<u>(974)</u>
Movement arising from cash flow		<u>198</u>	<u>5,380</u>
<b>Cash flows were invested as follows:</b>			
(Decrease) / increase in cash at bank	31	(1,663)	172
Net portfolio investment / (disinvestments)			
Fixed income securities	31	7,172	(6,613)
UCITS – cash	31	<u>(5,311)</u>	<u>11,821</u>
Net investment and cashflows		<u>198</u>	<u>5,380</u>

# International Transport Intermediaries Club Limited

## CASH FLOW STATEMENT

for the year ended 31st May, 2009 (continued)

### Movement in opening and closing portfolio investments net of financing

	Note	2009 US\$ 000s	2008 US\$ 000s
Net cash inflow in year		(1,663)	172
Cash flow			
Cash at bank and portfolio investments		1,861	5,208
		<hr/>	<hr/>
Movement arising from cash flow		198	5,380
Changes in market value		(1,282)	(290)
Total movement in portfolio investment net of financing		(1,084)	5,090
Cash at bank and portfolio investments net of financing at 1 <sup>st</sup> June, 2008		28,284	23,194
Cash at bank and portfolio investments net of financing at 31 <sup>st</sup> May, 2009	31	27,200	28,284

# **International Transport Intermediaries Club Limited**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **Note 1**

#### **Constitution**

The Club is incorporated in England and Wales under the Companies Act 2006 as a company limited by guarantee and not having a share capital.

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

### **Note 2**

#### **Accounting Policies**

##### **(a) Accounting Convention**

These Financial Statements have been prepared under the historical cost convention as modified to include investments at market value, in compliance with schedule 3 to the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI2008/410) of the Companies Act 2006 and in accordance with applicable accounting standards in the U.K. and with the Statement of Recommended Practice issued by the Association of British Insurers in December 2005 (as amended in December 2006). The Statutory "Profit and Loss Account" is replaced by "Income and Expenditure Account" throughout these Financial Statements consistent with the Mutual status of the Club. The particular accounting policies adopted are described below.

##### **(b) Policy Year Accounting**

The Club's business is accounted for on an annual basis. For reporting 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. The Income and Expenditure account represents the aggregate of changes during the financial year on all policy years.

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) Non-US Dollar Currencies**

Revenue transactions are translated into US dollars at applicable rates throughout the year. Assets and liabilities have been translated at the closing US dollar exchange rate. The resulting difference is included within exchange gains/losses. Provisions are made for any movement in the value of investments. Differences between closing exchange rates and the rates applying to outstanding forward currency contracts are also recognised. All exchange gains/losses have been included in the income or expenditure for the year.



# **International Transport Intermediaries Club Limited**

## **NOTES TO THE FINANCIAL STATEMENTS contd.**

### **(d) Calls and Premiums**

All premiums are accounted for on an annual basis. Gross premiums written are the total receivable for contracts entered into during the accounting period together with any premium adjustments relating to prior periods. All premiums are shown gross of commission payable to intermediaries and are exclusive of taxes and duties levied thereon.

### **(e) 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. The provision for unearned premiums is calculated on a daily pro-rata basis.

### **(f) 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 Balance Sheet date.

### **(g) Claims**

Claims are accounted for on a notification basis.

#### *Balance sheet*

The claims provision in the balance sheet comprises:

- i) Estimated claims as at the balance sheet 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.

#### *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 balance sheet date.

### **(h) Reinsurance Recoveries**

The liabilities of the Club are reinsured above certain levels. Claims within the Club'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 under these arrangements on claims already incurred.

# **International Transport Intermediaries Club Limited**

## **NOTES TO THE FINANCIAL STATEMENTS contd.**

### **(i) 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.

### **(j) Investments**

#### *Balance Sheet*

Investments are shown in the Balance Sheet at Market Value. Market Value is calculated using the Middle Market Price at the close of business on the date of the Balance Sheet. The cost of these investments is disclosed by way of a Note.

Investments purchased in foreign currencies are translated into US dollars on the date of purchase.

#### *Non-Technical Account*

The unrealised gains and losses on the movement in the Market Value of investments are shown in the Non-Technical Account.

The Club recognises the acquisition or disposal of investments when they have entered into a legally binding obligation.

### **(k) Taxation**

By virtue of its mutual status the Club is not liable to tax on its underwriting operations. The Club's investment income and gains are subject to UK Corporation Tax.

# International Transport Intermediaries Club Limited

## NOTES TO THE FINANCIAL STATEMENTS contd.

### Note 3

<b>Outward Reinsurance Premiums</b>	<b>2009</b>	<b>2008</b>
	<b>US\$</b>	<b>US\$</b>
	<b>000s</b>	<b>000s</b>
Excess of loss and Members' facultative reinsurance premium	5,712	5,895
Quota share premium to TIM	<u>25,892</u>	<u>43,945</u>
	31,604	49,840
Less ceding commissions from TIM current year	(9,904)	(8,826)
Adjustment in respect of prior years	10	-
Provision for adjustment of ceding commission on closure of the 2008 policy year	<u>(639)</u>	<u>(706)</u>
	<u>21,071</u>	<u>40,308</u>

### Note 4

#### Unearned Premium

Unearned premium is that part of gross premiums 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 and comprises the following:

	<b>2009</b>	<b>2008</b>
	<b>US\$</b>	<b>US\$</b>
	<b>000s</b>	<b>000s</b>
Unearned premium provision brought forward	36,808	20,669
Unearned premium provision carried forward	<u>28,915</u>	<u>36,808</u>
Movement in year	<u>7,893</u>	<u>(16,139)</u>

### Note 5

#### Reinsurers' Share of Unearned Premium

	<b>2009</b>	<b>2008</b>
	<b>US\$</b>	<b>US\$</b>
	<b>000s</b>	<b>000s</b>
Reinsurers' share brought forward	33,128	18,602
Reinsurers' share carried forward	<u>26,024</u>	<u>33,128</u>
Movement in year	<u>(7,104)</u>	<u>14,526</u>

# International Transport Intermediaries Club Limited

## NOTES TO THE FINANCIAL STATEMENTS contd.

### Note 6

Gross Claims Paid	Notes	2009 US\$ 000s	2008 US\$ 000s
Claims paid		15,772	11,683
Claims handling fees	11	<u>2,519</u>	<u>2,493</u>
		<u>18,291</u>	<u>14,176</u>

### Note 7

Reinsurers' Share of Claims Paid	2009 US\$ 000s	2008 US\$ 000s
Excess loss recoveries	4,072	2,434
Quota share recoveries from TIM	<u>10,530</u>	<u>8,324</u>
	<u>14,602</u>	<u>10,758</u>

### Note 8

Gross Change in Provision for Claims	2009 US\$ 000s	2008 US\$ 000s
Gross claims provision brought forward	49,008	35,825
Gross claims provision carried forward	<u>46,684</u>	<u>49,008</u>
Decrease/(increase) gross provision for claims	<u>2,324</u>	<u>(13,183)</u>

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 balance sheet 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 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 2008/2009 policy year.

# International Transport Intermediaries Club Limited

## NOTES TO THE FINANCIAL STATEMENTS contd.

### Note 8 contd.

The gross claims incurred for the year reflects an improvement of US\$555,000 (2008: deterioration US\$465,000) in respect of claims for all years prior to the 2008 policy year.

### Note 9

Reinsurers' Share	2009 US\$ 000s	2008 US\$ 000s
Reinsurers' share brought forward	45,656	33,087
Reinsurers' share carried forward	<u>43,287</u>	<u>45,656</u>
(Decrease) / increase in reinsurers' share of technical provisions	<u>(2,369)</u>	<u>12,569</u>

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

### Note 10

Net Operating Expenses	Notes	2009 US\$ 000s	2008 US\$ 000s
Management fees	11	3,911	3,872
Acquisition costs	12	6,635	6,124
Directors' fees	13	119	165
General expenses	14	1,339	1,099
Audit fees - Current year	15	47	57
- Under provision prior year		8	2
		<u>12,059</u>	<u>11,319</u>

### Note 11

#### 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 2008/9 year (2007/8 same) are based on three elements:

- The cost based element which covers the Manager's costs in Sterling.
- The operating incentive fee which is calculated at 3.375% of gross premium income.
- The investment incentive fee which is calculated at 0.1% of average funds under management.

This formula provides a fee for the 2008/9 year of US\$ 8,184,937 and is allocated in the Technical Account between Management fee, Acquisition costs and Claims handling fees (see Note 6 on page 18 and Note 12 on page 20) as follows:

# International Transport Intermediaries Club Limited

## NOTES TO THE FINANCIAL STATEMENTS contd.

### Note 11 contd.

	2009	2008
	US\$	US\$
Management fee	3,910,763	3,871,794
Acquisition costs (see Note 12)	1,755,669	1,736,736
Claims handling fees (see Note 6)	2,518,505	2,493,153
	<u>8,184,937</u>	<u>8,101,683</u>

### Note 12

#### Acquisition Costs

Acquisition costs comprise brokerage of US\$4,879,377 (2008: US\$4,386,737) and an allocation of management fee in the amount of US\$1,755,669 (2008: US\$1,736,736).

### Note 13

#### Directors' Fees

The Directors are paid an annual fee and a fee for each meeting attended, as follows, as authorised under the Bye-Laws.

	Annual Fee £	Attendance Fee £
Chairman	10,000	2,400
Directors	2,000	2,400

No loans have been made to the Directors and none is contemplated.

# International Transport Intermediaries Club Limited

## NOTES TO THE FINANCIAL STATEMENTS contd.

### Note 14

General Expenses	2009	2008
	US\$	US\$
	000s	000s
Marketing and servicing	546	461
Directors' meetings	197	168
Seminar/conference attendance	7	13
Printing and design	105	121
Advertising	43	42
Postage, telephone and telex	37	49
Subscriptions	23	24
Legal fees	178	9
FSA Insurance fees	84	73
Sundry expenses	81	113
Fees paid to Auditors for non-audit services	-	2
Compliance costs	38	24
	<u>1,339</u>	<u>1,099</u>

The Club has no employees.

### Note 15

#### Audit Fees

A provision of US\$46,751 (2008: US\$57,313) has been made for the audit fee.

### Note 16

Investment Income	2009	2008
	US\$	US\$
	000s	000s
Interest on bank deposits and bonds	207	269
Realised (losses)/gains on disposals	(183)	273
	<u>24</u>	<u>542</u>

### Note 17

Other Income	2009	2008
	US\$	US\$
	000s	000s
Exchange gains/(losses) - investing activities	223	(548)
Exchange (losses)/gains - operating activities	(1,407)	548
	<u>(1,184)</u>	<u>-</u>

# International Transport Intermediaries Club Limited

## NOTES TO THE FINANCIAL STATEMENTS contd.

### Note 18

<b>Taxation</b>	<b>2009</b>	<b>2008</b>
	<b>US\$</b>	<b>US\$</b>
	<b>000s</b>	<b>000s</b>

The tax (credit)/charge in the income and expenditure account is made up as follows:

Current year tax (credit) / charge	(67)	75
Deferred tax movement	(254)	-
Over provision in respect of prior years	(39)	-
	<u>(361)</u>	<u>75</u>

Surplus on ordinary activities before tax	<u>844</u>	<u>2,082</u>
---	------------	--------------

Surplus on ordinary activities before tax at 28% (2008:30%)	236	625
---	-----	-----

Effect of:

Non-taxable Mutual operations	(920)	(550)
Non-taxable exchange losses	331	-
Unutilised Losses carried forward	255	-
Exchange difference on translation from Sterling to US Dollars between tax computation and year end rate	31	-
Current tax (credit) / charge	<u>(67)</u>	<u>75</u>

### Provisions for taxation – deferred taxation

	<b>2009</b>	<b>2008</b>
	<b>US\$</b>	<b>US\$</b>
	<b>000s</b>	<b>000s</b>
Opening balance	-	-
Credit for the year	(255)	-
	<u>(255)</u>	<u>-</u>

### Note 19

<b>Investments</b>	<b>2009</b>	<b>2008</b>
	<b>US\$</b>	<b>US\$</b>
	<b>000s</b>	<b>000s</b>

Fixed interest securities at cost	<u>13,279</u>	<u>7,053</u>
-----------------------------------	---------------	--------------

Fixed interest securities at market value	13,169	7,279
UCITS – cash	10,988	16,299
	<u>24,157</u>	<u>23,578</u>



# International Transport Intermediaries Club Limited

## NOTES TO THE FINANCIAL STATEMENTS contd.

### Note 20

<b>Cash and Investment Maturity Summary</b>	<b>2009 US\$ 000s</b>	<b>2008 US\$ 000s</b>
Cash and investments	<u>27,200</u>	<u>28,284</u>
	<b>2009 per cent</b>	<b>2008 per cent</b>
Cash and interest bearing securities repayable within one year	51.58	74.27
Interest bearing securities repayable between one and three years	5.78	-
Interest bearing securities repayable between greater than three	<u>42.64</u>	<u>25.73</u>
	<u>100.00</u>	<u>100.00</u>

### Note 21

<b>Cash and Investment Currency Exposure</b>	<b>2009 per cent</b>	<b>2008 per cent</b>
Sterling	16.23	22.37
US Dollar	72.20	1.95
Euro	<u>11.57</u>	<u>75.68</u>
	<u>100.00</u>	<u>100.00</u>

### Note 22

<b>Debtors Arising out of Direct Insurance Operations</b>	<b>2009 US\$ 000s</b>	<b>2008 US\$ 000s</b>
Members' balances due	2,313	1,346
Members' balances not yet due	13,207	20,505
Excess loss reinsurance recoveries	1,028	678
Quota share recoveries	<u>1,481</u>	<u>1,787</u>
	<u>18,029</u>	<u>24,316</u>

# International Transport Intermediaries Club Limited

## NOTES TO THE FINANCIAL STATEMENTS contd.

### Note 23

<b>Other Debtors</b>	<b>2009</b>	<b>2008</b>
	<b>US\$</b>	<b>US\$</b>
	<b>000s</b>	<b>000s</b>
Value added tax	6	2
Other debtors	<u>113</u>	<u>53</u>
	<u>119</u>	<u>55</u>

### Note 24

<b>Creditors Arising out of Direct Insurance Operations</b>	<b>2009</b>	<b>2008</b>
	<b>US\$</b>	<b>US\$</b>
	<b>000s</b>	<b>000s</b>
Calls received in advance	-	-
Amounts due to Members/brokers	411	280
Outward Reinsurance premiums	<u>1,371</u>	<u>1,721</u>
	<u>1,782</u>	<u>2,001</u>

### Note 25

<b>Other Creditors Including Taxation and Social Security</b>	<b>2009</b>	<b>2008</b>
	<b>US\$</b>	<b>US\$</b>
	<b>000s</b>	<b>000s</b>
Management fee	198	184
Corporation tax	<u>-</u>	<u>76</u>
	<u>198</u>	<u>260</u>

### Note 26

<b>Accruals and Deferred Income</b>	<b>2009</b>	<b>2008</b>
	<b>US\$</b>	<b>US\$</b>
	<b>000s</b>	<b>000s</b>
Accrued expenses and sundry creditors	725	301
Deferred insurance commission costs	<u>2,731</u>	<u>3,357</u>
	<u>3,456</u>	<u>3,658</u>

# International Transport Intermediaries Club Limited

## NOTES TO THE FINANCIAL STATEMENTS contd.

### Note 27

<b>Technical Provisions</b>	<b>2009</b>	<b>2008</b>
	<b>US\$</b>	<b>US\$</b>
	<b>000s</b>	<b>000s</b>
Claims outstanding - gross amount	<u>46,684</u>	<u>49,008</u>
Reinsurers' share - excess loss reinsurers	12,718	15,481
Reinsurers' share - quota share reinsurer	<u>30,569</u>	<u>30,175</u>
	<u>43,287</u>	<u>45,656</u>

### Note 28

<b>Segmental Information</b>	<b>2009</b>	<b>2008</b>
	<b>US\$</b>	<b>US\$</b>
	<b>000s</b>	<b>000s</b>
<b>Gross Earned Premium</b>		
Members located in UK	11,231	10,516
Members located in other EU States	17,835	12,949
Members located outside EU	<u>18,188</u>	<u>19,498</u>
	<u>47,254</u>	<u>42,963</u>

The Club writes only one class of business.

### Note 29

#### Related Party Transactions

The Club has no share capital and is controlled by the Members who are also the insureds. The subsequent insurance transactions are consequently deemed to be between related parties but these are the only transactions between the Club and the Members.

All the Directors are current representatives of Member companies and, other than the Member interests of their companies, the Directors have no financial interests in the Club.

ITIC reinsures with Transport Intermediaries Mutual Insurance Association Limited (TIM), Bermuda on a 90% quota share basis both its liabilities from 1st 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).

# International Transport Intermediaries Club Limited

## NOTES TO THE CASH FLOW STATEMENT

### Note 30

#### Analysis of Cash Flows for Headings in the Cash Flow Statement Returns on Investments and Servicing of Finance

	2009 US\$ 000s	2008 US\$ 000s
Interest received	(29)	606
Exchange gains	<u>(1,184)</u>	<u>-</u>
	<u>(1,213)</u>	<u>606</u>
<b>Financing</b>		
Continuity credit	<u>(937)</u>	<u>(974)</u>
<b>Portfolio investments</b>		
Purchase of fixed income securities	<u>7,172</u>	<u>(6,613)</u>

### Note 31

#### Movement in Cash, Portfolio Investments and Financing

	At 1.6.08 US\$ 000s	Cash Flow US\$ 000s	Change in market value US\$ 000s	At 31.5.09 US\$ 000s
Cash at bank and in hand	4,706	(1,663)	-	3,043
Fixed income securities	7,279	7,172	(1,282)	13,169
UCITS cash	<u>16,299</u>	<u>(5,311)</u>	<u>-</u>	<u>10,988</u>
	<u>28,284</u>	<u>198</u>	<u>(1,282)</u>	<u>27,200</u>