

REPORT & ACCOUNTS 1991

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## NOTICE OF MEETING

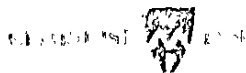
NOTICE IS HEREBY GIVEN that the one hundred and nineteenth Annual General Meeting of the Company will be held at the Company's Offices, Brazennose House, Brazennose Street, Manchester on Wednesday, 23 October 1991 at 1 p.m. to transact the following ordinary business:

- Resolution No. 1 To receive and consider the Report of the Directors and the Accounts for the year ended 30 June 1991.
- To re-elect the following directors retiring by rotation in accordance with Article 95 of the Company's Articles of Association and who, being eligible, offer themselves for re-election:
- Resolution No. 2 Herbert W. Tuckey
- Resolution No. 3 Jeffrey W. Harris
- Resolution No. 4 No man Parker
- Resolution No. 5 To re-elect as director Andrew G Gibbs who retires in accordance with Article 100 of the Company's Articles of Association and who, being eligible, offers himself for re-election.
- Resolution No. 6 To re-appoint KPMG Peat Marwick as Auditors and to authorise the directors to fix their remuneration.

To transact any other ordinary business.

By Order of the Board,  
G SIMPSON, Secretary  
1 October 1991

A member entitled to attend and vote at this meeting may appoint another person, whether a member or not, as his proxy to attend and, on a poll, to vote instead of him.



## DIRECTORS AND OFFICERS

### DIRECTORS

Russell H. Church, F.R.I.C.S.

Chairman

Herbert W. Tuckey, F.C.A.

Vice-Chairman.

Charles W. Jacob, M.B.E., F.P.I.M., A.S.I.A.

Susan R. Howdle, B.C.L., M.A.

Rev. Brian A. Greet, B.A., B.D., S.T.M.

Rev. Jeffrey W. Harris, M.A., B.D.

Rev. Ralph E. Fennell, M.A.

Michael A. H. Willett, F.I.A., M.B.C.S.

Norman Parker, F.C.I.B., M.I.Ex.

Ronald A. Johnson, M.B.I.M.

Andrew G. Gibbs

### OFFICERS

David A. Blanks, B.A., F.C.I.I.

General Manager.

Grayham Simpson, F.C.I.S.

Secretary and Accountant.

Michael J. Jarrett, F.C.I.I.

Underwriting Manager.

### HEAD OFFICE AND REGISTERED ADDRESS

Brazennose House, Brazennose Street, Manchester M2 5AS.

Telephone 061-833 9696

Facsimile 061-833 1287

### IRISH OFFICE

Mayo House, 31 Rathdown Park, Dublin 6.

Rev. Paul Kingston

Attorney for the Republic of Ireland.

### AUDITORS

KPMG Peat Marwick, Chartered Accountants,

7 Tib Lane, Manchester M2 6DS.

### BANKERS

Midland Bank plc,

100 King Street, Manchester M60 2HD.

## STATEMENT BY THE CHAIRMAN

I have to report, with regret, that for the first time in the Company's history, we have made an overall loss this year. In previous years when there has been an underwriting loss, investment income has been able to cover it. Despite increased income from investments, that is not the case this year.

The exceptionally hot dry summer last year caused an alarming increase in claims for subsidence. Theft and vandalism have shown a widespread increase, and claims for personal injury have risen in number and amount.

Although the total number of claims received has dropped to 5,430 compared with 7,055 last year, the gross cost has risen to £5.6 million, £2.5 million net of reinsurance.

Insurance is a long-term business and for some time now we have absorbed this adverse experience, but the new pattern of weather and crime calls for remedial action. During the year we raised Church and Circuit premiums by an average of 10%, and discontinued subsidence from the standard cover on Church policies. Even so, a further increase in Church and Circuit premiums can be expected early next year.

On a happier note, premium income has continued to outstrip inflation, albeit by a modest amount. Most new Home business comes to us through insurance intermediaries, although direct Home sales have received a boost from an extensive public relations campaign. It is to be hoped that more and more Church members will avail themselves of our commission incentive scheme, whereby a proportion of the first years Home premium is donated to a charity of the insured's choice.

Because we have made a loss this year, we regret that there will be no grants to Connexional Funds.

Our dividend to shareholders is extremely modest, but in view of our poor results, we have decided not to recommend payment.

Mr. Charles Jacob retires from the Board after the Annual General Meeting, having served the Company outstandingly since November 1977 in the role of Investment Consultant. We thank him for all he has done for us and wish him well.

During the year we have been pleased to welcome to the Board, Mr. Andrew G. Gibbs, who will take over the mantle for investments from Mr. Jacob. He also follows in his father's footsteps, as Dr. John M. Gibbs served on the Board between 1957 and 1963.

I wish to thank Mr. Herbert W. Tuckey my Vice-Chairman and all my fellow directors for their contributions and support throughout the year.

On behalf of the Board and Shareholders I thank the General Manager, all the Staff, Representatives, Superintendent Ministers, and also our Insurance Intermediaries for their hard work and support throughout the year.

R. H. Church, Chairman.

## REPORT OF THE DIRECTORS

The directors submit the Annual Report and Accounts of the Company for the year ended 30 June 1991

### FINANCIAL RESULTS

The Profit and Loss Account on page 5 shows the loss for the year  
The movements on reserves are shown on page 10.

### ACTIVITIES

The principal activity of the Company is the transaction of general insurance business.

### REVIEW OF ACTIVITIES

The Chairman's review of the affairs of the Company is set out on page 3.

### DIRECTORS

The names of the present directors are shown on page 2.

Mr. H.W. Tuckey, Mr. J.W. Harris and Mr. N. Parker in accordance with Article 95 of the Company's Articles of Association, retire from the board by rotation and, being eligible, offer themselves for re-election.

Mr. A.G. Gibbs was appointed a director on 23 January 1991. In accordance with Article 100 of the Company's Articles of Association, he now retires from the board and, being eligible, offers himself for re-election.

### DIRECTORS' SHAREHOLDINGS

The directors were interested in the shares of the Company as follows:

	30 June 1991	30 June 1990 (or date of appointment)
R. H. Church	1,000	1,000
H. W. Tuckey	500	500
C. W. Jacob	250	250
S. R. Howdle	250	250
Rev. B. A. Greet	50	50
Rev. J. W. Harris	250	250
Rev. R. F. Fennell	25	25
M. A. H. Willett	500	500
N. Parker	20	20
R. A. Johnson	250	250
A. G. Gibbs	150	150

### CHARITABLE AND POLITICAL CONTRIBUTIONS

Charitable contributions donated during the year amounted to £4,525 (1990 £208,872). There were no contributions for political purposes.

### DIRECTORS AND OFFICERS LIABILITY INSURANCE

Insurance of officers against liabilities in relation to the Company was effected during the year.

### AUDITORS

A resolution for the re-appointment of KPMG Peat Marwick as auditors of the Company, will be proposed at the forthcoming Annual General Meeting.

By Order of the Board,  
G. SIMPSON, Secretary  
3 September 1991.

*G. Simpson*

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 1991

	Notes	1991 £	1990 £
<b>Income</b>			
Net written premiums	1B&2	2,538,019	2,265,502
Less increase in unearned premiums	1B	174,220	174,275
Premiums earned		2,363,799	2,091,227
<b>Expenditure</b>			
Net claims incurred	1C&3	2,484,172	1,769,875
Management expenses	4	773,634	584,134
Underwriting (Loss)	5	(894,007)	(262,782)
<b>Investment Income</b>	1D&5		
Interest and dividends		593,385	591,123
Profit on investment realisations		153,347	68,050
(Loss)/Profit before Taxation	5	(147,275)	396,391
<b>Charitable Grants</b>			
Methodist funds and organisations		-	207,545
		(147,275)	188,846
<b>Taxation</b>	6	19,309	84,216
(Loss)/Profit after Taxation		(167,084)	104,630
<b>Proposed Dividend</b>		-	187
Transfer to Retained Profits	7	£(167,084)	£104,443

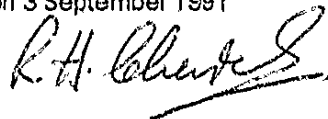
# **BALANCE SHEET**

**AS AT 30 JUNE 1991**

	Notes	£	1991 £	1990 £
<b>INVESTMENTS</b>				
<b>Listed Securities</b>				
Fixed Interest		2,410,559	2,522,363	
Ordinary Shares		595,036	595,036	
		<u>3,005,595</u>	<u>3,117,399</u>	
<b>Unlisted Securities</b>				
Mortgages and Loans		<u>201,782</u>	<u>161,728</u>	
		3,207,377		3,279,127
<b>FIXED ASSETS</b>				
	1E&9	38,151		42,465
		<u>3,245,528</u>		<u>3,321,592</u>
<b>CURRENT ASSETS</b>				
Premiums		389,667	246,743	
Debtors		213,686	501,034	
Deferred Acquisition Expenses	1F	180,757	157,929	
Cash at Bank and in Hand		<u>2,612,469</u>	<u>1,580,974</u>	
		3,296,579		2,486,580
<b>TOTAL ASSETS</b>				
		6,542,107		5,808,172
<b>CURRENT LIABILITIES</b>				
Creditors		157,270	221,158	
Claims	1C&3	2,791,598	1,809,977	
Unearned Premiums	1B&10	1,481,365	1,307,145	
Bank Overdraft		33,827	207,851	
Current Taxation		18,500	35,223	
Proposed Dividend		<u>-</u>	<u>187</u>	
		4,482,560		3,581,541
<b>NET ASSETS</b>				
		<u>£2,059,547</u>		<u>£2,226,631</u>
<b>FINANCED BY:</b>				
<b>SHARE CAPITAL</b>				
	11	112,500		112,500
<b>RESERVES</b>				
	7	1,947,047		2,114,131
		<u>£2,059,547</u>		<u>£2,226,631</u>

The accounts on pages 5 to 12 were approved  
by the Board of Directors on 3 September 1991

R. H. Church, Director.





## SOURCE AND APPLICATION OF FUNDS STATEMENT

	1991	1990
	£	£
<b>SOURCE OF FUNDS</b>		
(Loss)/Profit before tax	(147,275)	390,391
Adjustment for items not involving the movement of funds:		
Depreciation	17,423	19,003
Unearned premiums	174,220	174,275
Deferred acquisition expenses	(22,828)	(18,450)
	<u>168,815</u>	<u>174,788</u>
<b>Total Funds Generated from Operations</b>	<u>21,540</u>	<u>571,179</u>
<b>FUNDS FROM OTHER SOURCES</b>		
Disposals of fixed assets	<u>4,740</u>	<u>3,406</u>
	<u>26,280</u>	<u>574,585</u>
<b>APPLICATION OF FUNDS</b>		
Charitable grants paid	(170,218)	(105,153)
Tax paid	(80,459)	(161,119)
Dividends paid	(187)	(187)
Purchase of fixed assets	<u>(17,849)</u>	<u>(26,335)</u>
	<u>(268,713)</u>	<u>(292,794)</u>
	<u>£(242,433)</u>	<u>£281,791</u>
<b>INCREASE/(DECREASE) IN WORKING CAPITAL</b>		
Premiums	142,924	(4,757)
Debtors	(406,275)	418,101
Creditors	(31,330)	332,481
Claims	<u>(981,621)</u>	<u>(564,447)</u>
	<u>(1,276,302)</u>	<u>181,218</u>
<b>INCREASE/(DECREASE) IN INVESTMENTS AND NET LIQUID FUNDS</b>		
Listed securities at cost	(111,804)	451,603
Mortgages and loans	40,054	7,028
Cash and bank balances	<u>1,105,619</u>	<u>(358,058)</u>
	<u>1,033,869</u>	<u>100,573</u>
	<u>£(242,433)</u>	<u>£281,791</u>



## NOTES ON THE ACCOUNTS

### 1 ACCOUNTING POLICIES

#### A Disclosure Requirements

The accounts have been prepared in compliance with Section 258 and Schedule 9 of the Companies Act 1985, and in accordance with applicable accounting standards and the statement of recommended practice on accounting for insurance business issued by the Association of British Insurers.

#### B Premium Income

1. Direct premiums written relate to business incepted during the year.
2. Unearned premiums represent that proportion of premiums written in the year to 30 June, which relate to periods from 1 July to the subsequent dates of expiry of the policies, and have been computed as follows:-
  - (i) Direct business - on a daily pro-rata basis, net of reinsurance premiums.
  - (ii) Inwards Treaty business - as provided for in the respective treaty contracts.

#### C Claims Outstanding

Provisions for notified claims as at 30 June each year are determined on an individual case basis after taking into account related handling expenses, expected recoveries, anticipated inflation and trends in settlements. Estimates made are based on the information available at the time. Provision is also made in respect of claims incurred but not reported at 30 June. Any differences between original claims provisions and subsequent re-estimates or settlements are reflected in the underwriting results of the year in which claims are re-estimated or settled.

#### D Investment Income

Investment income includes interest accrued to 30 June on deposits but no credit is taken for ordinary dividends and income arising on fixed interest securities other than those received in the year, and is stated before any deductions for income tax, and after adding back tax credits available on distributions.

#### E Capital Expenditure

Expenditure on computer and office equipment, furniture, fixtures and fittings, and motor vehicles is capitalised and depreciated by equal annual instalments over the estimated useful lives of the assets, which are as follows:-

Computer equipment	4 years
Office equipment	5 years
Furniture, fixtures and fittings	8 years
Motor vehicles	5 years

#### F Deferred Acquisition Expenses

Provision is made for deferred acquisition expenses representing commission relating to unearned premiums and has been based on actual expenses.

#### G Foreign Currencies

Assets and liabilities in foreign currencies have been converted into sterling at the rates of exchange ruling at 30 June. Differences on exchange have been dealt with through the Profit and Loss Account.

## NOTES ON THE ACCOUNTS (continued)

### 2 PREMIUM INCOME

	1991 £	1990 £
Gross direct premiums written and reinsurance accepted	5,186,963	4,503,979
Deduct reinsurance premiums ceded	<u>2,648,944</u>	<u>2,238,477</u>
	<u>2,538,019</u>	<u>2,265,502</u>
Gross premiums by geographical areas:-		
United Kingdom	5,038,198	4,370,812
Eire	<u>148,765</u>	<u>133,167</u>
	<u>5,186,963</u>	<u>4,503,979</u>
Gross premiums by class of business:-		
Fire and damage to property	4,273,972	3,702,168
Liability	452,724	431,759
Accident and health	123,198	89,719
Miscellaneous financial loss	70,342	50,005
Reinsurance accepted	<u>266,727</u>	<u>230,328</u>
	<u>5,186,963</u>	<u>4,503,979</u>

### 3 CLAIMS

	1991 £	1990 £
Gross claims incurred	5,589,257	5,050,183
Deduct reinsurance recoveries	<u>3,105,085</u>	<u>3,280,308</u>
	<u>2,484,172</u>	<u>1,769,875</u>
Gross claims outstanding	6,223,730	4,877,930
Deduct reinsurance recoveries	<u>3,432,132</u>	<u>3,067,953</u>
	<u>2,791,598</u>	<u>1,809,977</u>

### 4 MANAGEMENT EXPENSES

	1991 £	1990 £
Administrative expenses and commissions	1,416,762	1,153,368
Deduct -reinsurance and agency commissions	620,300	550,744
-increase in deferred acquisition expenses	<u>22,828</u>	<u>18,430</u>
	<u>773,634</u>	<u>584,134</u>
Management expenses include:-		
Directors' emoluments	11,427	9,533
Fees and expenses	<u>9,708</u>	<u>8,712</u>
Pension to former director	21,135	18,305
	<u>12,207</u>	<u>11,575</u>
Auditors' remuneration	17,423	19,003
Depreciation		

### 5 GEOGRAPHICAL INFORMATION

	United Kingdom		Eire		Total	
	1991 £	1990 £	1991 £	1990 £	1991 £	1990 £
Underwriting (Loss)/Profit	(917,556)	(299,941)	23,549	37,159	(894,007)	(262,782)
Investment Income	724,434	641,509	22,298	17,664	746,732	659,173
(Loss)/Profit before Taxation	<u>(193,122)</u>	<u>341,568</u>	<u>45,847</u>	<u>54,823</u>	<u>(147,275)</u>	<u>396,391</u>
Net Assets	<u>1,934,047</u>	<u>2,143,181</u>	<u>125,500</u>	<u>83,450</u>	<u>2,059,547</u>	<u>2,226,631</u>

## NOTES ON THE ACCOUNTS (continued)

### 6 TAXATION

	1991 £	1990 £
U.K. Corporation Tax based on the profit for the year after charitable grants	-	85,880
(Over)/Under provision in respect of prior years	(19,353)	79
	<u>(19,353)</u>	<u>85,959</u>
Tax in respect of U.K. dividends received	20,662	19,497
	<u>1,309</u>	<u>84,216</u>
Overseas taxation	19,260	670
	<u>20,569</u>	<u>84,886</u>
Less relief for overseas taxation	760	670
	<u>19,809</u>	<u>84,216</u>

### 7 RESERVES

	General Reserve £	Profit and Loss Account £	Retained Profits £
At 1 July 1990	2,060,000	54,131	2,114,131
Loss for the year	-	(167,084)	(167,084)
Transfer between reserves	(2,060,000)	2,060,000	-
At 30 June 1991	<u>-</u>	<u>1,947,047</u>	<u>1,947,047</u>

### 8 INVESTMENTS

Listed and unlisted securities are stated in the Balance Sheet at cost.

	1991 £	1990 £
Aggregate market value of listed securities	<u>4,215,527</u>	<u>4,383,924</u>

### 9 FIXED ASSETS

	Computer equipment £	Office equipment fixtures and fittings £	Motor vehicles £	Total £
Cost				
At 1 July 1990	104,121	20,710	27,304	152,135
Additions	4,177	3,622	10,050	17,849
Disposals	-	-	(7,900)	(7,900)
At 30 June 1991	<u>108,298</u>	<u>24,332</u>	<u>29,454</u>	<u>162,084</u>
Accumulated depreciation				
At 1 July 1990	92,883	9,746	7,041	109,670
Depreciation for the year	7,413	4,119	5,891	17,423
Disposals	-	-	(3,160)	(3,160)
At 30 June 1991	<u>100,296</u>	<u>13,865</u>	<u>9,772</u>	<u>123,933</u>
Net book value				
At 30 June 1991	<u>8,002</u>	<u>10,467</u>	<u>19,682</u>	<u>38,151</u>
At 30 June 1990	<u>11,238</u>	<u>10,964</u>	<u>20,263</u>	<u>42,465</u>

## NOTES ON THE ACCOUNTS (continued)

### 10 UNEARNED PREMIUMS

	1991	1990
	£	£
Gross unearned premiums	2,842,800	2,444,368
Deduct reinsurance premiums ceded	<u>1,361,435</u>	<u>1,137,224</u>
	<u>1,481,365</u>	<u>1,307,145</u>

### 11 SHARE CAPITAL

At 30 June 1991 and 1990

18,750 shares of £6 each fully paid

Authorised	Issued
£	£
<u>112,500</u>	<u>112,500</u>

### 12 PENSION COSTS

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company, being invested with an insurance company under a Grouped Funding policy. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the discontinuance target funding method. The most recent valuation was as at 1 January 1990. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 8% per annum, that salary increases would average 7% per annum and that present and future pensions would increase at the rate of 4% per annum.

- The pension charge for the period was £57,683 (1990 £45,571).
- The most recent actuarial valuation showed that the market value of the scheme's assets was £624,100 and that the actuarial value of those assets represented 99% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

### 13 TRANSACTIONS WITH OFFICERS

At 30 June 1991 the amounts outstanding in respect of transactions, arrangements and agreements with officers of the Company (other than directors) were:-

	Number of Officers	1991	1990
		£	£
House purchase loans	2	73,750	121,400
Other loans	3	<u>8,740</u>	<u>13,100</u>

### 14 EXCHANGE

The rate of exchange used for converting Eire Punt was IR£1.1000

## FIVE YEAR REVIEW

	1991	1990	1989	1988	1987
	£	£	£	£	£
	000	000	000	000	000
<b>PROFIT AND LOSS ACCOUNT</b>					
Gross premiums	5,187	4,584	4,022	3,870	3,452
Gross claims	(5,589)	(5,052)	(4,760)	(4,413)	(4,221)
Net premiums earned	2,364	2,001	1,579	1,691	1,477
Net claims	(2,484)	(1,770)	(1,836)	(1,212)	(1,371)
Management expenses	(774)	(584)	(572)	(514)	(470)
Underwriting (Loss)/Profit	(894)	(203)	272	130	60
Investment income	747	659	431	445	372
(Loss)/Profit before Taxation	(147)	396	503	409	432
Charitable contributions	-	(208)	(567)	(233)	(251)
Taxation	(20)	(84)	(90)	(58)	(64)
(Loss)/Profit	(167)	104	196	113	117
<b>BALANCE SHEET</b>					
Investments	3,207	3,279	2,320	2,639	2,587
Fixed assets	38	42	39	46	56
Current assets	3,297	2,487	2,651	2,094	1,755
Total assets	6,542	5,808	5,510	4,779	4,398
Current liabilities	4,483	3,582	3,388	2,853	2,590
Net assets	2,059	2,226	2,122	1,926	1,808
<b>FINANCED BY:</b>					
Share Capital	112	112	112	112	112
Reserves	1,947	2,114	2,010	1,814	1,696
	2,059	2,226	2,122	1,926	1,808

## REPORT OF THE AUDITORS

To the members of the Methodist Insurance P.L.C.

We have audited the accounts set out on pages 5 to 11 in accordance with Auditing Standards.

In our opinion, the accounts have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to insurance companies.

Manchester  
3 September 1991.

*[Signature]*  
KPMG PEAT MARWICK  
Chartered Accountants