6369.

METHODIST INSURANCE

REPORT & ACCOUNTS 1990

CONTENTS

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the one hundred and eighteenth Annual General Meeting of the Company will be held at the Company's Offices, Brazennose House, Brazennose Street, Manchester, on Wednesday 17 October 1990 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 1990
Resolution No 2	To declare a dividend
Resolution No 3	To recommend that Charitable Grants amounting to £207,545 be paid to Methodist Funds and Organisations
	To re-elect the following directors retiring by rotation in accordance with Article [illegible] of the Company's Articles of Association and who, being eligible, offer themselves for re-election
Resolution No 4	Charles W Jarvis
Resolution No 5	Susan R Howdle
Resolution No 6	Michael A H Willett
Resolution No 7	To re-appoint KPMG Peat Marwick McLintock as Auditors and to authorise the directors to fix their remuneration

Special business

Resolution No 8	To determine the remuneration of the directors

To transact any other ordinary business

By Order of the Board
G SIMPSON Secretary
25 September 1990

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

Ronald H. [illegible] F.R.[illegible]	Chairman
Herbert W. Turner, F.I.A.	Vice Chairman
Charles [illegible] M.B.E., F.B.I.M., A.C.I.A.	
[illegible] M.A.	
Rev. [illegible] A. Green B.A., B.D., S.T.M.	
Rev. Jeffrey W. Harris, M.A., B.D.	
Rev. Ralph E. Fenner, M.A.	
Michael A. H. [illegible] F.I.A., M.B.C.S.	
Norman Parker [illegible] B. M.I.Ex.	
[illegible] A. Johnson, M.B.I.M.	

OFFICERS

David A. Blanks, B.A., F.C.I.I.	General Manager
Graham 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 9695
Facsimile 061-833 1287

IRISH OFFICE

[illegible] House, [illegible] Rathdown Park, Dublin 6

Rev. Paul Kingston — Attorney for the Republic of Ireland

AUDITORS

KPMG Peat Marwick McLintock, 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 yet again new records achieved by the Company! Regretfully these arose from the unprecedented storms of January and February, which were much more widespread than in 1987 which resulted in a massive number of claims being submitted in a very short period of time.

These disasters have served to demonstrate the strength of the Company in responding to them and I wish to pay a special tribute to the Claims Staff who rose to the challenge so magnificently and were able to process the claims with a minimum of delay.

The storms alone were not responsible for the huge upsurge in claims made. There has been a significant increase in the incidence of subsidence and theft and vandalism claims are also higher. Investigation of these last two categories has shown that in many cases they could have been avoided if only simple precautions had been taken or if vigilance had been greater.

The total number of claims received during the year was 7055, compared with 3438 in 1988/89 and [illegible] in 1987/88. The claims have been estimated at £5,050 183 of which £1,769,875 falls to be paid by us with the balance being covered by reinsurance.

Despite a steady growth in premium income, the incidence of these claims has, not surprisingly, resulted in an underwriting loss this year but after including our investment income an overall profit has been achieved.

The grants to Connexional Funds recommended to the Annual General Meeting this year will be £207,5[illegible] compared with £566,834 in 1988/89.

Competition in the insurance markets continues to increase and in order to maintain our own growth we have increased our activities in marketing and have appointed a Development Underwriter. We have also become members of the Insurance Ombudsman Bureau.

There has been a gratifying growth in the home policy account and in the expectation of this continuing we will be offering payment of premiums by instalments from this autumn. We will also be introducing a special new offer to Methodist Church members.

Having had some three years experience of the new Financial Services Act we have reviewed our membership of F I M B R A and have decided to withdraw from it. In order to continue offering life and pensions business we have become appointed representatives of the Guardian Royal Exchange. To assist us with these changes we have strengthened our staff with the appointment of a specialist in the field of life and pensions.

Throughout the year I have been most ably supported by Mr. H. W. Tuckey my Vice Chairman to whom I am most grateful, and I also wish to thank my fellow directors for their contributions and support.

As mentioned previously we have been forcibly reminded this year particularly of the strength and loyalty of our staff at all levels. On behalf of the Board and Shareholders I am privileged to take this opportunity to say a heartfelt "thank you" to the General Manager, all the Staff, our Representatives and Superintendent Ministers for their loyal service and to our insurance Intermediaries for their support throughout this difficult year.

R. H. Church Chairman

REPORT OF THE DIRECTORS

The directors submit the Annual Report and Accounts of the Company [illegible]

PROFIT AND DIVIDEND

The Profit and Loss Account on page 5 shows the profit for the year
The directors recommend a dividend for the year of [illegible]
The directors propose to transfer £100 000 to General Reserve

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 S G Hodgkinson retired from the board during the year
Mr C W Jacob Mrs S R Howdle and Mr M A H Willett 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

DIRECTORS' SHAREHOLDINGS

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

	30 June 1990	[illegible]
R H Church	1,000	[illegible]
H W Tuckey	500	[illegible]
C W Jacob	250	[illegible]
S R Howdle	250	[illegible]
Rev B A Greet	50	[illegible]
Rev J W Harris	250	[illegible]
Rev R E Fennell	25	[illegible]
M A H Willett	500	[illegible]
N Parker	20	[illegible]
R A Johnson	250	

CHARITABLE AND POLITICAL CONTRIBUTIONS

Charitable contributions donated during the year amounted to £208,872 [illegible] There were no contributions for political purposes

AUDITORS

On 1 January 1990 our auditors changed the name under which they practise to KPMG Peat Marwick McLintock and accordingly have signed their report in their new name

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

By Order of the Board
G SIMPSON, Secretary
7 September 1990

13-11-90

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 1990

	Notes	1990 £	[illegible]
Income			
Net written premiums	1B&2	2,265,502	[illegible]
Less increase in unearned premiums	1B	174,275	[illegible]
Premiums earned		2,091,227	[illegible]
Expenditure			
Net claims incurred	1C&3	1,769,875	[illegible]
Management expenses	4	584,134	[illegible]
Underwriting (Loss)/Profit		(262,782)	[illegible]
Investment Income	1D		
Interest and dividends		591,123	[illegible]
Profit on investment realisations		68,050	[illegible]
Profit before Taxation		396,391	[illegible]
Charitable Grants			
Methodist Funds and Organisations		207,545	[illegible]
		188,846	[illegible]
Taxation	5	84,216	[illegible]
Profit after Taxation		104,630	[illegible]
Proposed Dividend		187	[illegible]
Retained Profit	6	£104,443	[illegible]

BALANCE SHEET

AS AT 30 JUNE 1990

	Notes	1990 £	1990 £	[illegible] £	[illegible] £
INVESTMENTS	7				
Listed Securities					
Fixed Interest		2,522,363		2,052,459	
Ordinary Shares		595,036		613,337	
		3,117,399		2,665,796	
Unlisted Securities					
Mortgages and Loans		161,728	3,279,127	154,700	2,820,496
FIXED ASSETS	1E&8		42,465		38,539
			3,321,592		2,859,035
CURRENT ASSETS					
Premiums		246,743		251,500	
Debtors		501,034		90,046	
Deferred acquisition expenses	1F	157,929		139,439	
Cash at Bank and in Hand		1,580,874	2,486,580	2,170,042	2,651,027
TOTAL ASSETS			5,808,172		5,510,062
CURRENT LIABILITIES					
Creditors		221,158		458,200	
Claims	1C&3	1,809,977		1,245,530	
Unearned Premiums	1B&9	1,307,145		1,132,870	
Bank Overdraft		207,851		438,961	
Current Taxation		35,223		38,257	
Taxation payable 1 July 1990		—		73,869	
Proposed Dividend		187	3,581,541	187	3,387,874
NET ASSETS			£2,226,631		£2,122,188
FINANCED BY					
SHARE CAPITAL	10		112,500		112,500
RESERVES	6		2,114,131		2,009,688
			£2,226,631		£2,122,188

The accounts on pages 5 to 12 were approved by the Board of Directors on 7 September 1990

R. H. Church Director

H. W. Tuckey Director

SOURCE AND APPLICATION OF FUNDS STATEMENT

		1990		[illegible]
	£	£	[illegible]	[illegible]
SOURCE OF FUNDS				
Profit before tax		396,391		[illegible]
Adjustment for items not involving the movement of funds				
Depreciation	19,003		[illegible]	
Unearned premiums	174,275		[illegible]	
Deferred acquisition expenses	(18,490)		[illegible]	
		174,788		[illegible]
Total Funds Generated from Operations		571,179		[illegible]
FUNDS FROM OTHER SOURCES				
Disposals of fixed assets		3,406		[illegible]
		574,585		[illegible]
APPLICATION OF FUNDS				
Charitable grants paid	(105,153)		[illegible]	
Tax paid	(161,119)		[illegible]	
Dividends paid	(187)		[illegible]	
Purchase of fixed assets	(26,335)		[illegible]	
		(292,794)		[illegible]
		£281,791		[illegible]
INCREASE (DECREASE) IN WORKING CAPITAL				
Premiums	(4,757)		[illegible]	
Debtors	418,161		[illegible]	
Creditors	332,261		[illegible]	
Claims	(564,447)		[illegible]	
		181,218		[illegible]
INCREASE (DECREASE) IN INVESTMENTS AND NET LIQUID FUNDS				
Listed securities at cost	451,603		[illegible]	
Mortgages and loans	7,028		[illegible]	
Cash and bank balances	(358,058)		[illegible]	
		100,573		[illegible]
		£281,791		[illegible]

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 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

13-11-90

NOTES ON THE ACCOUNTS (continued)

2 PREMIUM INCOME

	1990	1989
	£	£
Gross direct premiums written and reinsurance accepted	4,503,979	4,022,366
Deduct reinsurance premiums ceded	2,238,477	2,078,012
	2,265,502	1,944,354
Gross premiums by geographical areas -		
United Kingdom	4,370,812	3,914,527
Eire	133,167	107,839
	4,503,979	4,022,366
Gross premiums by class of business -		
Fire and damage to property	3,702,168	3,331,440
Liability	431,759	371,095
Accident and health	89,719	85,169
Miscellaneous financial loss	50,005	40,647
Reinsurance accepted	230,328	194,075
	4,503,979	4,022,366

3 CLAIMS

	1990	1989
	£	£
Gross claims incurred	5,050,183	1,860,892
Deduct reinsurance recoveries	3,280,308	894,570
	1,769,875	966,322
Gross claims outstanding	4,877,930	2,501,612
Deduct reinsurance recoveries	3,067,953	1,256,082
	1,809,977	1,245,530

4 MANAGEMENT EXPENSES

	1990	1989
	£	£
Administrative expenses and commissions	1,153,368	1,034,725
Deduct-reinsurance and agency commissions	550,744	506,428
increase in deferred acquisition expenses	18,490	16,236
	584,134	512,061
Management expenses include		
Directors' emoluments		
Fees and expenses	9,593	9,733
Pension to former director	8,712	8,033
	18,305	17,766
Auditors' remuneration	11,575	9,936
Depreciation	19,003	27,606

NOTES ON THE ACCOUNTS (continued)

5 TAXATION

	1990	1989
	£	£
U.K. Corporation Tax at 30.5% based on the profit for the year after charitable grants	65,000	[illegible]
Under/(Over) provision in respect of prior years	79	[illegible]
	65,079	[illegible]
Tax in respect of U.K. dividends received	19,137	[illegible]
	84,216	[illegible]
Overseas taxation	670	[illegible]
	84,886	[illegible]
Less relief for overseas taxation	670	[illegible]
	84,216	90,265

6 RESERVES

	General Reserve	Profit and Loss Account	Total
	£	£	£
At 1 July 1989	1,960,000	49,688	2,009,688
Retained profit for the year	—	104,443	104,443
Transfer between reserves	100,000	(100,000)	—
At 30 June 1990	2,060,000	54,131	2,114,131

7 INVESTMENTS

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

	1990	1989
	£	£
Aggregate market value of listed securities	4,383,924	3,928,665

8 FIXED ASSETS

	Computer equipment	Office equipment fixtures and fittings	Motor vehicles	Total
	£	£	£	£
[illegible]				
At 1 July 1989	99,671	18,229	16,416	134,316
Additions	4,450	2,481	19,404	26,335
Disposals	—	—	(8,516)	(8,516)
At 30 June 1990	104,121	20,710	27,304	152,135
[illegible]				
At 1 July 1989	82,983	6,104	6,690	95,777
Depreciation for the year	9,900	3,642	5,461	19,003
Disposals	—	—	(5,110)	(5,110)
At 30 June 1990	92,883	9,746	7,041	109,670
[illegible]				
At 30 June 1990	11,238	10,964	20,263	42,465
At 30 June 1989	[illegible]	[illegible]	[illegible]	[illegible]

NOTES ON THE ACCOUNTS (continued)

9 UNEARNED PREMIUMS

	1990	[illegible]
	£	£
Gross unearned premiums	2,444,369	[illegible]
Deduct reinsurance premiums ceded	1,137,224	[illegible]
	1,307,145	[illegible]

10 SHARE CAPITAL

At 30 June 1990 and 1989	Authorised	Issued
	£	£
18,750 shares of £6 each fully paid	112,500	112,500

11 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 8½% 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 £45,571 (1989 £42,125).

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 90% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The actuary's recommendations are under consideration by the directors.

12 TRANSACTIONS WITH OFFICERS

At 30 June 1990 the amounts outstanding in respect of transactions, arrangements and agreements with officers of the Company (other than directors) were:

	Number of Officers	1990	[illegible]
		£	£
House purchase loans	2	33,000	[illegible]
Other loans	3	15,741	[illegible]

13 EMPLOYEES' EMOLUMENTS

One employee received emoluments within the scale £30,001 to £35,000.

14 EXCHANGE

The rate of exchange used for converting Irish Punts was IR£1.0826.

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.

KPMG Peat Marwick McLintock

KPMG PEAT MARWICK McLINTOCK
Chartered Accountants

Manchester
[illegible] September 1990

FIVE YEAR REVIEW

	1990 £ 000	[illegible]	[illegible]	[illegible]	[illegible]
PROFIT AND LOSS ACCOUNT					
Gross premiums	4,504	[illegible]	[illegible]	[illegible]	[illegible]
Gross claims	(5,050)	[illegible]	[illegible]	[illegible]	[illegible]
Net premiums earned	2,091	[illegible]	[illegible]	[illegible]	[illegible]
Net claims	(1,770)	[illegible]	[illegible]	[illegible]	[illegible]
Management expenses	(584)	[illegible]	[illegible]	[illegible]	[illegible]
Underwriting (Loss)/Profit	(263)	[illegible]	[illegible]	[illegible]	[illegible]
Investment income	659	[illegible]	[illegible]	[illegible]	[illegible]
Profit before Taxation	396	[illegible]	[illegible]	[illegible]	[illegible]
Charitable contributions	(208)	[illegible]	[illegible]	[illegible]	[illegible]
Taxation	(84)	[illegible]	[illegible]	[illegible]	[illegible]
Retained Profit	104	[illegible]	[illegible]	[illegible]	[illegible]
BALANCE SHEET					
Investments	3,279	2,820	2,639	2,567	[illegible]
Fixed assets	42	39	46	[illegible]	[illegible]
Current assets	2,487	2,651	2,094	1,755	[illegible]
Total assets	5,808	5,510	4,779	[illegible]	[illegible]
Current liabilities	3,582	3,388	2,853	[illegible]	[illegible]
Net assets	2,226	[illegible]	1,926	[illegible]	[illegible]
FINANCED BY					
Share Capital	112	[illegible]	112	[illegible]	[illegible]
Reserves	2,114	[illegible]	[illegible]	[illegible]	[illegible]
	2,226	[illegible]	[illegible]	[illegible]	[illegible]