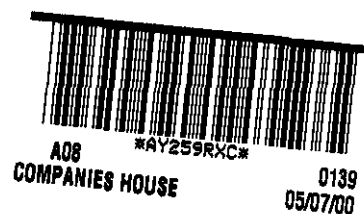


THE NATIONAL INSURANCE AND GUARANTEE CORPORATION PLC

Registration No. 42133

ANNUAL REPORT 1999

Registered Office:
Crown House
145 City Road
London EC1V 1LP



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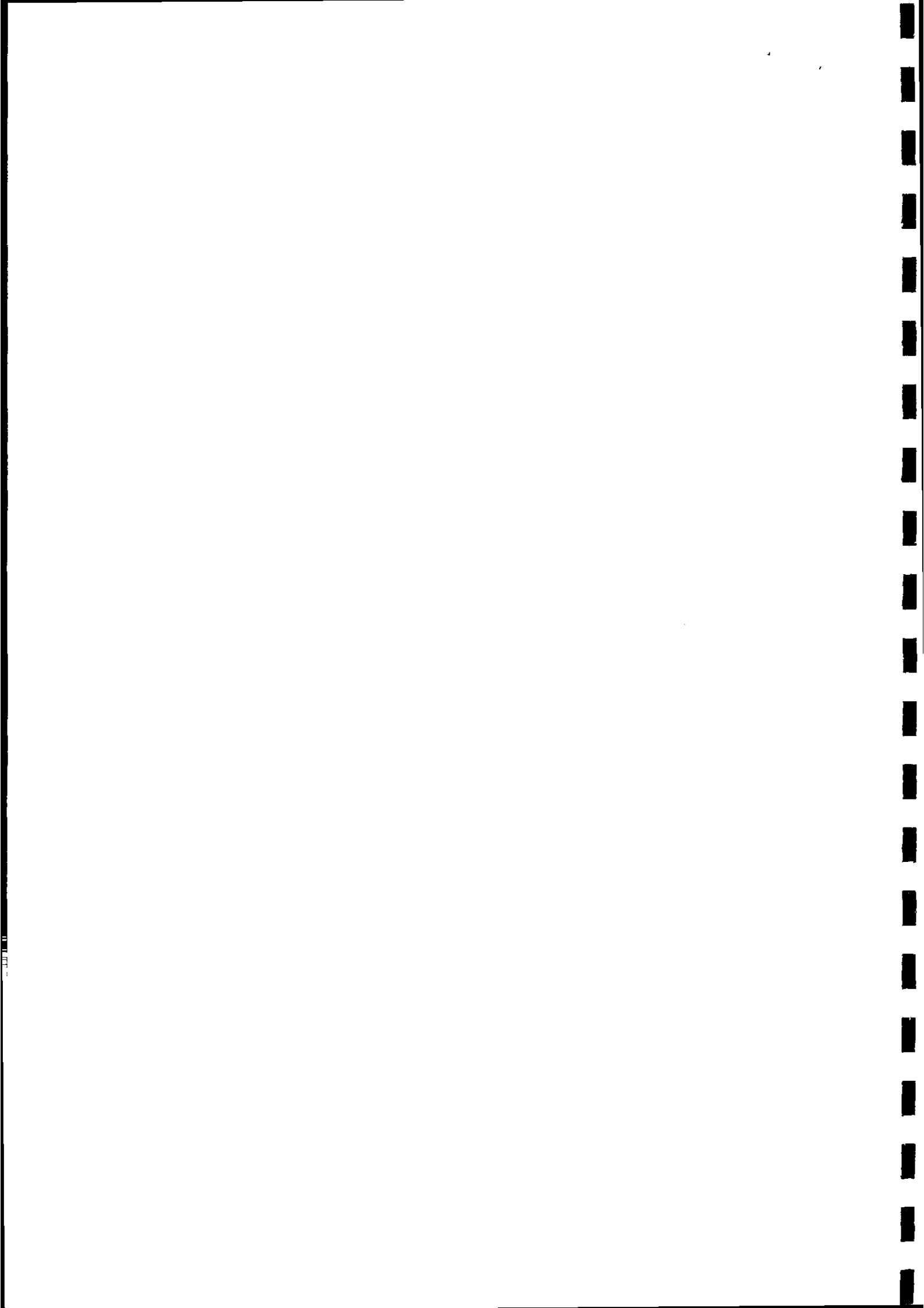
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THE NATIONAL INSURANCE AND GUARANTEE CORPORATION PLC

MANAGEMENT

CHAIRMAN AND DIRECTORS

M P Long FCII
Chairman

J Carrier BA (Hons) DIPM MBA MCIM
Managing Director

P M Bunker BSc (Econ) FCA
Personal Lines Director

C H D Earle MA MSc ACII
Commercial Director

H S Hughes FCA
Finance Director

COMPANY SECRETARY

P B Cassidy MA ACA

SENIOR MANAGEMENT

R Butler MBA
Information Systems Manager

D H Grant MA MSc FCII MCIM
Marketing Manager

J S Harman BA PhD FCA
Tax Manager

A Harris
Personal Lines Manager

S K Howard BSc FIA
Corporate Actuary

S J Lanham BA DipM MCIM MIDM
Customer Services Manager

E L T Lovegrove
Product Delivery Manager

K J R Newman ACII
Claims Manager

G M Rapley FCII
Special Risks Manager

J E Rhule BA
Human Resources Manager

P E Savory
Claims Manager

G E Tooby
Commercial Manager

M G Bennett ACII
Managing Director
Intermediary group companies

P Chaplain
Managing Director
Finsure Premium Finance Limited

THE NATIONAL INSURANCE AND GUARANTEE CORPORATION PLC

SUMMARY OF RESULTS

	1995	1996	1997	Restated 1998	1999
	£'000	£'000	£'000	£'000	£'000
Net premiums written	280,409	244,135	239,206	253,398	315,890
Balance on the technical account for general business	8,544	(5,408)	4,477	(4,081)	3,907
Profit/(loss) before taxation and exceptional items	19,859	2,687	12,359	13,106	18,946
Gross assets *	455,302	447,764	461,474	527,388	499,871
Shareholder's funds	102,456	103,861	110,006	111,201	101,978

Figures for 1998 have been restated as a result of the change of accounting policy described on page 13.

Figures for 1995 - 1997 have not been restated as the necessary information is not available.

* Gross assets are defined as shareholder's funds plus minority interests plus net technical provisions.

THE NATIONAL INSURANCE AND GUARANTEE CORPORATION PLC

DIRECTORS' REPORT

The Directors submit their report and accounts for the year ended December 31, 1999.

GROUP RESULTS AND DIVIDENDS

Gross premiums written were £399.5m (1998 - £339.6m) and the profit for the year before tax was £18.9m (1998 restated - profit of £13.1m).

The profit for the year after taxation and minority interests was £10.8m (1998 restated - £8.8m). After a dividend of £20m (1998 restated - £7.5m) there is a retained loss of £9.2m (1998 restated - profit of £1.3m) which the Directors propose to transfer to reserves.

SHAREHOLDER

In December 1999 Skandia (UK) Holdings Limited entered into a conditional contract for the sale of the entire issued share capital of the Corporation to Churchill Insurance Group Limited, a subsidiary of the Credit Suisse Group. The sale was completed on March 31, 2000 following receipt of consent from the Financial Services Authority.

REVIEW OF THE BUSINESS

The Corporation's principal activity is the transaction of all classes of insurance business other than life assurance. The principal activities of subsidiary undertakings are set out in note 11. The Directors do not envisage any change to these activities in the foreseeable future.

DIRECTORS AND THEIR INTERESTS

During the course of the year, the Directors were:

M P Long (Chairman, appointed March 31, 2000)
H-E F Andersson (resigned September 1, 1999)
J Carrier
P M Bunker
C H D Earle
H S Hughes
C E Oscarson (resigned March 31, 2000)
U G Spång (resigned March 31, 2000)
H M Troye (resigned March 31, 2000)

No Director had any interest in the Corporation which requires disclosure under the Companies Act 1985.

YEAR 2000 COMPLIANCE

The Corporation's group-wide Year 2000 compliance programme was successfully completed. The group's own internal systems have continued operating satisfactorily in 2000 and the Directors, at present, are not aware of any significant Year 2000 problems affecting any of its suppliers. The cost to the group of Year 2000 compliance in 1999 is estimated as being £1.05 million.

EMPLOYEES

The Corporation supports employee organisations, reports on its trading position on a regular basis, consults with employees where appropriate and pursues a policy of providing, where possible, the same employment opportunities to disabled persons as to others.

THE NATIONAL INSURANCE AND GUARANTEE CORPORATION PLC

DIRECTORS' REPORT

PAYMENT OF SUPPLIERS

It is the policy of the Corporation to pay all its suppliers within agreed periods of credit; where no terms are agreed, payment is made within one month of invoice receipt. The average creditor days at December 31, 1999 was less than one.

POLITICAL AND CHARITABLE DONATIONS

Charitable donations totalling £4,000 (1998 : £13,000) were made by the Group during the year; there were no political donations.

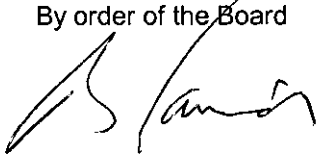
POST BALANCE SHEET EVENTS

On March 31, 2000, the entire issued share capital of the Corporation was sold by Skandia (UK) Holdings Limited to Churchill Insurance Group Limited, a subsidiary of the Credit Suisse Group.

AUDITORS

Following the acquisition of the Corporation by Churchill Insurance Group Limited, Ernst & Young will be resigning from office at the Annual General Meeting and a resolution to appoint KPMG Audit Plc as auditors will be put to the members.

By order of the Board



P B Cassidy
Secretary

30 June 2000

THE NATIONAL INSURANCE AND GUARANTEE CORPORATION PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the Directors to prepare accounts for each financial year which show a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those accounts the Directors are required to :-

- * select suitable accounting policies and then apply them consistently;
- * make judgements and estimates that are reasonable and prudent;
- * state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- * prepare the accounts on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

THE NATIONAL INSURANCE AND GUARANTEE CORPORATION PLC

REPORT OF THE AUDITORS

to the member of The National Insurance and Guarantee Corporation PLC

We have audited the accounts on pages 7 to 29, which have been prepared on the basis of the accounting policies set out on pages 11 to 14.

Respective responsibilities of Directors and Auditor

As described on page 5 the company's Directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of opinion

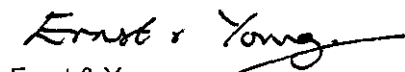
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Our evaluation of the presentation of information in the accounts has had regard to the statutory requirement for insurance companies to maintain equalisation reserves. The nature of equalisation reserves, the amount set aside at December 31, 1999 and the effect of the movement in those reserves during the year on the general business technical result and the profit before tax are disclosed in note 16.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group at December 31, 1999 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
London

30 June
2000

THE NATIONAL INSURANCE AND GUARANTEE CORPORATION PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended December 31, 1999

	Notes	1999 £'000	1998 £'000
TECHNICAL ACCOUNT - GENERAL BUSINESS			
Gross premiums written - continuing operations		399,534	339,636
Outward reinsurance premiums		83,644	86,238
Net premiums written		315,890	253,398
Change in the gross provision for unearned premiums		(20,283)	2,338
Change in the provision for unearned premiums, reinsurers' share		(14,179)	(2,256)
Change in the net provision for unearned premiums		(6,104)	4,594
 Earned premiums, net of reinsurance	2	321,994	248,804
Allocated investment return transferred from the non-technical account		18,701	23,654
TOTAL TECHNICAL INCOME		340,695	272,458
Claims Paid - gross amount		251,002	201,841
- reinsurers' share		35,910	31,591
- net of reinsurance		215,092	170,250
Change in the provision for claims - gross amount		(4,219)	5,330
- reinsurers' share		12,355	3,945
- net of reinsurance		(16,574)	1,385
 Claims incurred net of reinsurance	3	198,518	171,635
Change in other technical provisions, net of reinsurance - unexpired risk reserve	15	(3,590)	2,824
Net operating expenses	4	141,215	101,340
TOTAL CHARGES		336,143	275,799
Total technical income less total charges		4,552	(3,341)
Transfer to equalisation reserve	16	645	740
BALANCE ON THE TECHNICAL ACCOUNT FOR GENERAL BUSINESS		3,907	(4,081)
Attributable to:			
Continuing operations	23	3,552	(1,970)
Discontinued operations	23	355	(2,111)
		3,907	(4,081)
Attributable to:			
The Corporation		6,656	(3,028)
Subsidiary undertakings		(2,749)	(1,053)
		3,907	(4,081)

THE NATIONAL INSURANCE AND GUARANTEE CORPORATION PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended December 31, 1999

	Notes	1999 £'000	Restated 1998 £'000
NON TECHNICAL ACCOUNT			
BALANCE ON THE TECHNICAL ACCOUNT FOR GENERAL BUSINESS		3,907	(4,081)
Investment income	8	41,293	48,172
Commission income		<u>15,276</u>	<u>13,736</u>
		<u>56,569</u>	<u>61,908</u>
Investment expenses and charges - investment management expenses		852	4,158
Allocated investment return transferred to the general business technical account		<u>18,701</u>	<u>23,654</u>
Other charges		<u>21,977</u>	<u>16,909</u>
		<u>41,530</u>	<u>44,721</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		18,946	13,106
Taxation charge on profit on ordinary activities	9	<u>7,236</u>	<u>4,399</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAX		11,710	8,708
Minority interests - equity		(928)	98
PROFIT FOR THE FINANCIAL YEAR		<u>10,782</u>	<u>8,806</u>
Dividends	10	20,000	7,500
(LOSS) / PROFIT RETAINED FOR THE FINANCIAL YEAR		<u>(9,218)</u>	<u>1,306</u>
Attributable to:			
The Corporation		(8,579)	1,910
Subsidiary undertakings		<u>(639)</u>	<u>(605)</u>
		<u>(9,218)</u>	<u>1,306</u>

There were no gains or losses recognised in the year other than the profit for the year.

The inclusion of unrealised gains and losses and bond amortisation in the profit and loss account to reflect the marking to market or amortised cost of investments in the balance sheet is not deemed to be a departure from the unmodified historical cost basis of accounting, and a separate note of historical cost profits and losses is, therefore, unnecessary.

The effect of the change in accounting policy adopted during 1999 was to increase the profit on ordinary activities before taxation by £11.8 million. The after tax effect of the change was £8.2 million.



THE NATIONAL INSURANCE AND GUARANTEE CORPORATION PLC

BALANCE SHEET

at December 31, 1999

		Group 1999	Group 1998 Restated	Company 1999	Company 1998 Restated
	Notes	£'000	£'000	£'000	£'000
ASSETS					
INVESTMENTS					
	11				
Capitalised goodwill		3,003	4,246	-	-
Subsidiary undertakings		-	-	37,428	43,000
Other financial investments		484,923	501,863	394,021	407,898
		<u>487,926</u>	<u>506,109</u>	<u>431,449</u>	<u>450,898</u>
REINSURERS' SHARE OF TECHNICAL PROVISIONS					
Provision for unearned premiums		35,101	49,280	35,101	48,801
Claims outstanding	12	<u>35,592</u>	<u>23,237</u>	<u>20,605</u>	<u>15,625</u>
		<u>70,693</u>	<u>72,517</u>	<u>55,706</u>	<u>64,426</u>
DEBTORS					
Direct insurance operations - intermediaries		36,222	30,976	36,121	25,930
Amounts due from subsidiary undertakings		-	-	37,470	23,255
Other debtors		4,864	5,807	2,340	1,944
		<u>41,086</u>	<u>36,783</u>	<u>75,931</u>	<u>51,129</u>
OTHER ASSETS					
Tangible assets	13	2,868	2,405	2,868	2,339
Properties under development and for resale		-	4,993	-	-
Cash at bank and in hand		11,573	13,461	6,350	8,904
		<u>14,441</u>	<u>20,859</u>	<u>9,218</u>	<u>11,243</u>
PREPAYMENTS AND ACCRUED INCOME					
Accrued interest		6,674	7,061	5,905	5,622
Deferred acquisition costs	14	90,634	97,731	90,634	92,250
Other prepayments and accrued income		2,401	2,311	1,139	893
		<u>99,709</u>	<u>107,103</u>	<u>97,678</u>	<u>98,765</u>
TOTAL ASSETS					
		<u>713,855</u>	<u>743,370</u>	<u>669,982</u>	<u>676,461</u>



THE NATIONAL INSURANCE AND GUARANTEE CORPORATION PLC

BALANCE SHEET

at December 31, 1999

		Group 1999	Group 1998 Restated	Company 1999	Company 1998 Restated
	Notes	£'000	£'000	£'000	£'000
LIABILITIES					
CAPITAL AND RESERVES					
Called up share capital	17	87,968	87,968	87,968	87,968
Share premium account		5,182	5,182	5,182	5,182
Profit and loss account		8,828	18,051	16,132	24,711
Shareholder's funds	20	101,978	111,201	109,282	117,861
Minority interests		369	141	-	-
		<u>102,347</u>	<u>111,342</u>	<u>109,282</u>	<u>117,861</u>
TECHNICAL PROVISIONS					
Provision for unearned premiums		241,906	262,189	241,890	242,289
Claims outstanding	12	309,278	313,498	263,403	266,142
Unexpired risk reserve	15	3,151	6,741	3,151	6,741
Equalisation reserve	16	4,516	3,871	4,516	2,774
		<u>558,851</u>	<u>586,299</u>	<u>512,960</u>	<u>517,946</u>
PROVISIONS FOR OTHER RISKS AND CHARGES					
Deferred taxation	19	12	3,248	-	3,248
CREDITORS					
Arising out of direct insurance operations	18	11,620	14,655	2,911	9,919
Taxation	19	5,474	-	7,392	1,325
Amounts owed to credit institutions		10,553	4,955	10,553	4,955
Amounts owed to subsidiary undertakings				9,624	8,875
Other creditors including taxation and social security		24,998	22,871	17,260	12,332
		<u>52,645</u>	<u>42,481</u>	<u>47,740</u>	<u>37,406</u>
TOTAL LIABILITIES					
		<u>713,855</u>	<u>743,370</u>	<u>669,982</u>	<u>676,461</u>

Approved at a meeting of the Board of Directors on 30 June 2000 and signed on its behalf.

J Carrier
Managing Director



THE NATIONAL INSURANCE AND GUARANTEE CORPORATION PLC

NOTES TO THE ACCOUNTS

at December 31, 1999

1 ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accounts of the Group comprise those of the Corporation and its subsidiary undertakings for the year ended December 31, 1999.

The accounts are prepared in compliance with the special provisions relating to insurance companies of section 255 and section 255A of, and Schedule 9A to, the Companies Act 1985. The accounts have also been prepared in accordance with applicable UK accounting standards. The recommendations of the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers in December 1998 (the "ABI SORP") has been adopted.

BASIS OF CONSOLIDATION

The group accounts consolidate the accounts of The National Insurance & Guarantee Corporation PLC and all its subsidiary undertakings drawn up to December 31 each year from the date of effective acquisition. No profit and loss account is presented for The National Insurance and Guarantee Corporation PLC as permitted by Section 230 of the Companies Act 1985. The group consolidates as subsidiary undertakings its interests in various entities of which it holds 50% of the share capital as it exerts significant influence over the undertakings.

CASH FLOW STATEMENT

As permitted by Financial Reporting Standards Number 1 (revised), a cash flow statement is not presented as the Corporation was at the year end a wholly owned subsidiary of Skandia Insurance Company Ltd (publ), the consolidated accounts of which are publicly available.

PREMIUMS WRITTEN

Written premiums comprise the total premiums receivable for the whole period of cover provided by contracts incepting during the financial year, together with adjustments arising in the financial year to premiums receivable in respect of business written in previous financial years.

All premiums are shown gross of commission payable to intermediaries.

Written premiums exclude insurance premium tax. The amount of this tax due by the group which has not been paid over to Customs & Excise as at the year end has been included in the balance sheet as a liability under the heading "Other creditors including taxation and social security".

Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards reinsurance business being reinsured.

UNEARNED PREMIUMS

The provision for unearned premiums on all business as at December 31 is calculated on the 24ths method after making an appropriate deduction for reinsurance ceded.

THE NATIONAL INSURANCE AND GUARANTEE CORPORATION PLC

NOTES TO THE ACCOUNTS

at December 31, 1999

1 ACCOUNTING POLICIES

UNEXPIRED RISKS

Provision is made, after allowing for attributable investment income, for any excess over the provision for unearned premiums of claims and administrative expenses likely to arise after the end of the year from contracts concluded before that date. The assessment of whether a provision is necessary is made by considering separately each category of business accounted for on the annual basis of accounting on the basis of information available as at the balance sheet date, but offsetting surpluses and deficits between categories that are managed together.

DEFERRED ACQUISITION COSTS

Commission and management costs which vary with, and are primarily related to, the acquisition of new insurance contracts, and the renewal of existing insurance contracts are deferred to the extent that they are attributable to premiums unearned at the balance sheet date.

OUTSTANDING CLAIMS

Full provision is made on an individual case basis for the estimated cost of claims notified but not settled by the balance sheet date after taking into account handling costs, anticipated inflation and settlement trends. A provision for claims incurred but not reported is established on a statistical basis. Any differences between provisions and subsequent settlements are dealt with in the technical accounts of later years.

EQUALISATION RESERVE

Equalisation reserves have been established in accordance with the requirements of the Insurance Companies (Reserves) Act 1995 and included as the equalisation reserve within technical provisions.

INSTALMENT TRANSACTIONS

Interest income on instalment transactions is recognised over the period of the loan with regard to the amount of principal outstanding.

COMMISSION INCOME

Commission income represents brokerage and fee income derived from insurance intermediary business. Income is recognised within the non technical account when invoiced, irrespective of the inception date, or period, of insurance.

DEPRECIATION

Office equipment and motor vehicles are written off in the year of purchase.

Data processing equipment and software are depreciated on a straight line basis over a period of up to four years.

Certain subsidiary undertakings capitalise motor vehicles and other office equipment, where this is considered more appropriate to their own circumstances. Such assets are written off on consolidation. The financial effect of this difference in policy is disclosed in note 13.

THE NATIONAL INSURANCE AND GUARANTEE CORPORATION PLC

NOTES TO THE ACCOUNTS

at December 31, 1999

1 ACCOUNTING POLICIES

PROPERTY

Trading properties and those under development are valued at the lower of cost and net realisable value with any unrealised losses taken to profit and loss account.

OPERATING LEASES

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

INVESTMENTS

Fixed interest securities are valued at amortised cost at December 31. Other listed investments are valued at the middle market value at December 31. Other investments are included at market value at December 31, and loans and mortgages at cost. Profits and losses on realisation of investments, unrealised gains and losses and changes in bond amortisation are included in investment income for the year. Realised gains and losses are calculated as the difference between net sale proceeds and historical cost. An allocation of investment income from the non-technical account to the general business technical account is made on the basis of a risk-free rate of return on the average technical provisions for the year.

The valuation of fixed interest securities on an amortised cost basis represents a change of accounting policy from previous years, when such securities have been valued on a market value basis. Comparative figures for 1998 have been restated to reflect the new basis of accounting. The new policy has been adopted by the board as it is considered the most appropriate basis of valuation to reflect a decision that fixed interest securities should, in all normal circumstances, be held to maturity.

INVESTMENTS IN SUBSIDIARIES

Investments in subsidiary undertakings are stated at cost except where, in the opinion of the Directors, there has been a permanent diminution in value, in which case they are stated at Directors' valuation.

GROUP AND CONSORTIUM RELIEF

Provision is made for payments or receipts arising from the acceptance or surrender of tax losses under the group and consortium relief provisions of the Taxes Acts to the extent that it is believed, based on the latest projections for the tax profile of the overall group, that capacity for group relief exists. Provision is normally made at the applicable rate of corporation tax for the year in question.

DEFERRED TAXATION

Deferred taxation is provided using the liability method on all timing differences to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is estimated that tax will be payable.

FOREIGN EXCHANGE

Transactions in currencies other than sterling are recorded in the accounts at the average exchange rate prevailing for the year. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All exchange differences are taken to the profit and loss account as a part of investment income.

THE NATIONAL INSURANCE AND GUARANTEE CORPORATION PLC

NOTES TO THE ACCOUNTS

at December 31, 1999

1 ACCOUNTING POLICIES

PENSIONS

The group operates several pension schemes, all of which are funded by the payment of contributions to separately administered funds. Contributions to defined contribution schemes are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. Contributions to defined benefit schemes are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives within the Group. The regular cost is attributed to individual years using the projected unit method.

GOODWILL

Goodwill arising on the acquisition of subsidiary undertakings prior to January 1, 1998 has been taken to reserves in the year of acquisition. On any subsequent disposal of such businesses, the goodwill taken to reserves would be charged, or credited, to the profit and loss account. Goodwill on all subsequent acquisitions is capitalised and amortised on a straight line basis over its useful economic life, subject to an impairment review at the end of the first full financial year following each acquisition and in subsequent periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

THE NATIONAL INSURANCE AND GUARANTEE CORPORATION PLC

NOTES TO THE ACCOUNTS

at December 31, 1999

2 EARNED PREMIUMS NET OF REINSURANCE

	Gross £'000	Reinsurance £'000	Net £'000
1999			
Premiums written	399,534	83,644	315,890
Unearned premiums carried forward	241,906	35,101	206,805
Unearned premiums brought forward	262,189	49,280	212,909
Increase / (decrease) in unearned premiums	(20,283)	(14,179)	(6,104)
Premiums earned	<u>419,816</u>	<u>97,823</u>	<u>321,994</u>
1998			
Premiums written	339,636	86,238	253,398
Unearned premiums carried forward	262,189	49,280	212,909
Unearned premiums acquired	21,766	591	21,175
Unearned premiums brought forward	238,085	50,945	187,140
Increase in unearned premiums	2,338	(2,256)	4,594
Premiums earned	<u>337,298</u>	<u>88,494</u>	<u>248,804</u>

THE NATIONAL INSURANCE AND GUARANTEE CORPORATION PLC

NOTES TO THE ACCOUNTS at December 31, 1999

3 CLAIMS INCURRED NET OF REINSURANCE

	Gross £'000	Reinsurance £'000	Net £'000
1999			
Claims paid	240,354	35,910	204,444
Claims handling expenses	10,648	-	10,648
	<u>251,002</u>	<u>35,910</u>	<u>215,092</u>
Outstanding claims carried forward	309,279	35,592	273,687
Outstanding claims brought forward	313,498	23,237	290,261
(Decrease) in claims reserves	<u>(4,219)</u>	<u>12,355</u>	<u>(16,574)</u>
Claims incurred	<u>246,783</u>	<u>48,265</u>	<u>198,518</u>
1998			
Claims paid	193,948	31,591	162,357
Claims handling expenses	7,893	-	7,893
	<u>201,841</u>	<u>31,591</u>	<u>170,250</u>
Outstanding claims carried forward	313,498	23,237	290,261
Outstanding claims acquired	46,357	7,329	39,028
Outstanding claims brought forward	261,811	11,963	249,848
Increase in claims reserves	<u>5,330</u>	<u>3,945</u>	<u>1,385</u>
Claims incurred	<u>207,171</u>	<u>35,536</u>	<u>171,635</u>

The movement between the loss provision at the beginning of the period for outstanding claims and the payments during the year on account of claims incurred in previous years and the loss provision at the end of the period for such outstanding claims was an improvement of £20.53million (1998: improvement of £9.891million.)

THE NATIONAL INSURANCE AND GUARANTEE CORPORATION PLC

NOTES TO THE ACCOUNTS

at December 31, 1999

4 NET OPERATING EXPENSES

1999	Gross £'000	Reinsurance £'000	Net £'000
Commission	149,719	45,942	103,777
Other acquisition costs	18,158	-	18,158
Total acquisition costs	167,877	45,942	121,935
Deferred acquisition costs carried forward	90,634	-	90,634
Deferred acquisition costs brought forward	97,731	-	97,731
Increase	(7,097)	-	(7,097)
Incurred acquisition costs	174,974	45,942	129,031
Administrative expenses	12,184	-	12,184
	<u>187,158</u>	<u>45,942</u>	<u>141,215</u>
1998			
Commission	127,255	46,530	80,725
Other acquisition costs	15,298	-	15,298
Total acquisition costs	142,553	46,530	96,023
Deferred acquisition costs carried forward	97,731	-	97,731
Deferred acquisition costs acquired	5,764	-	5,764
Deferred acquisition costs brought forward	90,585	-	90,585
Increase	1,382	-	1,382
Incurred acquisition costs	141,171	46,530	94,641
Administrative expenses	6,699	-	6,699
	<u>147,870</u>	<u>46,530</u>	<u>101,340</u>

THE NATIONAL INSURANCE AND GUARANTEE CORPORATION PLC

NOTES TO THE ACCOUNTS

at December 31, 1999

5 ADMINISTRATIVE EXPENSES

	1999 £'000	1998 £'000
Administrative expenses include :		
Depreciation of fixed assets (including non capitalised assets written off)	1,605	1,273
Operating lease rentals	4,743	4,518
Policyholders' Protection Act Levy (release of provisions)	(720)	(6,370)
Auditors' remuneration, including expenses	283	159
Fees for non-audit services	64	78

6 STAFF COSTS

	1999 £'000	1998 £'000
Wages and salaries	25,968	20,466
Social security costs	2,141	1,989
Other pension costs	2,265	189

The average number of employees, including executive directors, during the year was comprised as follows :-

	1999	1998
Underwriting	230	219
Claims	137	87
Administration	462	391
Insurance intermediaries	478	385
	<u>1,307</u>	<u>1,081</u>

7 DIRECTORS' EMOLUMENTS

	1999 £'000	1998 £'000
Aggregate emoluments (excluding pension contributions)	1,176	1,658
Aggregate pension contributions	<u>152</u>	<u>164</u>
	<u>1,328</u>	<u>1,822</u>
Highest paid director's emoluments (excluding pension contributions)	483	725
Highest paid director's pension contributions	95	93

THE NATIONAL INSURANCE AND GUARANTEE CORPORATION PLC

NOTES TO THE ACCOUNTS

at December 31, 1999

8 INVESTMENT INCOME

	1999 £'000	Restated 1998 £'000
Income from:		
Land and buildings	36	421
Fixed & variable interest securities	22,817	20,623
Equities	1,531	1,776
Deposits	1,457	1,656
Other investments	9,436	8,805
	<u>35,277</u>	<u>33,281</u>
Realised gains and losses	30,626	8,062
Unrealised gains and losses	(24,610)	6,829
Amortisation of fixed interest securities	(3,946)	810
	<u>6,016</u>	<u>14,891</u>
Total income	<u>41,293</u>	<u>48,172</u>

9 TAXATION

	1999 £'000	Restated 1998 £'000
The charge for taxation comprises:		
Current taxation:		
Corporation tax at 30.25% (1998 - 31%)	-	36
Group relief at 30.25% (1998 - 31%)	11,380	1,351
Tax credits on franked investment income	-	352
Adjustment to prior years - group relief	(908)	468
Deferred taxation	(3,236)	2,192
	<u>7,236</u>	<u>4,399</u>

10 DIVIDENDS

	1999 £'000	1998 £'000
Dividend paid on ordinary shares	<u>20,000</u>	<u>7,500</u>

THE NATIONAL INSURANCE AND GUARANTEE CORPORATION PLC

NOTES TO THE ACCOUNTS

at December 31, 1999

11 INVESTMENTS

	£'000	£'000	£'000
a) Capitalised goodwill	Group		
	Cost	Amortisation	Net Book Value
At January 1	4,246	-	4,246
Movement in the year	173	1,416	(1,243)
At December 31	4,419	1,416	3,003

b) Subsidiary undertakings	Company		
	Shares at cost	Provision	Net Book Value
At January 1	43,000	-	43,000
Movement in the year	-	5,572	(5,572)
At December 31	43,000	5,572	37,428

The following are the Company's principal subsidiary undertakings:

Subsidiary undertakings	Share class	% Ownership	Activity
NIG Hallmark Limited	Ordinary shares	100	Holding company
Hallmark Insurance Company Limited *	Ordinary shares	100	Insurance company
NIG Insurance Intermediary Group Limited **	Ordinary shares	100	Holding company
Dial Direct Insurance Marketing Limited	Ordinary shares	75	Insurance broking
G F Bennett (Holdings) Limited	Ordinary shares	75	Holding company
G F Bennett and Company Limited	Ordinary shares	75	Insurance broking
The Careful Drivers Association Limited	Ordinary shares	75	Holding company
Pratts Insurance Office	Ordinary shares	75	Insurance broking
Dial Direct Finance Limited	Ordinary shares	100	Dormant company
Finsure Premium Finance Limited	Ordinary shares	100	Premium finance
Skanprint Limited	Ordinary shares	100	Printing company
NIG Trading Limited	Ordinary shares	100	Property trading
NIG Sheridan Properties Limited	A Ordinary shares	100	Property joint ventures
	B Ordinary shares	0	

NIG Sheridan Properties Limited is considered to be a subsidiary undertaking of the Corporation because it has a participating interest in the form of share capital and it exercises a dominant influence over it by virtue of being the sole lender of development finance.

All subsidiary undertakings are incorporated in the U.K.

* formerly known as Hibernian Insurance UK Limited

** formerly known as NIG Skandia Investments Limited

THE NATIONAL INSURANCE AND GUARANTEE CORPORATION PLC

NOTES TO THE ACCOUNTS

at December 31, 1999

11 INVESTMENTS (continued)

	Group 1999	Group 1998 Restated	Company 1999	Company 1998 Restated
	£'000	£'000	£'000	£'000
b) Other investments				
Market value / Amortised Value*				
Listed equity shares	-	66,454	-	66,454
Fixed interest securities *	256,857	242,725	209,890	180,681
Floating rate notes	83,506	101,413	83,506	101,413
Deposits with credit institutions	59,699	22,404	55,493	16,887
Loan to parent undertaking	20,000	20,000	20,000	20,000
Other loans	64,861	48,867	25,132	22,463
	<u>484,923</u>	<u>501,863</u>	<u>394,021</u>	<u>407,898</u>
Historical cost				
Listed equity shares	-	46,598	-	46,598
Fixed interest securities	258,413	240,366	210,357	177,951
Floating rate notes	83,939	100,674	83,939	100,674
Deposits with credit institutions	59,699	22,404	55,493	19,007
Loan to parent undertaking	20,000	20,000	20,000	20,000
Other loans	64,861	48,867	25,132	22,623
	<u>486,912</u>	<u>478,909</u>	<u>394,921</u>	<u>386,853</u>

The fixed interest securities and floating rate notes are all listed on either the London or Luxembourg Stock Exchanges.

12 CLAIMS OUTSTANDING

	Gross £'000	Reinsurance £'000	Net £'000
1999			
Group			
Notified outstanding claims	281,008	35,592	245,416
Provision for claims incurred but not reported	24,527	-	24,527
Claims handling expenses	3,743	-	3,743
	<u>309,278</u>	<u>35,592</u>	<u>273,686</u>
Company			
Notified outstanding claims	239,588	20,605	218,983
Provision for claims incurred but not reported	20,499	-	20,499
Claims handling expenses	3,316	-	3,316
	<u>263,403</u>	<u>20,605</u>	<u>242,798</u>
1998			
Group			
Notified outstanding claims	289,608	23,237	266,371
Provision for claims incurred but not reported	20,966	-	20,966
Claims handling expenses	2,924	-	2,924
	<u>313,498</u>	<u>23,237</u>	<u>290,261</u>
Company			
Notified outstanding claims	249,755	15,625	234,130
Provision for claims incurred but not reported	13,752	-	13,752
Claims handling expenses	2,635	-	2,635
	<u>266,142</u>	<u>15,625</u>	<u>250,517</u>

THE NATIONAL INSURANCE AND GUARANTEE CORPORATION PLC

NOTES TO THE ACCOUNTS

at December 31, 1999

13 TANGIBLE ASSETS

	Group			Company		
	Data Processing Equipment £'000	Freehold Office Property £'000	Total £'000	Data Processing Equipment £'000	Freehold Office Property £'000	Total £'000
<u>Cost:</u>						
At 1 January 1999	7,144	-	7,144	6,903	-	6,903
Additions in the year	1,572	325	1,897	1,572	325	1,897
Disposal and write off of assets	(3,172)	-	(3,172)	(2,928)	-	(2,928)
At December 31, 1999	<u>5,547</u>	<u>325</u>	<u>5,869</u>	<u>5,547</u>	<u>325</u>	<u>5,872</u>
<u>Depreciation:</u>						
At January 1, 1999	4,739	-	4,739	4,564	-	4,564
Charge for the year	1,434	-	1,434	1,368	-	1,368
Disposal and write off of assets	(3,172)	-	(3,172)	(2,928)	-	(2,928)
At December 31, 1999	<u>3,001</u>	<u>-</u>	<u>3,001</u>	<u>3,004</u>	<u>-</u>	<u>3,004</u>
<u>Net book value:</u>						
At December 31, 1999	<u>2,546</u>	<u>325</u>	<u>2,868</u>	<u>2,543</u>	<u>325</u>	<u>2,868</u>
At December 31, 1998	<u>2,405</u>	<u>-</u>	<u>2,405</u>	<u>2,339</u>	<u>-</u>	<u>2,339</u>

The financial effect of writing off on consolidation certain assets capitalised in the accounts of subsidiary undertakings was to increase the profit for the year by £152,000 (1998 : increase by £64,000)

14 DEFERRED ACQUISITION COSTS

	1999 £'000	Restated 1998 £'000
Group		
At January 1	97,731	90,585
Deferred acquisition costs acquired	-	5,764
Change in reserve	(7,097)	1,382
At December 31	<u>90,634</u>	<u>97,731</u>
Company		
At January 1	92,250	90,585
Change in reserve	(1,616)	1,665
At December 31	<u>90,634</u>	<u>92,250</u>

THE NATIONAL INSURANCE AND GUARANTEE CORPORATION PLC

NOTES TO THE ACCOUNTS

at December 31, 1999

15 UNEXPIRED RISK RESERVE

	1999 £'000	1998 £'000
Group		
At January 1	6,741	2,652
Unexpired risk reserve acquired	-	1,265
Change in reserve	(3,590)	2,824
At December 31	<u>3,151</u>	<u>6,741</u>
Company		
At January 1	6,741	2,652
Change in reserve	(3,590)	4,089
At December 31	<u>3,151</u>	<u>6,741</u>

16 EQUALISATION RESERVES

Equalisation reserves have been established in accordance with the requirements of the Insurance Companies (Reserves) Act 1995. These reserves, which are in addition to the provisions required to meet the anticipated ultimate cost of settlement of outstanding claims at the balance sheet date, are required by Schedule 9A of the Companies Act 1985 to be included within technical provisions in the balance sheet, notwithstanding that they do not represent liabilities at the balance sheet date.

	1999 £'000	1998 £'000
Group		
At January 1	3,871	2,129
Equalisation reserves acquired	-	1,002
Change in reserve	645	740
At December 31	<u>4,516</u>	<u>3,871</u>
Company		
At January 1	2,774	2,129
Change in reserve	1,742	645
At December 31	<u>4,516</u>	<u>2,774</u>

THE NATIONAL INSURANCE AND GUARANTEE CORPORATION PLC

NOTES TO THE ACCOUNTS

at December 31, 1999

17 SHARE CAPITAL

	1999 £'000	1998 £'000
Authorised:		
150,000,000 (1998 - 150,000,000) A ordinary shares of £1 each	150,000	150,000
Allotted, issued and fully paid:		
87,968,181 (1998 - 87,968,181) A ordinary shares of £1 each	87,968	87,968

18 CREDITORS

All creditors are payable within a period of one year.

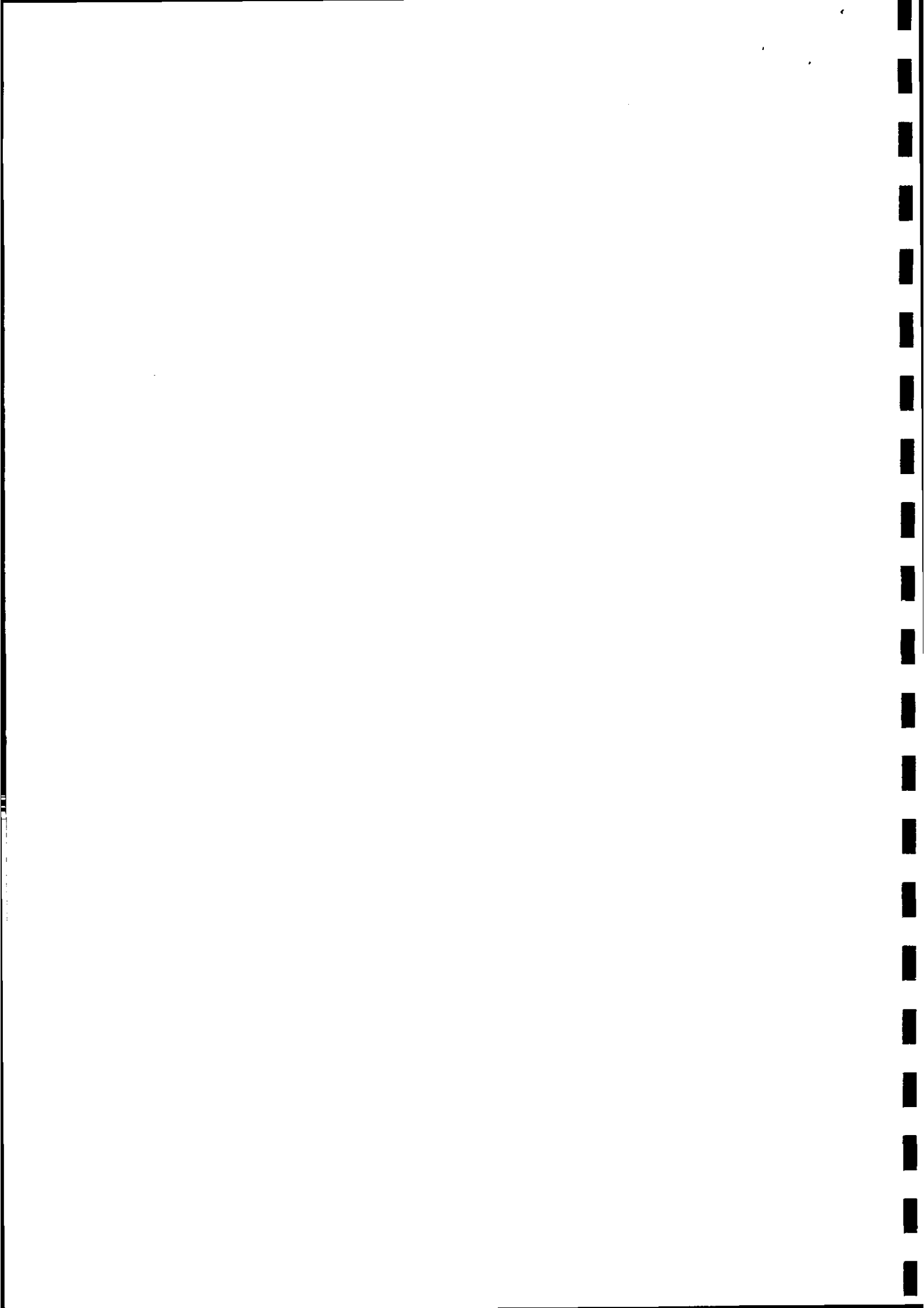
19 TAXATION

	Group 1999 £'000	Group 1998 Restated £'000	Company 1999 £'000	Company 1998 Restated £'000
Corporation tax and group relief	5,474	-	7,392	1,325
Deferred tax:				
Potential and provided:				
Unrealised appreciation on listed investments	-	5,958	-	5,958
Capital allowances	12	(1,764)	-	(1,764)
Other timing differences	-	(946)	-	(946)
Total deferred tax	12	3,248	-	3,248
Total tax	5,486	3,248	7,392	4,573

There is no potential, but unprovided, deferred tax (1998 : nil).

Movement in provision for deferred taxation:

Balance at January 1	3,248	1,056	3,248	1,056
Charge for the year	(3,236)	2,192	(3,248)	2,192
Balance at December 31	12	3,248	-	3,248



THE NATIONAL INSURANCE AND GUARANTEE CORPORATION PLC

NOTES TO THE ACCOUNTS

at December 31, 1999

20 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	Share Capital £'000	Share Premium £'000	Profit and loss account £'000	Goodwill Reserve £'000	Total £'000
Group					
At January 1, 1998 as originally stated	87,968	5,182	19,677	(2,821)	110,006
Prior year adjustment	-	-	(111)	-	(111)
At January 1, 1998 as restated	87,968	5,182	19,566	(2,821)	109,895
Retained profit for the financial year	-	-	1,306	-	1,306
At December 31, 1998	87,968	5,182	20,872	(2,821)	111,201
Retained loss for the financial year	-	-	(9,218)	-	(9,218)
Goodwill	-	-	-	(5)	(5)
At December 31, 1999	87,968	5,182	11,654	(2,826)	101,978
Company					
At January 1, 1998 as originally stated	87,968	5,182	22,912	-	116,062
Prior year adjustment	-	-	(111)	-	(111)
At January 1, 1998 as restated	87,968	5,182	22,801	-	115,951
Retained profit for the financial year	-	-	1,910	-	1,910
At December 31, 1998	87,968	5,182	24,711	-	117,861
Retained loss for the financial year	-	-	(8,579)	-	(8,579)
At December 31, 1999	87,968	5,182	16,132	-	109,282

All shareholder's funds represent equity interests

THE NATIONAL INSURANCE AND GUARANTEE CORPORATION PLC

NOTES TO THE ACCOUNTS

at December 31, 1999

21 SEGMENTAL INFORMATION

	Insurance Business				Insurance	Total £'000
	Personal Lines £'000	Commercial Lines £'000	Special Risks £'000	Other Business £'000	Intermediary Business £'000	
1999						
Gross premiums written	160,701	65,861	172,945	-	-	399,508
Net technical result	(2,283)	(1,200)	6,571	819	-	3,907
Intermediary operations	-	-	-	-	(2,284)	(2,284)
Goodwill amortisation						-
Net investment income on Shareholder's funds						17,323
Profit before taxation						18,946
Net technical provisions	250,246	102,430	37,806	7,043	-	397,525
Unallocated net assets						102,347
Total gross assets						499,872
1998 Restated						
Gross premiums written	137,609	43,618	158,409	-	-	339,636
Net technical result	(9,444)	132	6,840	(1,609)	-	(4,081)
Intermediary operations	-	-	-	-	(14)	(14)
Net investment income on Shareholder's funds						17,201
Profit before taxation						13,106
Net technical provisions	269,342	99,578	39,682	7,446	-	416,048
Unallocated net assets						111,342
Total gross assets						527,390

All business relates to risks underwritten in the United Kingdom.

Special Risks are principally represented by extended warranty business.

22 RELATED PARTY TRANSACTIONS

Loan to parent undertaking

The Corporation has made a loan to its immediate parent undertaking; the balance outstanding on the loan at December 31, 1999 was £20,000,000 (1998: £20,000,000) and interest earned during the year amounted to £1,500,000 (1998: £1,195,000). The loan is repayable on demand and bears interest at a margin in excess of Libor. Of the total loan balance outstanding at December 31, 1999, £16,000,000 (1998: £16,000,000) was secured by a Letter of Credit issued by a major European bank. The loan has been repaid since the year end.

Directors

Directors are entitled to avail themselves of standard staff discounts in respect of the Corporation's insurance policies.

THE NATIONAL INSURANCE AND GUARANTEE CORPORATION PLC

NOTES TO THE ACCOUNTS

at December 31, 1999

23 CONTINUING AND DISCONTINUED OPERATIONS

The discontinued business is the run-off of a London Market treaty account which the Corporation wrote until 1983. The breakdown of the principal general business technical account figures between this discontinued business and the Corporation's continuing business is as follows:-

	Continuing £'000	Discontinued £'000	Total £'000
1999			
Gross premiums written	399,534	-	399,534
Earned premiums, net of reinsurance	321,994	-	321,994
Allocated investment return	18,346	355	18,701
Claims incurred, net of reinsurance	198,518	-	198,518
Other technical provisions	(3,590)	-	(3,590)
Net operating expenses	141,215	-	141,215
Equalisation reserve	645	-	645
Balance on the technical account	3,552	355	3,907
1998			
Gross premiums written	339,636	-	339,636
Earned premiums, net of reinsurance	248,804	-	248,804
Allocated investment return	23,295	359	23,654
Claims incurred, net of reinsurance	169,160	2,475	171,635
Other technical provisions	2,824	-	2,824
Net operating expenses	101,345	(5)	101,340
Equalisation reserve	740	-	740
Balance on the technical account	(1,970)	(2,111)	(4,081)

24 OPERATING LEASES

The annual commitment under operating leases is as follows :-

	Group 1999 £'000	Group 1998 £'000	Company 1999 £'000	Company 1998 £'000
Land and Buildings				
Leases expiring in less than 1 year	75	36	75	-
Leases expiring between 1 and 2 years		75		75
Leases expiring between 2 and 5 years	1,338	1,296	1,338	1,296
Leases expiring after 5 years	3,329	3,342	2,827	2,869
	4,743	4,749	4,240	4,240

25 CAPITAL COMMITMENTS

There were capital commitments outstanding at December 31, 1999 of £ nil (1998 - £457,000).

THE NATIONAL INSURANCE AND GUARANTEE CORPORATION PLC

NOTES TO THE ACCOUNTS

at December 31, 1999

26 CONTINGENT LIABILITIES

There were no contingent liabilities at December 31, 1999 (1998 - £nil).

27 PENSION COMMITMENTS

The Group operates several pension schemes all of which are funded by the payment of contributions to separately administered funds.

The contributions to the schemes are charged to the profit and loss account as they become payable in accordance with the rules of the schemes. Contributions to the two funded defined benefit schemes are determined with the advice of independent qualified actuaries on the basis of triennial valuations using the projected unit method. The results of the most recent valuations were as follows:-

	<u>Scheme 1</u>	<u>Scheme 2</u>
Date of most recent valuation:	December 31, 1997	June 1, 1999
Main assumptions:		
Rate of return on investments (% per annum)	8.50%	8%
Rate of salary increases (% per annum)	7%	6.50%
Market value of scheme's assets	£11,753,000	£15,655,000
Level of funding being the actuarial value of assets expressed as a percentage of the benefits accrued to members, after allowing for future salary increases	130%	138%

The Trustees of Scheme 1 have elected to wind-up Scheme 1 with effect from June 30, 1999; a valuation of the Scheme at that date is being conducted to enable the assets of the Scheme to be distributed to members. The Trustees of Scheme 2 have elected to wind-up Scheme 2 with effect from June 30, 2000; a valuation of the Scheme will be conducted at that date.

28 ULTIMATE AND INTERMEDIATE PARENT UNDERTAKINGS

The ultimate parent undertaking at the year end was Skandia Insurance Company Ltd (publ), a company incorporated in Sweden. The ultimate parent company at the date of these accounts is Credit Suisse Group, a company incorporated in Switzerland.

The parent undertaking of the largest, and only, group of undertakings for which group accounts are drawn up which include the results of the company is Skandia Insurance Company Ltd (publ). Copies of these accounts are available from Sveavägen 44, S 103 50 Stockholm, Sweden.

THE NATIONAL INSURANCE AND GUARANTEE CORPORATION PLC

NOTES TO THE ACCOUNTS

at December 31, 1999

29 CONSOLIDATION IN THE GROUP FINANCIAL STATEMENTS OF HOLDING COMPANIES

The Corporation's financial statements have been consolidated in the group financial statements of the ultimate holding company.

THE NATIONAL INSURANCE AND GUARANTEE CORPORATION PLC

NOTES TO THE ACCOUNTS

at December 31, 1999

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