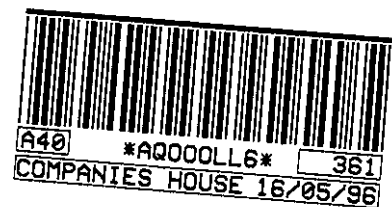


# **ECONOMIC INSURANCE COMPANY LIMITED**

## **FINANCIAL STATEMENTS**

**31 DECEMBER 1995**



**FINANCIAL STATEMENTS**

**For the year ended 31 December 1995**

Directors	Allen Sykes *	(Chairman)
	Peter Wyatt Bedford *	(Deputy Chairman)
	Peter Geoffrey Cullum	(Managing Director)
	Marek Stefan Gumienny *	
	James Maxwell Carruthers	
	Paul Francis Dyer	
	Michael King	

(\* Non Executive)

Secretary	Susan Clare Cartwright
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Auditors	Coopers & Lybrand Chartered Accountants 10 Albion Place Maidstone Kent ME14 5DZ
----------	--

Bankers	National Westminster Bank Plc 87 High Street Sittingbourne Kent ME10 4AU
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Registered Office	Economic House 25 London Road Sittingbourne Kent ME10 1PE
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Telephone Number: 01795 413200

Solicitors	Alsop Wilkinson 6 Dowgate Hill London EC4R 2SS
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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the ninety-fourth annual general meeting of the above named Company will be held at Economic House, 25 London Road, Sittingbourne, Kent ME10 1PE on the 18 April 1996 at 2.30pm for the following purposes:

1. To receive the report of the Directors and the audited accounts of the Company for the year ended 31 December 1995 and to declare a dividend.
2. To re-appoint Coopers and Lybrand as Auditors of the Company and to authorise the Directors to fix the Auditors remuneration.
3. To transact any other ordinary business of the Company.

BY ORDER OF THE BOARD



S C CARTWRIGHT  
Secretary

Dated 18 April 1996

Registered Office  
Economic House  
25 London Road  
Sittingbourne Kent  
ME10 1PE

Note:-

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and on a poll to vote instead of him. A proxy need not be a member of the company.

To appoint a proxy the enclosed form should be completed and deposited by post or facsimile at the registered office of the Company not less than 48 hours before the time of the Annual General Meeting or of the adjourned meeting at which time the proxy proposes to vote.

**ECONOMIC INSURANCE COMPANY LIMITED****INDEX TO THE FINANCIAL STATEMENTS**

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Profit and Loss Account, Technical Account - Long Term Business	9
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# ECONOMIC INSURANCE COMPANY LIMITED

## DIRECTORS' REPORT

31 December 1995

The directors have pleasure in submitting their annual report and financial statements for the year ended 31 December 1995.

### Principal Activity and Business Review

The principal activity of the Company is the transaction of most classes of life and general insurance. Its subsidiary, Whitehall Insurance Company Limited, does not trade. Both the level of business for the year and the year end financial position are considered satisfactory.

On 1 January 1996, following the effects of a soft market that adversely affected the size of the portfolio and larger than expected losses, the Company disposed of its open market Commercial Lines portfolio. This line of business has been treated as discontinued in the financial statements in accordance with Financial Reporting Standard 3, "Reporting Financial Performance".

### Underwriting Policies

The Company continues to develop the writing of personal and commercial lines of business in the provincial market.

### Changes in Presentation of the Financial Statements

The financial statements have been prepared in accordance with Schedule 1, Part I of the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993 which amend section 255 and schedule 9A of the Companies Act 1985 and came into effect for periods commencing after 23 December 1994. The prior year figures have been restated to comply with the changes in the presentation of the financial statements introduced by the Regulations. The majority of changes to the financial statements relate to additional disclosure, but where changes in accounting policies have been made the effect is explained in note 1 to the financial statements.

### Financial Results

The results for the year are shown in the profit and loss account on Page 10.

### Dividends and Transfers to Reserves

A first interim dividend was paid in respect of the year ended 31 December 1995 of 2.0625p per share (1994: 3.8432p). A second interim dividend of 2.5p per share (1994: nil) was proposed and was paid in January 1996. The directors recommend the payment of a final dividend of 4.1815p per share (1994: 2.467265p). The retained profit, after payment of dividends, of £912,000 (1994: £4,953,000) has been transferred to the Company's reserves.

### Directors

The names of the directors are listed at the front of the financial statements. Since 31 December 1994, the following changes have taken place:

	Appointed	Resigned
Elizabeth Jane Coeshall		19 June 1995
Geoffrey Robert Hunt	23 February 1995	20 February 1996

**ECONOMIC INSURANCE COMPANY LIMITED****DIRECTORS' REPORT**  
**31 December 1995****Directors (Continued)**

None of the directors held any shares in the Company. The following had an interest in the parent undertaking:

	31 December 1995 1p Ordinary Shares	31 December 1994 1p Ordinary Shares
	No	No
Allen Sykes	2,002	2,002
Peter Geoffrey Cullum	66,039	66,039
James Maxwell Carruthers	46,239	46,239
Michael King	33,040	33,040
Paul Francis Dyer	26,440	26,440

In addition at 31 December 1995 (and 1994), Allen Sykes held 17,918 'A' Ordinary 1p Shares, 103,125 Preference 90p Shares and 7,465 Deferred Ordinary 1p Shares.

Peter Bedford held options to purchase 2,000 (1994: 2,000) shares of the Company's parent company.

**Fixed Assets**

Changes in fixed assets are set out in note 13 to the accounts.

**Share Capital**

There were no changes in share capital.

**Employees**

The average number of persons employed in the UK during the year under review was 204 (1994: 130) and details of their aggregate remuneration and associated costs are given in Note 9 to the financial statements.


**Political and Charitable Contributions**

The Company made no political contributions during the year. Donations to UK charities amounted to £9,040 (1994: £3,415).

**Auditors**

A resolution for the reappointment of Coopers & Lybrand as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD

  
S C CARTWRIGHT  
Secretary

Economic House  
25 London Road  
Sittingbourne  
Kent  
ME10 1PE

11 April 1996

**ECONOMIC INSURANCE COMPANY LIMITED****STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- a) select suitable accounting policies and apply them consistently, subject to the changes referred to above;
- b) make judgements and estimates that are reasonable and prudent;
- c) state whether applicable accounting standards have been followed, subject to any material departures in the financial statements;
- d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company 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 Company and to ensure that the financial statements comply with the provisions of the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**REPORT OF THE AUDITORS  
TO THE MEMBERS OF ECONOMIC INSURANCE COMPANY LIMITED**

We have audited the financial statements on pages 8 to 31.

**Respective Responsibilities of Directors and Auditors**

As described above the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and report our opinion to you.

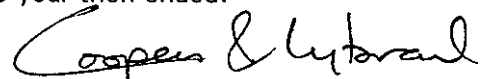
**Basis of Opinion**

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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company'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 financial statements 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 financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 1995 and of its profit and total recognised gains for the year then ended.



Coopers & Lybrand  
Chartered Accountants and  
Registered Auditors  
Maidstone

11 April 1996

**ECONOMIC INSURANCE COMPANY LIMITED**

**REPORT BY THE ACTUARY ON THE VALUATION OF  
ORDINARY LONG TERM INSURANCE BUSINESS  
As at 31 December 1995**

In my opinion:

- (i) the computation of the Long Term Business Provision has been prepared on the basis of recognised actuarial methods and with due regard to the actuarial principles laid down in Council Directive 92/96/EEC; and
- (ii) the long term business provision is sufficient to enable the Company to meet any liabilities arising out of insurance contracts as far as can reasonably be foreseen.



N J Dumbreck FIA  
~~R Watson & Sons~~  
Watson House  
London Road  
Reigate, Surrey  
RH2 9PQ

11 April 1996



## ECONOMIC INSURANCE COMPANY LIMITED

**PROFIT AND LOSS ACCOUNT**  
**TECHNICAL ACCOUNT - GENERAL BUSINESS**  
For the year ended 31 December 1995

			1995		1994
	Notes	Continuing Operations £000	Discontinued Operations £000	Total £000	Total £000
<b>Earned premiums, net of reinsurance</b>					
Gross premiums written	3	66,260	8,948	75,208	52,346
Outward reinsurance premiums	3	(12,152)	(2,483)	(14,635)	(9,762)
Net premiums written	3	54,108	6,465	60,573	42,584
Change in the gross provision for unearned premiums		(2,314)	944	(1,370)	(4,697)
Change in the provision for unearned premiums, reinsurers' share		(509)	388	(121)	(176)
Change in the net provision for unearned premiums		(2,823)	1,332	(1,491)	(4,873)
<b>Earned premiums, net of reinsurance</b>	3	51,286	7,797	59,082	37,711
<b>Claims incurred, net of reinsurance</b>					
Claims paid					
Gross amount	3	24,791	6,216	31,007	21,330
Reinsurers' share	3	(3,786)	(2,788)	(6,574)	(3,531)
Net claims paid	3	21,005	3,428	24,433	17,799
Change in the provision for claims					
Gross amount	4	13,028	2,645	15,673	1,355
Reinsurers' share	4	(6,253)	(433)	(6,686)	(2,208)
Change in the net provision for claims	4	6,775	2,212	8,987	(853)
<b>Claims incurred, net of reinsurance</b>	3	(27,780)	(5,640)	(33,420)	(16,946)
Net operating expenses	3, 5	(23,304)	(4,039)	(27,343)	(17,565)
		201	(1,882)	(1,681)	3,200
Loss on termination of business	2	-	(595)	(595)	-
<b>Balance on the technical account for general business</b>		201	(2,477)	(2,276)	3,200
		=====	=====	=====	=====

The notes on pages 13 to 31 form an integral part of these financial statements.

## ECONOMIC INSURANCE COMPANY LIMITED

**PROFIT AND LOSS ACCOUNT**  
**TECHNICAL ACCOUNT - LONG TERM BUSINESS**  
**For the year ended 31 December 1995**

	Notes	1995		1994	
		£000	£000	As restated £000	£000
<b>Earned premiums, net of reinsurance</b>					
Gross premiums written	3	978		1,040	
Outward reinsurance premiums	3	(311)		(345)	
			667		695
Investment income	6		1,345		2,609
Unrealised gains on investments	6		1,445		-
<b>Claims incurred, net of reinsurance</b>					
Claims paid					
Gross amount		1,262		1,649	
Reinsurers' share		(49)		(134)	
Net claims incurred			(1,213)		(1,515)
<b>Change in other technical provisions</b>					
Long term business provision, net of reinsurance					
Gross amount		(767)		1,019	
Reinsurers' share		(135)		(115)	
			(902)		904
Technical provision for linked liabilities		(86)		496	
Net change in other technical provisions			(988)		1,400
Bonuses net of reinsurance			(133)		(135)
Net operating expenses	5		(385)		(286)
Investment expenses and charges	6		(26)		(21)
Unrealised losses on investments	6		-		(3,335)
Tax attributable to the long term business	11		(303)		147
Transfers (to)/from the fund for future appropriations	25		(225)		335
<b>Balance on the technical account - long term business</b>			184		(106)
			=====		=====

All the above amounts derive from continuing activities.

## ECONOMIC INSURANCE COMPANY LIMITED

## PROFIT AND LOSS ACCOUNT

## NON-TECHNICAL ACCOUNT

For the year ended 31 December 1995

			1995 Dis- continued	1994
	Notes	Continuing £000	£000	As restated £000
Balance on the general business technical account		201	(2,477)	3,200
Balance on the long term business technical account		184	-	(106)
Tax attributable to the balance on the long term technical account		200	-	-
		585	(2,477)	3,094
Investment income	6	4,824	189	3,464
Investment expenses and charges	6	(74)	-	(48)
Other charges - loan interest payable		(186)	-	(295)
<b>Profit on ordinary activities before tax</b>		<b>5,149</b>	<b>(2,288)</b>	<b>6,215</b>
		=====	=====	
Tax on profit on ordinary activities	11		(200)	-
<b>Profit for the financial year</b>			<b>2,661</b>	<b>6,215</b>
			=====	=====
Dividends - paid			413	769
- payable			1,336	493
			(1,749)	(1,262)
<b>Retained profit for the year</b>			<b>912</b>	<b>4,953</b>
			=====	=====

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 December 1995

	1995 £000	1994 £000
Profit for the year	2,661	6,215
Movement on investment revaluation reserve	953	(3,734)
<b>Total recognised gains and losses</b>	<b>3,614</b>	<b>2,481</b>
	=====	=====

There is no difference between the profit on ordinary activities before taxation, and the retained profit above, and their historical cost equivalents.

A reconciliation of movements in shareholders' funds is shown in note 15.

The notes on pages 13 to 31 form an integral part of these financial statements.

## ECONOMIC INSURANCE COMPANY LIMITED

## BALANCE SHEET

For the year ended 31 December 1995

		1995		1994	
	Notes	£000	£000	As restated £000	£000
<b>Assets</b>					
<b>Investments</b>					
Land and buildings	12	1,494		1,534	
Other financial investments	12	48,493		45,665	
			49,987		47,199
Assets held to cover linked liabilities			2,520		2,318
<b>Reinsurers' share of technical provisions</b>					
Provision for unearned premiums		2,934		3,053	
Long term business provision	25	1,087		1,222	
Claims outstanding		22,716		16,030	
			26,737		20,305
<b>Debtors</b>					
Debtors arising out of direct insurance operations - intermediaries		13,152		12,845	
Other debtors		13,261		6,281	
ACT recoverable		35		-	
			26,448		19,126
<b>Other assets</b>					
Tangible assets		4,890		3,402	
Cash at bank and in hand		19,682		17,967	
			24,572		21,369
<b>Prepayments and accrued income</b>					
Deferred acquisition costs		5,511		4,193	
Accrued interest		1,010		804	
Other prepayments and accrued income		273		228	
			6,794		5,225
<b>Total assets</b>					
			137,058		115,542

The notes on pages 13 to 31 form an integral part of these financial statements.

## BALANCE SHEET

For the year ended 31 December 1995

		1995		1994	
	Notes	£000	£000	As restated £000	£000
<b>Liabilities</b>					
<b>Capital and reserves</b>					
Called up share capital	14	20,000		20,000	
Share premium account	15	215		215	
Profit and loss account	15	3,810		2,898	
Investment revaluation reserve	15	344		(609)	
<b>Shareholders' funds - equity interests</b>	15		24,369		22,504
<b>Fund for future appropriations</b>	25		1,429		1,204
<b>Technical provisions</b>					
Provision for unearned premiums		23,343		22,241	
Long term business provision	25	15,247		14,480	
Claims outstanding		52,691		37,018	
			91,281		73,739
<b>Technical provisions for linked liabilities</b>	25		2,587		2,501
<b>Creditors</b>					
Creditors arising out of direct insurance operations - intermediaries		9,416		9,362	
Other creditors including taxation and social security		4,482		2,754	
Proposed dividend		1,340		493	
Subordinated loan	17	1,485		2,985	
			16,723		15,594
<b>Provisions for liabilities and charges</b>					
Loss on termination of business			595		-
Deferred taxation	11b		74		-
<b>Total liabilities</b>			137,058		115,542
			=====		=====

These financial statements were approved by the board of directors on 11 April 1996.

  
 P G CULLUM Director

**ECONOMIC INSURANCE COMPANY LIMITED****NOTES****(Forming part of the financial statements)****1. ACCOUNTING POLICIES****(a) General****(i) Basis of preparation**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and with the Guidance on accounting for insurance business issued by the Association of British Insurers on 19 December 1995 ("the Guidance"). The financial statements have been prepared in accordance with Section 255 and Schedule 9A of the Companies Act 1985.

**(ii) Changes in accounting policies**

The requirements of the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993 ("the Regulations") came into effect for periods commencing after 23 December 1994 and accordingly have been applied for the first time in these financial statements. The Regulations introduce prescribed formats for the balance sheet and profit and loss accounts of insurance companies. As a result extensive changes in the format of the financial statements have arisen.

The Regulations and the Guidance also require the adoption of accounting policies which differ from those previously adopted by the Company. Accordingly, the following changes have been made. Comparative figures have been restated where necessary.

In previous years, any transfer to shareholders from the long term business fund, as determined in accordance with the Insurance Companies Act 1982 ("ICA82"), would also have been used as the basis for recognising the after tax profit from the life assurance activity in the Companies Act accounts. This method of financial reporting is known as the "statutory solvency basis". In practice, no such transfer has been made, and none recognised in the financial statements. For the purpose of preparing accounts in accordance with the 1993 Regulations and the Guidance, two significant adjustments are required to the statutory solvency basis:

- (i) the deferral of new business acquisition costs incurred but relating to subsequent accounting periods; and
- (ii) the reallocation of reserves held within the long term business fund, for the purposes of the ICA82, between the long term business provision, the provision for linked liabilities, the fund for future appropriations and shareholders' reserves. It should be noted that the assets attributable to the long term business fund continue to be maintained separately as required by the ICA82.

The revised method of financial reporting is known as the "modified statutory solvency basis". In 1995, and for the restated 1994 figures, no acquisition costs have been deferred, as it is not certain that these acquisition costs will be recovered out of the future margins in the products.

This has given rise to an increase in profits of £184,000 in 1995 and a decrease in the prior year's reported profits of £106,000. For 1993 and prior years, there is a resultant cumulative increase to profit of £1,381,000 (see note 25).

**(iii) Consolidated financial statements**

Consolidated financial statements have not been prepared as the Company is a wholly owned subsidiary undertaking of another UK company.

# ECONOMIC INSURANCE COMPANY LIMITED

## NOTES

(Forming part of the financial statements)

### 1. ACCOUNTING POLICIES (Continued)

#### (iv) General

As permitted by an amendment to Financial Reporting Standard Number 5 "Reporting the Substance of Transactions" the Company has offset amounts receivable and payable arising from insurance broking transactions. This basis of presentation in the accounts is consistent with prior years.

#### (b) Technical accounts

##### (i) General business

Results are determined on an annual basis. Premiums written are accounted for in the year in which the risks are assumed and include an estimate of unclosed premiums less an allowance for cancellation, where the impact on the underwriting result would be material. The unearned proportion of the premiums and acquisition costs incurred in writing the business relating to periods of risk extending beyond the end of the financial year is deferred to subsequent accounting periods on the 365ths basis suitably modified for contracts over one year.

Claims incurred include full provision for the estimated cost of claims notified but not settled at 31 December, the estimated cost of claims incurred but not reported at that date and the related handling expenses.

The provisions for claims incurred but not reported at the date of the balance sheet, together with the anticipated reinsurance and other recoveries, are made on the basis of the best information currently available, having regard, in particular, to past claims experience. Subsequent information and events may result in the ultimate liabilities being more than, or less than, the amount provided for the estimated net liabilities at a particular balance sheet date. The estimates made are regularly reviewed in the light of subsequent information and any resulting adjustments are reflected in current earnings.

Provision is made for unexpired risks when it is anticipated that the reserve for unearned premiums carried forward at the end of the year together with related future investment income will be insufficient to cover the future claims and expenses of business in force at the end of the year.

##### (ii) Long term insurance business

Annual premiums, single premiums and considerations for the granting of immediate and deferred annuities are accounted for when due for payment. Investment linked business is accounted for in the year the policy liability is established. Provision is made for outstanding claims when the insured event becomes due or is notified.

An actuarial valuation of the long term insurance net liability is carried out every year.

The fund for future appropriations ("FFA") incorporates amounts which have yet to be allocated to either participating policyholders or shareholders. The Company also writes unit linked and non-participating business. Surpluses or deficiencies from the non profit and unit linked long term business are transferred to the non-technical account in the year in which they arise. In respect of the with profits business, amounts are transferred when the division of the surplus between participating policyholders and shareholders has been determined. This is a change of policy which has given rise to the adjustments referred to in note 1a(ii).

# ECONOMIC INSURANCE COMPANY LIMITED

## NOTES

(Forming part of the financial statements)

### 1. ACCOUNTING POLICIES (Continued)

#### (c) Investments

Dividends on ordinary shares and the related tax credits are recognised as income on the date the ordinary shares are marked ex-dividend. Other investment income and interest receivable are included in income on an accruals basis.

Investments have been included in the balance sheet at the middle market prices ruling at the close of business on 31 December.

Advantage has been taken of the amendment to FRS3 allowing insurance companies to calculate realised gains and losses by reference to cost, rather than the latest carrying value.

Realised profits and losses on the shareholders' investments are taken to the profit and loss account. Unrealised profits and losses on shareholders' investments are taken to a revaluation reserve. Realised and unrealised profits and losses on the long term investments are included in the technical account for long term business.

#### (d) Fixed assets

The freehold property has been included in fixed assets at its open market valuation at 31 December 1994. The property is revalued at least every three years by an independent Chartered Surveyor. It is not the Company's policy to provide for depreciation on freehold land. The other assets are depreciated on a straight line basis over the following periods:

Freehold office building	50 years
Fixtures and fittings	15 years (or length of lease if different)
Computer software	5 years
All other fixed assets	4 years (or length of lease if different)

#### (e) Rates of exchange

Assets and liabilities held in foreign currencies are translated to sterling at rates of exchange ruling at the balance sheet date. Revenue transactions are translated at the approximate rates prevailing at the date of the transaction. The resulting exchange adjustments are dealt with through the revenue accounts.

#### (f) Pension costs

The Company operates a defined benefits pension scheme. The assets of the scheme are held separately from those of the Company. Payments to the scheme are charged against profits so as to spread the cost of the pensions over employees' working lives with the Company.

#### (g) Leases

Where the Company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.



## ECONOMIC INSURANCE COMPANY LIMITED

## NOTES

(Forming part of the financial statements)

## 1. ACCOUNTING POLICIES (Continued)

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

## (h) Deferred taxation

Deferred taxation, calculated on the liability method, is provided on all material timing differences to the extent that it is probable that the liability will crystallise.

## 2. DISPOSAL OF BUSINESS

On 1 January 1996, agreements were reached between the Company and Albion Insurance Company Limited for the disposal of the right to renew the Provincial Broker Commercial Lines Business Portfolio together with certain assets used in that business. This has been treated as a discontinued operation, in accordance with FRS3. There was no material effect on the 1994 results, so these have not been restated. An amount of £595,000 has been recognised as a loss on disposal of the operations, which represents, amongst other things, anticipated additional claims handling costs.

## 3. SEGMENTAL INFORMATION

## A Written premiums (non-life)

	Gross £000	1995 Reins- urance ceded £000	Net £000	Gross £000	1994 Reins- urance ceded £000	Net £000
<b>Direct insurance</b>						
Accident and health	65,660	12,717	52,943	50,046	9,274	40,772
Third party liability	9,548	1,918	7,630	2,300	488	1,812
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	75,208	14,635	60,573	52,346	9,762	42,584
	=====	=====	=====	=====	=====	=====

All gross written premiums in respect of direct business are written in the United Kingdom. There is no inwards reinsurance business.

## B Earned premiums (non-life)

	Gross £000	1995 Reins- urance ceded £000	Net £000	Gross £000	1994 Reins- urance ceded £000	Net £000
<b>Direct insurance</b>						
Accident and health	66,945	13,257	53,688	46,626	9,680	36,946
Third party liability	6,893	1,499	5,394	1,023	258	765
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	73,838	14,756	59,082	47,649	9,938	37,711
	=====	=====	=====	=====	=====	=====

## ECONOMIC INSURANCE COMPANY LIMITED

## NOTES

(Forming part of the financial statements)

## 3. SEGMENTAL INFORMATION (Continued)

## C Incurred claims (non-life)

	1995			1994		
	Gross	Reins- urance ceded	Net	Gross	Reins- urance ceded	Net
	£000	£000	£000	£000	£000	£000
<b>Direct insurance</b>						
Accident and health	43,483	12,910	30,573	22,537	5,739	16,798
Third party liability	3,197	350	2,847	148	-	148
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	46,680	13,260	33,420	22,685	5,739	16,946
	=====	=====	=====	=====	=====	=====

## D Net operating expenses (non-life)

	1995	1994
	£000	£000
<b>Direct insurance</b>		
Accident and health	25,120	16,922
Third party liability	2,223	643
	<hr/>	<hr/>
	27,343	17,565
	=====	=====

## E Operating profit (non-life)

	1995	1994
	£000	£000
<b>Direct insurance</b>		
Accident and health	(1,357)	3,037
Third party liability	(324)	163
	<hr/>	<hr/>
	(1,681)	3,200
	=====	=====

## ECONOMIC INSURANCE COMPANY LIMITED

## NOTES

(Forming part of the financial statements)

## 3. SEGMENTAL INFORMATION (Continued)

## F Premiums written by way of direct insurance (life)

	1995 £000	1994 £000
<b>Life</b>		
Individual		
Non linked with profits	131	128
Unit linked	157	162
Unit linked without profits	396	453
<b>Pensions</b>		
Individual		
Non linked with profits	9	3
Non linked without profits	63	78
Group contracts - non linked without profits	168	189
<b>Annuity</b>	54	27
	<hr/>	<hr/>
Total direct insurance written premiums	978 =====	1,040 =====
Periodic premiums	925	1,011
Single premiums	53	29
	<hr/>	<hr/>
Total gross direct insurance written premiums	978	1,040
Reinsurance balance	(311)	(345)
	<hr/>	<hr/>
Net written premiums	667 =====	695 =====

All written premiums represent direct business and are written in the United Kingdom. There is no inwards reinsurance business.

## ECONOMIC INSURANCE COMPANY LIMITED

## NOTES

(Forming part of the financial statements)

## 3. SEGMENTAL INFORMATION (Continued)

## G New business premiums (life)

	Gross £000	1995 Reins- urance ceded £000	Net £000	Gross £000	1994 Reins- urance ceded £000	Net £000
<b>Life</b>						
Individual						
Non linked without profits	2	1	1	2	1	1
<b>Annuity</b>	52	-	52	27	-	27
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total new business premiums	54	1	53	29	1	28
	=====	=====	=====	=====	=====	=====
Periodic premiums	2	1	1	2	1	1
Single premiums	52	-	52	27	-	27
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total new business premiums	54	1	53	29	1	28
	=====	=====	=====	=====	=====	=====

All new business premiums represent direct business and are written in the United Kingdom. There is no inwards reinsurance business.

## H Net assets

	1995		1994	
	Life £000	Non-Life £000	Life £000	Non-Life £000
Gross assets	19,813	86,383	18,365	73,954
Technical provisions	(18,176)	(44,873)	(16,963)	(35,983)
Other liabilities	(1,637)	(17,141)	(1,402)	(15,467)
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets	-	24,369	-	22,504
	=====	=====	=====	=====

## ECONOMIC INSURANCE COMPANY LIMITED

## NOTES

(Forming part of the financial statements)

## 4. MOVEMENTS IN PRIOR YEARS' CLAIMS PROVISIONS

	1995 £000	1994 £000
Net loss provision brought forward as at 1 January	20,988	18,255
Net payments during the year in respect of these provisions	(12,438)	(8,454)
Net loss provision carried forward in respect of claims provided at 1 January	(9,889)	(10,235)
<b>Under provision of prior years' provision</b>	<b>(1,339)</b> =====	<b>(434)</b> =====

## 5. NET OPERATING EXPENSES

	1995		1994	
	Life £000	Non-Life £000	Life £000	Non-Life £000
Acquisition costs	-	19,560	-	11,714
Changes in deferred acquisition costs	-	(943)	-	(1,047)
Administrative expenses	385	10,627	286	8,399
Reinsurance commission	-	(1,901)	-	(1,501)
<b>Net operating expenses</b>	<b>385</b> =====	<b>27,343</b> =====	<b>286</b> =====	<b>17,565</b> =====

The total commission incurred during the year in respect of direct insurance was £18,617,000 (Non-Life), Nil (Life) (1994: £10,667,000 (Non-Life), Nil (Life)).

## ECONOMIC INSURANCE COMPANY LIMITED

## NOTES

(Forming part of the financial statements)

## 6. INVESTMENT INCOME

	1995		1994	
	Non Technical Account £000	Technical Account Long Term Business £000	Non Technical Account £000	Technical Account Long Term Business £000
Income from listed investments	2,983	1,345	2,420	1,280
Income from other investments	538	-	16	-
Net gains/(losses) on realisation	1,492	-	1,028	1,329
	<hr/>	<hr/>	<hr/>	<hr/>
Investment income	5,013	1,345	3,464	2,609
Investment management charges	(74)	(26)	(48)	(21)
	<hr/>	<hr/>	<hr/>	<hr/>
Investment return before unrealised gains	4,939	1,319	3,416	2,588
Movement in unrealised investment gains and losses	953	1,445	(3,734)	(3,335)
	<hr/>	<hr/>	<hr/>	<hr/>
Total investment returns	5,892	2,764	(318)	(747)
	=====	=====	=====	=====

Unrealised investment gains not relating to long term business are dealt with in the revaluation reserve.

## ECONOMIC INSURANCE COMPANY LIMITED

## NOTES

(Forming part of the financial statements)

## 7. PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

	1995 £000	1994 £000
Profit on ordinary activities before tax is stated after charging:		
Depreciation charge for year:		
Land and buildings	41	39
Tangible assets	1,080	270
Auditors' remuneration for:		
Audit	75	48
Other services	103	56
Hire of other assets - operating leases	264	39

## 8. DIRECTORS' EMOLUMENTS

The aggregate amount of directors' emoluments for the Company, including pension scheme contributions, was as follows:

	1995 £	1994 £
Fees as directors	41,160	36,628
Managerial emoluments	548,011	504,297
Profit related bonuses	72,000	307,500
Pension contributions	143,397	199,528
Fees paid to other companies for director's services	22,769	18,108
Compensation for loss of office paid by the Company	75,000	-
	<hr/> 902,337 =====	<hr/> 1,066,061 =====
Emoluments, excluding pension contributions:		
Chairman	25,725	22,917
Highest paid director	200,734 =====	313,686 =====

Emoluments of the highest paid director include £40,000 (1994: £80,000) in respect of tax payable on an unfunded pension contribution.

## ECONOMIC INSURANCE COMPANY LIMITED

## NOTES

(Forming part of the financial statements)

## 8. DIRECTORS' EMOLUMENTS (Continued)

The emoluments excluding pension contributions of all directors were within the following ranges:

	1995	1994
£	No	No
NIL	-	-
1 to 5,000	-	1
10,001 to 15,000	-	1
15,001 to 20,000	1	1
20,001 to 25,000	2	2
80,001 to 85,000	2	-
90,001 to 95,000	1	-
100,001 to 105,000	-	1
105,001 to 110,000	-	1
110,001 to 115,000	1	1
125,001 to 130,000	1	-
155,001 to 160,000	-	1
190,001 to 195,000	-	-
200,001 to 205,000	1	-
310,001 to 315,000	-	1

No director waived emoluments in the year.

In addition to the pension contributions referred to above, the Company has paid an additional special pension contribution of £60,000 in respect of a director during 1995.

## 9. EMPLOYEES' REMUNERATION

Their aggregate remuneration and associated costs were:

	1995	1994
	£000	£000
Wages and salaries	5,069	2,732
Social security costs	428	220
Other pension costs	492	273
	<hr/>	<hr/>
	5,989	3,225
	=====	=====

## 10. PENSION CONTRIBUTIONS

The Company operates a funded pension scheme in the United Kingdom providing benefits based on final pensionable pay for its eligible employees. The assets of the scheme are held in trustee-administered funds independent of the Company's finances.

The pension charge for the year was £398,527 (1994: £126,880). This charge takes account of £285,504 (1994: £314,662) in respect of the amortisation of experience surpluses that are being recognised over 15 years, being the average remaining service lives of employees. A provision of £1,338,351 (1994: £919,060) is included in creditors, this being the excess of the accumulated pension cost over the amount paid by the Company and its parent undertaking.



# ECONOMIC INSURANCE COMPANY LIMITED

## NOTES

(Forming part of the financial statements)

### 10. PENSION CONTRIBUTIONS (Continued)

An actuarial valuation of the scheme was carried out as at 31 March 1995 using the projected unit method. 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 rate of increase in salaries and pensions. It was assumed that the investment returns would on average be 2% greater than salary increases and that present and future pensions would increase at the rate of 5% per annum.

The valuation showed that the market value of the scheme's assets at that date was £7,005,791. The actuarial value of these assets represented 112% of the benefits that had accrued to members, after allowing for expected future increases in earnings. Based on the Actuary's recommendations, no further employer contributions will be made until July 1996.

### 11. TAXATION

#### (a) Profit and loss account

There is no charge for taxation in 1995 in relation to general business due to tax losses available from previous years.

#### (b) Technical account - long term business

Provision is made as required for UK Corporation Tax based on the investment income and profits of the year and is computed in accordance with the provisions of the Taxes Acts applicable to insurance companies transacting long term business. A provision has also been made for deferred taxation on unrealised investment gains.

UK corporation tax at 33% (1994: 33%).

	1995	1994
	£000	£000
Current	557	128
Prior year	(328)	(275)
Deferred	74	-
	<hr/>	<hr/>
	303	(147)
	====	====

Of the above tax charge, £200,000 (1994: nil) is the tax attributable to the balance on the long term fund.

#### (c) Short term insurance investments

No provision has been made for taxation in respect of unrealised appreciation in the value of investments at the end of the year due to the availability of tax losses. (See Note 1(c)).

#### (d) Deferred Taxation

Apart from the deferred taxation provision referred to in note 11(b) there are no deferred taxation liabilities not provided for (1994: nil).

## ECONOMIC INSURANCE COMPANY LIMITED

## NOTES

(Forming part of the financial statements)

## 12. INVESTMENTS

A	Land and Buildings	Freehold	Short	Total
		£000	Leasehold £000	£000
	<b>Cost or valuation</b>			
	At 1 January 1995	1,600	13	1,613
	Additions	-	1	1
		<hr/>	<hr/>	<hr/>
	At 31 December 1995	1,600	14	1,614
		=====	=====	=====
	<b>Depreciation</b>			
	At 1 January 1995	78	1	79
	Charge for the year	40	1	41
		<hr/>	<hr/>	<hr/>
	At 31 December 1995	118	2	120
		=====	=====	=====
	Net book value at 31 December 1995	1,482	12	1,494
		=====	=====	=====
	Net book value at 31 December 1994	1,522	12	1,534
		=====	=====	=====

The land and buildings are all occupied by the Company. All land and buildings have been valued for the purposes of the 1994 accounts. The valuations were made by Walkers, a firm of Chartered Surveyors.

If investment properties and other land and buildings had not been revalued, they would have been included at the following amounts:

	1995	1994
	£000	£000
Cost	1,083	1,082
Aggregate depreciation based on cost	(286)	(261)
	<hr/>	<hr/>
Net book value based on cost	797	821
	=====	=====

## ECONOMIC INSURANCE COMPANY LIMITED

## NOTES

(Forming part of the financial statements)

## 12. INVESTMENTS (Continued)

## B Other financial investments

	1995		1994	
	Market Value £000	Cost £000	Market Value £000	Cost £000
Shares and other variable yield securities and units in unit trusts	4,889	4,201	12,468	12,665
Debt securities and other fixed income securities	27,954	27,914	33,335	23,292
Loans secured by mortgages	120	120	130	130
Deposits with credit institutions	18,000	18,000	2,000	2,000
Other	50	50	50	50
	<hr/>	<hr/>	<hr/>	<hr/>
	51,013	50,285	47,983	38,137
		=====		=====
Assets held to cover linked liabilities	(2,520)		(2,318)	
	<hr/>		<hr/>	
	48,493		45,665	
	=====		=====	

Of the above investments, all of the shares and other variable yield securities and units in unit trusts, and all the debt securities and other fixed income securities are listed on a recognised investment exchange, as they were in 1994.

## C Investments in group undertaking

	1995		1994	
	Market Value £000	Cost £000	Market Value £000	Cost £000
Valuation at 31 December	-	25	-	25
	=====	=====	=====	=====

The wholly owned subsidiary undertaking is Whitehall Insurance Company Limited, a company registered in England and Wales. The issued share capital of this company is 100,000 shares of £1 each, of which 25p per share has been called and paid up. This company does not trade.

## 13. TANGIBLE ASSETS

	Computer Equipment £000	Fixtures Fittings and Equipment £000	Motor Vehicles £000	Total £000
<b>Cost</b>				
At 1 January 1995	2,531	1,749	604	4,884
Additions	1,949	586	324	2,859
Disposals	(110)	(105)	(253)	(468)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1995	4,370	2,230	675	7,275
	=====	=====	=====	=====

## ECONOMIC INSURANCE COMPANY LIMITED

## NOTES

(Forming part of the financial statements)

## 13. TANGIBLE ASSETS (Continued)

	Computer Equipment £000	Fixtures Fittings and Equipment £000	Motor Vehicles £000	Total £000
<b>Depreciation</b>				
At 1 January 1995	471	875	136	1,482
Charge for the year	763	169	148	1,080
Disposals	(97)	-	(80)	(177)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1995	1,137	1,044	204	2,385
	=====	=====	=====	=====
Net book value at 31 December 1995	3,233	1,186	471	4,890
	=====	=====	=====	=====
Net book value at 31 December 1994	2,060	874	468	3,402
	=====	=====	=====	=====

Assets held under finance leases account for £795,000 of the net book value of the assets above. The total depreciation for the period relating to these assets amounted to £195,000.

## 14. SHARE CAPITAL

	1995 £000	1994 £000
<b>Authorised</b>		
50 million Ordinary Shares of £1 each	50,000	50,000
	<hr/>	<hr/>
	50,000	50,000
	=====	=====
<b>Issued and Fully Paid</b>		
20 million Ordinary Shares of £1 each	20,000	20,000
	<hr/>	<hr/>
	20,000	20,000
	=====	=====

## 15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Issued Share Capital £000	Share Premium £000	Investment Revaluation Reserve £000	Restated Profit and Loss Account £000	Restated Total Shareholders' Funds £000
At 1 January 1995 as previously reported	20,000	215	(609)	1,623	21,229
Prior year adjustment (note 25)	-	-	-	1,275	1,275
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 1 January 1995 - restated	20,000	215	(609)	2,898	22,504
Retained profit	-	-	-	912	912
Surplus on investments	-	-	953	-	953
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	20,000	215	344	3,810	24,369
	=====	=====	=====	=====	=====

# ECONOMIC INSURANCE COMPANY LIMITED

## NOTES

(Forming part of the financial statements)

### 16. LONG TERM BUSINESS PROVISION

The principal assumptions used to calculate the long term business provision are as follows:

		Interest Rate	Mortality Rate
		%	
Life	- without profit	4	A67/70 less 4 years for females
	- with profit	5	A67/70 less 4 years for females
Pensions	- without profit	5.5	PA(90) less 5 years for annuities
	- with profit	5.4	PA(90) less 5 years for annuities
Annuities	- in payment	6	PA(90) less 5 years for pension business

The valuation has been carried out using a net premium method.

Explicit provision is made only for vested bonuses and bonuses declared as a result of the current valuation. Provision is not made for future reversionary bonuses.

Interest rates have been reduced for some classes of business in line with reductions in redemption yields of relevant matching fixed interest investments.

The assumptions used are consistent with prior years.

### 17. SUBORDINATED LOAN

On 9 November 1992, Holdings of 1992 (UK) Limited, the Company's previous parent, subscribed for £5m Variable Rate Unsecured Loan Stock 1999 in Economic Insurance Company Limited. Interest is payable at the lower of (i) 10 per cent per annum and (ii) the rate per annum equal to the aggregate of 0.5 per cent per annum and the average of the 3 month LIBOR rate (calculated at 1 January, 1 April, 1 July and 1 October) for any period in respect of which interest is calculated.

Under the terms of the sale and purchase agreement of the Company, there is a requirement, subject to the approval of the DTI, that the Company will repay the outstanding Loan Stock as follows:

- a) an amount equal to 50% of the after tax profit, calculated in accordance with the 1992 accounting policies of the Company for the financial years ending 31 December 1993 and 1994; and
- b) an amount equal to 20% of the after tax profit of the Company for each financial year of the Company ending 31 December 1995 and subsequent,

subject to the aggregate of these amounts not exceeding the principal of £5,000,000. At 31 December 1995 the outstanding principal was £1,485,000 (1994: £2,985,000).

As agreed with Holdings of 1992 (UK) Limited, £1,485,000 has not been repaid. This remaining balance will be repaid in 1996.

### 18. ASSETS DEPOSITED ABROAD

Certain assets have been specifically deposited abroad as security for part of the underwriting liabilities.

## ECONOMIC INSURANCE COMPANY LIMITED

## NOTES

(Forming part of the financial statements)

## 19. CONTINGENT COMMITMENT

There is a contingent commitment amounting to £75,000 in respect of the uncalled share capital of the subsidiary undertaking (1994: £75,000).

## 20. LEASE COMMITMENTS

## (a) Operating leases

The Company has the following commitments under operating leases:

	1995			1994		
	Land and Buildings £000	Other £000	Total £000	Land and Buildings £000	Other £000	Total £000
Operating leases which expire:						
Within one year	15	-	15	5	5	10
From two to five years inclusive	89	22	111	226	3	229
Over five years	141	-	141	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	245	22	267	231	8	239
	====	====	====	====	====	====

## (b) Finance leases

The finance lease obligations to which the company is committed are:

	1995	1994
	£000	£000
In one year or less	310	171
Between two and five years	564	514
Over five years	-	-
	<hr/>	<hr/>
	874	685
Less: future finance charges	(142)	(115)
	<hr/>	<hr/>
	732	570
	====	====

The Company paid £309,216 (1994: £143,975) under finance leases during the year.

**ECONOMIC INSURANCE COMPANY LIMITED****NOTES**

(Forming part of the financial statements)

**21. CAPITAL COMMITMENTS**

	<b>1995</b>	<b>1994</b>
	<b>£000</b>	<b>£000</b>
Authorised but not contracted for	658	748
	=====	=====
Authorised and contracted for	Nil	407
	=====	=====

**22. HOLDING COMPANY**

The holding company, which is registered in England and Wales, is Economic Insurance Holdings Limited. A copy of the holding company's financial statements may be obtained from the Company Secretary, Economic House, 25 London Road, Sittingbourne, Kent ME10 1PE.

**23. CASHFLOW STATEMENT**

As explained in note 22, the Company is a wholly owned subsidiary of a UK company which prepares consolidated accounts, including a consolidated cashflow statement. In accordance with FRS1, no separate cashflow statement has been presented.

**24. ASSETS OF THE LONG TERM BUSINESS FUND**

The total amount of assets relating to the long term business fund are as follows:

	<b>1995</b>	<b>1994</b>
	<b>£000</b>	<b>£000</b>
Investments	15,709	12,915
Assets held to cover linked liabilities	2,520	2,318
Reinsurers' share of technical provisions	1,087	1,222
Debtors	1,243	1,318
Cash at bank and in hand	689	1,510
Tangible assets	296	304
	-----	-----
	<b>21,544</b>	<b>19,587</b>
	=====	=====

## ECONOMIC INSURANCE COMPANY LIMITED

## NOTES

(Forming part of the financial statements)

## 25. RESERVES, POLICYHOLDER LIABILITIES AND FUND FOR FUTURE APPROPRIATIONS

	Long term business fund £000	Net long term business provision £000	Technical provision for linked liabilities £000	Fund for future appropriations £000	Profit and loss account £000
At 1 January 1995 as previously stated	18,238	-	-	-	1,623
Prior year adjustment: Reallocation of long term business fund	(18,238)	13,258	2,501	1,204	1,275
At 1 January 1995 - as restated	-	13,258	2,501	1,204	2,898
Profit for the period (see note 15)	-	-	-	-	912
Change in technical provisions	-	902	86	-	-
Transfer to fund for for future appropriations	-	-	-	225	-
At 31 December 1995	-	14,160	2,587	1,429	3,810

The prior year adjustment has arisen from changes in accounting policies as a result of implementation of the 1993 Regulations and the Guidance. Reserves previously held within the long term business fund are separately identified. As a result, the long term business fund has been analysed and reallocated between the long term business provision, the provision for linked liabilities, the fund for future appropriations and shareholders' reserves.