

THE YORKSHIRE INSURANCE COMPANY LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31ST DECEMBER, 1991



DIRECTOR'S REPORT FOR THE YEAR ENDED 31ST DECEMBER, 1991

BOARD OF DIRECTORS

Directors: W N Robertson, MA FCII (Chairman)
C R Barker Bennett
N G Lister, FCII
R. Newton, BSc, FIA
T Roberts, CBE MA FCII
R A Scott

Secretary: R A Whitaker, LLB DMS FCII

PRINCIPAL ACTIVITY

The principal activity of the company is the transaction of insurance business.

BUSINESS REVIEW

Adverse trading conditions continued to prevail in Marine Hull, Cargo and Energy classes written on a surplus lines basis in the London Market. Urgent remedial action is being undertaken to impose justifiable rate increases or to cancel consistently unprofitable business. A generally hardening underwriting attitude is discernable in the Marine market which it is confidently expected will improve the Company's trading position.

The General Business underwriting result, consisting of direct insurance written mainly in Sweden, reflected an exceptionally high incidence and cost for large claims. Further corrective action has been taken to increase rates and refine our portfolio.

TRADING RESULTS

Loss after tax amounted to £1,338,586. The Directors do not recommend the payment of a dividend.

DIRECTORS AND THEIR INTERESTS

The names of the present Directors are shown above.

Mr W H Jack retired as a Director of the Company on 19th December, 1991.

Mr R Newton was appointed as a Director of the Company on 19th December, 1991.

The interests of the Directors in the ordinary shares of General Accident plc including shares allocated under the provisions of the UK Employee Profit Sharing scheme are shown below. The summary does not include the Directors who were also Directors of General Accident plc at 31st December 1991.

ORDINARY SHARES

	1st January 1991 (or on appointment if later)	31st December 1991
C R Barker Bennett	6,770	9,778
N G Lister	5,310	7,549
R Newton	3,682	3,682
R A Scott	Nil	Nil

THE YORKSHIRE INSURANCE COMPANY LIMITED

OPTIONS

	1st January 1991 (or on appointment if later)	Options Granted during the year	Options Exercised or Lapsed during the year	31st December 1991
C R Barker Bennett	56,932	6,088	9,524	53,496
N G Lister	28,447	14,079	Nil	42,526
R Newton	3,034	Nil	Nil	3,034
R A Scott	14,575	24,160	Nil	38,735

By order of the Board.

N. G. Lister
N G Lister
Director

Perth
25th March, 1992

Report of the Auditors to the members of
The Yorkshire Insurance Company Limited

We have audited the financial statements on pages 4 to 12, in accordance with Auditing Standards.

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

KPMG Peat Marwick

KPMG Peat Marwick
Chartered Accountants
Registered Auditor

24 Blythwood Square
Glasgow G2 4QS

25th March 1992

THE YORKSHIRE INSURANCE COMPANY LIMITED

**REVENUE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER, 1991**

	Note	1991 £	1990 £
ORDINARY LONG TERM BUSINESS			
Premiums		10,414	15,461
Investment Income		<u>31,646</u>	<u>36,334</u>
		<u>42,060</u>	<u>51,795</u>
Claims paid and outstanding		15,549	21,027
Commission		343	588
Expenses		8,822	8,020
Taxation		3,282	2,575
Shareholders' share of profits	5	<u>33,333</u>	<u>46,667</u>
		<u>61,329</u>	<u>78,877</u>
Increase/(Decrease) in Fund during the year		(19,269)	(27,082)
Fund at beginning of year		<u>125,910</u>	<u>152,992</u>
Fund at end of the year		<u>106,641</u>	<u>125,910</u>
GENERAL BUSINESS INSURANCE			
Premiums written - Gross		20,178,063	9,022,385
Reinsurance Premiums Ceded		<u>12,276,307</u>	<u>1,721,708</u>
Premiums Written - Net		7,901,756	7,300,677
Increase in unearned premiums	1(d)	<u>32,843</u>	<u>1,147,759</u>
Premiums earned		<u>7,934,599</u>	<u>6,152,918</u>
Claims incurred		15,525,793	6,301,357
Reinsurance Recoverable		<u>9,190,093</u>	<u>1,311,428</u>
		<u>6,335,700</u>	<u>4,989,929</u>
Commission		2,593,410	2,385,047
Expenses of Management		213,150	98,618
Deferred Acquisition Cost Adj.		<u>6,569</u>	<u>(229,552)</u>
		<u>9,148,829</u>	<u>7,244,042</u>
Underwriting Result	5	<u>(1,214,230)</u>	<u>(1,091,124)</u>
Underwriting Provisions as per Balance Sheet			
Provision for unearned premiums before deduction of deferred acquisition costs			
At beginning of year		4,358,071	3,493,103
Exchange adjustment	4	210,129	(282,790)
Increase/(Decrease) during the year		<u>(32,842)</u>	<u>1,147,758</u>
At end of year		<u>4,535,350</u>	<u>4,358,071</u>
Provision for outstanding claims:	1(e)	<u>2,507,635</u>	<u>1,484,607</u>

THE YORKSHIRE INSURANCE COMPANY LIMITED

**REVENUE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER, 1991**

	Note	1991 £	1990 £
MARINE AND AVIATION INSURANCE	1(f)		
Premiums written		11,939,430	2,265,559
Claims paid		6,325,098	3,417,095
Expenses		<u>783,983</u>	<u>163,601</u>
		4,830,349	(1,315,317)
Transferred (to)/from Profit and Loss	5	<u>2,718,651</u>	<u>1,085,137</u>
Increase/Decrease in fund during year		7,549,000	(230,000)
Fund at beginning of year		3,858,000	4,687,000
Portfolio Transfer		1,134,930	-
Exchange on Revaluation		<u>97,000</u>	<u>(599,000)</u>
Fund at end of year		<u>12,638,930</u>	<u>3,858,000</u>
PROFIT AND LOSS ACCOUNT			
Investment Income	1(c)	1,993,518	2,087,797
Shareholders' Long Term Profits		33,333	46,667
Underwriting results:			
General Business Insurance		(1,214,230)	(1,091,124)
Marine and Aviation	5	<u>(2,718,651)</u>	<u>(1,085,137)</u>
Profit/(Loss) before Taxation	3	(1,906,030)	(41,797)
United Kingdom and Overseas Taxation	6	<u>(567,444)</u>	<u>(10,995)</u>
Profit/(Loss) after Taxation		(1,338,586)	(30,802)
Balance forward from previous year		<u>1,786,424</u>	<u>4,317,226</u>
		447,838	4,286,424
Dividend for year		<u>-</u>	<u>2,500,000</u>
Balance carried forward per Balance Sheet		<u>447,838</u>	<u>1,786,424</u>

THE YORKSHIRE INSURANCE COMPANY LIMITED

ORDINARY LONG TERM BUSINESS BALANCE SHEET
AS AT 31ST DECEMBER, 1991

	Note	1991 £	1990 £
Investments less Reserve	1(c)		
Fixed interest securities		164,161	164,161
Deposits at interest		<u>60,000</u>	<u>60,000</u>
		224,161	224,161
Current Assets			
Debtors		<u>4,694</u>	<u>4,857</u>
		228,855	229,018
Less Current Liabilities			
Due to fellow subsidiary company		43,666	28,467
Due to General Business Fund		76,403	71,514
Claims outstanding		780	1,680
Creditors		<u>1,365</u>	<u>1,447</u>
		<u>122,214</u>	<u>103,108</u>
Net Assets		<u>106,641</u>	<u>125,910</u>
Representing Ordinary Long Term Business Fund		<u>106,641</u>	<u>125,910</u>

YORKSHIRE INSURANCE COMPANY LIMITED

BALANCE SHEET

AS AT 31ST DECEMBER, 1991

	Note	1991 £	1990 £
Investments	1(c) & 10	31,733,667	24,357,631
Subsidiary Company Shares at cost	8	100	100
Other Assets			
Agency and company balances		2,623,010	1,580,968
Due from fellow subsidiary company		7,585	7,585
Debtors and accrued interest		267,758	335,384
Cash at bank and on deposit		562,153	443,788
Due from Ordinary Long Term Fund		76,403	71,514
Due from parent company		1,596,973	-
Deferred Acquisition Costs		<u>907,072</u>	<u>871,614</u>
		37,774,721	27,668,584
Less Current Liabilities (including provisions and reserves)			
Claims outstanding		2,507,635	1,484,607
Balances due to other insurers		1,233,844	622,062
Due to parent company		-	616,476
Creditors		178,782	35,738
Corporation tax		<u>623,764</u>	<u>(71,284)</u>
		33,230,696	24,980,985
Insurance Funds			
General Business (See page 4)		4,535,358	4,358,071
Marine and Aviation (See page 5)		12,638,930	3,858,000
Ordinary Long Term Business (See page 4)		<u>106,641</u>	<u>125,910</u>
		15,949,767	16,639,004
Long Term Fund Net Assets (See page 6)		<u>106,641</u>	<u>125,910</u>
		16,056,408	16,764,914
Deferred Tax	1(g)	<u>18,544</u>	<u>26,978</u>
Net Assets		<u>16,037,864</u>	<u>16,737,936</u>
Representing Shareholders' Funds			
Capital issued and fully paid	11	2,250,000	2,250,000
Share Premium Account		2,238,664	2,238,664
Revaluation Reserve		11,101,362	10,462,848
Profit and Loss Account		<u>447,838</u>	<u>1,786,424</u>
		<u>16,037,864</u>	<u>16,737,936</u>

These financial statements were approved by the Board of Directors on 25th March, 1992 and were signed on its behalf by:-

N. G. Lister
N. G. Lister
Director

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
(EXCLUDING LONG TERM BUSINESS)
FOR THE YEAR ENDED 31ST DECEMBER, 1991

	1991 £	1990 £
Source of Funds		
Profit/(Loss) before Tax	(1,906,030)	(41,797)
Adjustments to convert revenue and expenditure to a cash basis:		
Increase/(Decrease) from changes in Insurance funds and outstanding claims	9,945,787	297,537
Agency and company balances	(430,260)	503,889
Other net current assets (excluding taxation and proposed dividends)	<u>(2,007,668)</u>	<u>2,031,090</u>
Total generated from operations	5,601,829	2,790,719
Application of Funds		
Tax paid (including tax attributable to franked investment income)	1,254,058	547,262
Dividends paid to shareholders	<u>-</u>	<u>2,500,000</u>
Net funds available for investment	<u>6,855,887</u>	<u>(256,543)</u>
Changes in Investments and Net Liquid Funds (Net of revaluation reserve)		
Increase/(decrease) in Freehold and Leasehold Properties	94,000	(509,000)
Fixed interest securities	2,572,450	796,477
Ordinary stocks and shares	1,772,048	(77,911)
Deposits at interest	2,299,024	(856,039)
Cash at bank	<u>118,365</u>	<u>389,977</u>
	<u>6,855,887</u>	<u>(256,543)</u>

Notes on the Accounts

1. ACCOUNTING POLICIES

(a) Disclosure Requirements

The financial statements have been prepared in accordance with Chapter II Part VII of the Companies Act 1985 and also with the requirements of those Statements of Standard Accounting Practice as considered appropriate. Additional information has been disclosed in accordance with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers. These non-statutory requirements do not override the specific statutory exemptions presently available to insurance companies.

(b) Exchange Rates

Revenue transactions in currencies other than sterling and the assets and liabilities at 31st December have been converted at the approximate rates of exchange at that date.

(c) Investments and Investment Income

Freehold and Leasehold properties are carried in the balance sheet at current values as determined by the group's professionally qualified internal valuers and other investments are included in their middle market value. Revaluation surpluses have been credited to revaluation reserve.

Profits and losses on realisation of investments, after adjusting for taxation, have been dealt with through revaluation reserve.

Investment income includes interest accrued to 31st December on fixed interest securities and deposits but no credit is taken for dividends other than those received in the year of account. Franked investment income has been shown as the sum of the dividends received and the related tax credit.

(d) Unearned Premiums

Unearned Premiums have been calculated on a proportional basis related to the period of insurance covered. Acquisition expenses relating to unearned premiums are deferred.

(e) Outstanding Claims

Outstanding claims have been estimated on a case basis and provision has been made for claims incurred but not reported at the end of the year. Any differences between original claims provisions and subsequent re-estimates or settlements are reflected in the underwriting results of the years in which claims are re-estimated or settled.

(f) Marine and Aviation Business

The result of an underwriting year is determined after a period of two years from the end of the year of account, after making due allowance for the estimate cost of all remaining liabilities attributable to that year. Underwriting years prior to their closure are augmented, when necessary, by transfer from profit and loss account.

Notes on the Accounts

(9) Deferred Taxation

Deferred taxation has been provided at the rates expected to apply when the liabilities crystallise on all timing differences other than those considered likely to continue in the foreseeable future.

2. HOLDING COMPANY

The Company's ultimate holding company is General Accident plc which is incorporated in Great Britain.

3. PROFIT BEFORE TAXATION

The profit for the year is arrived at after charging the following items:

	1991 £	1990 £
a) Remuneration of auditors	6,440	6,440
b) Directors' emoluments	Nil	Nil
Chairman's emoluments	Nil	Nil

4. UNEARNED PREMIUM

An adjustment has been made to the opening provision in order to reflect changes in certain foreign exchange rates.

5. TURNOVER AND UNDERWRITING RESULTS

Turnover of £19,851,600 (1990 £9,581,697) is represented by net premium income appearing in the revenue and profit and loss accounts. Analysis of turnover and associated underwriting results is as follows:-

	1991		1990	
	Turnover £	Underwriting Result £	Turnover £	Underwriting Result £
(a) Class of Business:-				
General Business	7,901,756	(1,214,230)	7,300,677	(1,091,124)
Marine & Aviation	11,939,430	(2,718,651)	2,265,559	(1,085,137)
Long Term	<u>10,414</u>	<u>33,333</u>	<u>15,461</u>	<u>46,667</u>
	<u>19,851,600</u>	<u>(3,899,548)</u>	<u>9,581,697</u>	<u>(2,129,594)</u>
(b) Geographical Segment:-				
Europe other than UK	8,221,343	(1,370,931)	7,300,677	(1,091,124)
London Market (mainly US\$)	11,619,843	(2,561,950)	2,265,559	(1,085,137)
UK	<u>10,414</u>	<u>33,333</u>	<u>15,461</u>	<u>46,667</u>
	<u>19,851,600</u>	<u>(3,899,548)</u>	<u>9,581,697</u>	<u>(2,129,594)</u>

Notes on the Accounts**6. TAXATION**

The net charge in the profit and loss account in respect of UK corporation and income taxes and overseas taxes, computed in accordance with current legislation applicable to insurance companies and based on the results of the year, is made up as follows:

	1991 £	1990 £
UK Corporation Tax @ 33.25% (1990 35%)	(778,114)	(202,265)
Tax attributable to UK dividends received	110,613	107,133
Overseas taxation	100,158	79,172
Deferred taxation	(8,434)	(6,702)
Tax attributable to long term business profit	<u>8,333</u>	<u>11,667</u>
	<u>(567,444)</u>	<u>(10,995)</u>

7. MUTUAL GUARANTEES

With the approval of the Department of Trade, General Accident Fire and Life Assurance Corporation p.l.c. and each of its UK subsidiary companies transacting general insurance business, of which The Yorkshire Insurance Company Limited is one, have mutually guaranteed all liabilities attaching to their respective policies in force.

8. SUBSIDIARY COMPANY

The Directors are of the opinion that consolidation of N.L. Nominees Ltd., a wholly owned subsidiary company which is not trading, would be of no real value to the members of the company in view of the insignificant amounts involved.

9. ASSOCIATED COMPANY

At 31st December 1991 the Company held an interest of 20% on the ordinary share capital of the Alborz Insurance Company (S.A.), a company incorporated in Iran. The results of this company which might be deemed to be an associated company, have not been incorporated in the accounts as the Directors are of the opinion that their inclusion would involve expense and delay out of proportion to the value to the members of the company.

10. INVESTMENTS

Details of the General Business Fund Investments appear below:

	1991 £	1990 £
Freehold and leasehold properties	3,770,800	3,676,800
Fixed interest securities	16,680,497	11,915,643
Ordinary stocks and shares	8,197,020	7,978,962
Deposits at interest	<u>3,085,450</u>	<u>786,326</u>
	<u>31,733,767</u>	<u>24,357,731</u>

THE YORKSHIRE INSURANCE COMPANY LIMITED

Notes on the Accounts

11. SHARE CAPITAL

	1991 £	1990 £
Authorised 10,000,000 Ordinary Shares of 25p each	<u>2,500,000</u>	<u>2,500,000</u>
Issued and fully paid 9,000,000 Ordinary Shares of 25p each	<u>2,250,000</u>	<u>2,250,000</u>