

Yorkshire
Insurance Company Limited

**Report & Accounts
1986**



A member Company of General Accident.

THE YORKSHIRE INSURANCE COMPANY LIMITED

REGISTERED OFFICE: 2 Rougier Street, York YO1 1HR
Registered in England—No. 98235

BOARD OF DIRECTORS:

Chairman: B.C. Marshall, CA

Directors: J.H. Boxall, BSc
W.N. Robertson, MA, FCII
K. Noble
T. Roberts, MA, FCII

Secretary: R.G. Macdonald

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Shareholders of this Company will be held on 6th May, 1987 at 8.40 a.m. at Pitheavlis, Perth, to transact the ordinary business of the company.

A member entitled to attend and vote is entitled to appoint a Proxy to attend and vote instead of him.

The Proxy need not be a member of the company.

By Order of the Board

A handwritten signature in black ink, appearing to be 'R.G. Macdonald', written over a horizontal line.

Secretary

13th April, 1987

THE YORKSHIRE INSURANCE COMPANY LIMITED

DIRECTORS' REPORT

The Directors have pleasure in submitting their report with the balance sheet of the company at 31st December 1986 and accounts for the year ended on that date.

Principal Activity

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

Operations

Ordinary Long Term Business

This account consists of long term accident and sickness business.

General Business

The net premiums written in this account were £3,091,580. The claims ratio (to earned premiums) was 63.61% as compared with 63.65% for 1985 and the combined commission and expense ratio (to written premiums) was 39.05% as compared with 51.85%.

Marine and Aviation Account

The net premiums written amounted to £4,644,935 and after transferring £73,538 from Profit and Loss Account, the fund at December 31, 1986 totalled £7,428,309.

Profit and Loss Account

	£
The balance of profit and loss account brought forward from 1985	1,907,770
Profit for the year after taxation	<u>503,152</u>
	2,410,922
Dividend for the year	<u>300,000</u>
Balance carried forward	<u><u>£2,110,922</u></u>

Dividend

An interim dividend of £300,000 was paid on 31st December 1986 and the directors do not recommend the payment of a final dividend.

Directors

The names of the present Directors appear on page 1.

THE YORKSHIRE INSURANCE COMPANY LIMITED

Directors and their Interests

The beneficial interests of directors in shares of the holding company, excluding those of directors who are also directors of the holding company, are as follows:

	Ordinary Shares		Share Options	
	1st January 1986	31st December 1986	31st December 1986 Employee	31st December 1986 Executive
J H Boxall	Nil	Nil	1597	5312
K Noble	750	750	1002	4762

The share options referred to above are options to subscribe for Ordinary Shares in the parent company under the terms of the UK Employee Savings Related Share Option Scheme and the Executive Share Option Scheme.

Auditors

At the company's last annual general meeting, Peat, Marwick, Mitchell & Co were reappointed as auditors of the company and from 1 April 1987 they will practise under the name of Peat Marwick McLintock.

A resolution concerning their reappointment as auditors (and their remuneration) will be proposed at the forthcoming annual general meeting.



Chairman

25th March 1987

THE YORKSHIRE INSURANCE COMPANY LIMITED

REVENUE ACCOUNTS

FOR THE YEAR ENDED 31st DECEMBER 1986

ORDINARY LONG TERM BUSINESS	Note	1986	1985
		£	£
Premiums		14,350	16,825
Investment Income		<u>30,595</u>	<u>31,474</u>
		44,945	48,299
Claims paid and outstanding	13,635	14,887	
Commission	562	506	
Expenses	8,000	10,000	
Taxation	11,792	4,624	
Shareholders' share of profits	<u>10,000</u>	<u>40,000</u>	
		43,989	70,017
Increase/(Decrease) in Fund during the year		956	(21,718)
Fund as at 1st January 1986		216,484	238,202
Fund at the end of the year		<u><u>£217,440</u></u>	<u><u>£216,484</u></u>
GENERAL BUSINESS INSURANCE			
Premiums written		3,091,580	4,182,564
Increase in unearned premiums	1(d)	<u>530,027</u>	<u>67,564</u>
Premiums earned		2,561,553	4,115,000
Claims incurred	1,629,435	2,619,227	
Commission	859,709	944,184	
Expenses	<u>347,692</u>	<u>1,224,469</u>	
		2,836,836	4,787,880
Underwriting result		<u><u>£(275,283)</u></u>	<u><u>£(672,880)</u></u>
Underwriting Provisions as per Balance Sheet			
Provision for unearned premiums:			
As at 1st January 1986		1,122,339	1,038,402
Exchange adjustment	4	145,276	13,396
Portfolio adjustment		-	2,977
Increase during the year	1(d)	<u>530,027</u>	<u>67,564</u>
At the end of the year		<u><u>£1,797,642</u></u>	<u><u>£1,122,339</u></u>
Provision for outstanding claims:	1(e)	<u><u>£1,213,312</u></u>	<u><u>£1,149,906</u></u>

The notes on pages 9 to 11 form an integral part of these accounts

THE YORKSHIRE INSURANCE COMPANY LIMITED

REVENUE ACCOUNTS

FOR THE YEAR ENDED 31st DECEMBER 1986

	Note	1986 £	1985 £
MARINE AND AVIATION INSURANCE	1(f)		
Premiums written		4,644,935	4,638,235
Claims incurred	2,423,099		2,636,413
Expenses	<u>377,065</u>	<u>2,800,164</u>	<u>326,085</u>
		1,844,771	1,675,737
Transferred (to)/from Profit and Loss		73,538	(5,737)
Increase in fund during year		<u>1,918,309</u>	<u>1,670,000</u>
Fund at January 1, 1986		5,510,000	3,840,000
Fund at December 31, 1986		<u><u>£7,428,309</u></u>	<u><u>£5,510,000</u></u>
 PROFIT AND LOSS ACCOUNT			
Investment Income	1(c)	1,383,026	1,177,085
Shareholders' Long Term Profits		10,000	40,000
Underwriting results:			
General Business Insurance		(275,283)	(672,880)
Marine and Aviation		<u>(73,538)</u>	<u>5,737</u>
Profit before Taxation	3	<u>1,044,205</u>	<u>549,942</u>
United Kingdom and Overseas Taxation	6	<u>541,053</u>	<u>(31,006)</u>
Profit after Taxation		503,152	580,948
Balance forward from previous year		<u>1,907,770</u>	<u>1,576,822</u>
		2,410,922	2,157,770
Dividend for year		<u>300,000</u>	<u>250,000</u>
 Balance carried forward per Balance Sheet		<u><u>£2,110,922</u></u>	<u><u>£1,907,770</u></u>

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THE YORKSHIRE INSURANCE COMPANY LIMITED

**ORDINARY LONG TERM
BUSINESS BALANCE SHEET
AS AT 31st DECEMBER 1986**

	Note	1986 £	1985 £
Investments less Reserve	1(c)		
Fixed interest securities		163,546	163,546
Deposits at interest		<u>60,000</u>	<u>60,000</u>
		223,546	223,546
Current Assets			
Debtors		<u>9,719</u>	<u>9,720</u>
		9,719	9,720
		<u>233,265</u>	<u>233,266</u>
Less Current Liabilities			
Due to fellow subsidiary company		5,561	8,749
Due to General Business Fund		6,151	3,973
Claims outstanding		725	536
Creditors		<u>3,388</u>	<u>3,524</u>
		15,825	16,782
Net Assets		<u><u>£217,440</u></u>	<u><u>£216,484</u></u>
Representing Ordinary Long Term Business Fund		<u><u>£217,440</u></u>	<u><u>£216,484</u></u>

The notes on pages 9 to 11 form an integral part of these accounts

THE YORKSHIRE INSURANCE COMPANY LIMITED

BALANCE SHEET

AS AT 31st DECEMBER 1986

	Note	1986 £	1985 £
Investments net of reserves	1(c) & 11	11,948,145	10,416,629
Subsidiary Company	9		
Shares at cost		100	100
Current Assets			
Agency and company balances		1,635,417	1,137,666
Due from fellow subsidiary company		7,585	9,765
Debtors and accrued interest		142,966	117,679
Cash at bank and on deposit		118,575	153,061
Due from Ordinary Long Term Fund		6,151	3,973
Due from parent company		<u>5,923,081</u>	<u>4,990,832</u>
		7,833,775	6,412,976
		<u>19,782,020</u>	<u>16,829,705</u>
Less Current Liabilities			
including provisions and reserves			
Claims outstanding		1,213,312	1,149,906
Balances due to other insurers		619,310	600,000
Creditors		53,739	75,991
Corporation tax		<u>2,031,381</u>	<u>1,936,354</u>
		3,917,742	3,762,251
		<u>15,864,278</u>	<u>13,067,454</u>
Insurance Funds			
General Business (See page 4)		1,797,642	1,122,339
Marine and Aviation (See page 5)		7,428,309	5,510,000
Ordinary Long Term Business (See page 4)		<u>217,440</u>	<u>216,484</u>
		9,443,391	6,848,823
		<u>6,420,887</u>	<u>6,218,631</u>
Long Term Fund Net Assets (See page 6)		217,440	216,484
		<u>6,638,327</u>	<u>6,435,115</u>
Deferred Tax	1(g)	38,741	38,681
Net Assets		<u><u>£6,599,586</u></u>	<u><u>£6,396,434</u></u>
Representing Shareholders' Funds			
Capital issued and fully paid	12	2,250,000	2,250,000
Share Premium Account		2,238,664	2,238,664
Profit and Loss Account		<u>2,110,922</u>	<u>1,907,770</u>
		<u><u>£6,599,586</u></u>	<u><u>£6,396,434</u></u>

The notes on pages 9 to 11 form an integral part of these accounts

THE YORKSHIRE INSURANCE COMPANY LIMITED

**STATEMENT OF SOURCE AND APPLICATION OF FUNDS
(EXCLUDING LONG TERM BUSINESS)**

	1986 £'000	1985 £'000
Source of Funds		
Profit before tax	1,044	550
Adjustments to convert revenue and expenditure to a cash basis:		
Increase/(Decrease) from changes in Insurance funds and outstanding claims	2,657	1,366
Agency and company balances	(478)	(617)
Other net current liabilities (excluding taxation and proposed dividends)	(980)	(3,427)
Total generated from operations	<u>2,243</u>	<u>(2,128)</u>
Application of Funds		
Tax paid (including tax attributable to franked investment income)	446	(1,313)
Dividends paid to shareholders	<u>300</u>	<u>250</u>
	746	(1,063)
Net funds available for investment	<u><u>£1,497</u></u>	<u><u>£(1,065)</u></u>
Changes in Investments and Net Liquid Funds		
(Net of investment reserves)		
Increase/(decrease) in		
Properties	487	(1,482)
Mortgages and Loans	-	-
Fixed interest securities	17	1,267
Ordinary stocks and shares	364	134
Deposits at interest	663	(971)
Cash at bank	(34)	(13)
	<u><u>£1,497</u></u>	<u><u>£(1,065)</u></u>

THE YORKSHIRE INSURANCE COMPANY LIMITED

Notes on the Accounts

1 ACCOUNTING POLICIES

(a) Disclosure Requirements

The accounts are 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. The latter 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

Investments are shown in the balance sheet at or under cost except for investment properties, including properties which are wholly or partially occupied by group companies, which are carried in the balance sheet at current values as determined by the group's professionally qualified internal valuers. Revaluation surpluses have been credited to investment reserves.

At 31st December 1986 the aggregate amounts at which investments were included in the balance sheets were below their market values at that date, taking Stock Exchange securities at middle market prices less accrued interest.

Profits and losses on realisation of investments, after adjusting for taxation, have been dealt with through investment reserves. Investment income includes interest accrued to 31st December on fixed interest securities, mortgages, loans and deposits but no credit is taken for dividends other than those received in the year of account.

(d) Unearned Premiums

The provision for unearned premiums is calculated on the monthly pro-rata fraction (24ths) method less a deduction for acquisition costs.

(e) Outstanding Claims

Provisions for outstanding claims notified as at 31st December have been determined on an individual case basis and further provisions are carried in respect of claims incurred but not reported.

(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 estimated 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.

(g) Deferred Taxation

Deferred taxation has been provided at current rates on all timing differences other than those considered likely to continue in the foreseeable future. No detailed breakdown under the categories concerned is given as the amounts involved are relatively immaterial.

THE YORKSHIRE INSURANCE COMPANY LIMITED

2 HOLDING COMPANY

The Company's ultimate holding company is General Accident Fire and Life Assurance Corporation p.l.c. which is incorporated in Great Britain.

3 PROFIT BEFORE TAXATION

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

	1986	1985
(a) Remuneration of auditors	6,165	£5,865
(b) Directors' emoluments	Nil	Nil
Chairman's emoluments	Nil	Nil

4 UNEARNED PREMIUMS

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

5 TURNOVER

Turnover of £9,164,486 (1985 £10,046,183) is represented by the premium income and gross investment income appearing in the revenue and profit and loss accounts.

6 TAXATION

The net charge in the profit and loss account in respect of U.K. 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:

	1986	1985
U.K. Corporation Tax	£439,646	£(117,267)
Tax attributable to U.K. dividends received	70,273	64,102
Overseas taxation	31,073	19,106
Deferred taxation	61	3,053
	<u>£541,053</u>	<u>£(31,006)</u>

7 DEFERRED TAXATION

No provision has been made for deferred tax attributable to the property revaluations referred to in Note 1(c) which is estimated not to exceed £168,833 (1985 £140,642).

8 MUTUAL GUARANTEES

With the approval of the Department of Trade, General Accident Fire and Life Assurance Corporation p.l.c. and each of its U.K. 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.

THE YORKSHIRE INSURANCE COMPANY LIMITED

9 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.

10 ASSOCIATED COMPANY

At 31st December 1986 the Company held an interest of 20% of 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.

11 INVESTMENTS

Details of the General Business Fund Investments after deducting investment reserves appear below:

	1986	1985
Freehold and leasehold properties	£670,610	£184,106
Fixed interest securities	5,991,538	5,973,684
Ordinary stocks and shares	1,308,713	944,828
Deposits at interest	3,977,284	3,314,011
	<u>£11,948,145</u>	<u>£10,416,629</u>

12 SHARE CAPITAL

	1986	1985
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>

Approved by the Board

 Chairman.
 Director

25th March 1987

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

We have audited the accounts set out on pages 4 to 11 in accordance with approved Auditing Standards.

In our opinion the accounts, which have been prepared on the basis of the accounting policies set out on page 9 comply with the Companies Act 1985 in the manner authorised for an insurance company.

Paul Maxwell Mitchell
Chartered Accountants

135 Buchanan Street
Glasgow G1 2JG

25th March 1987