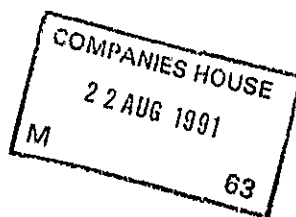


THE YORKSHIRE INSURANCE COMPANY LIMITED

REPORT AND ACCOUNTS 1990



THE YORKSHIRE INSURANCE COMPANY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31st DECEMBER 1990

DIRECTORS AND SECRETARY:

Directors:

W N Robertson, MA FCII (Chairman)  
C R Barker Bennett  
W H Jack  
N G Lister, FCII  
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

Difficult trading conditions are being experienced in US Surplus Lines and Reinsurance business (in respect of which the Company maintains a US Trust Fund of \$2.5m) and the Company intends to reduce its risk retentions on such US domiciled business. A thorough review of the marine account is also in hand and renewal business on which realistic premium increases are unobtainable is being declined.

Non US business, consisting of direct insurance written mainly in Sweden, showed a sharp deterioration in underwriting result and following a critical review of group European operations by the parent Corporation, remedial action has been taken.

Dividend and Reserves

Loss after tax amounted to £30,802. An interim dividend of £2,500,000 was paid on 31st December 1990.

Directors and their Interests

The names of the present directors are shown above.

Mr J H Boxall retired as a director of the company on 9th August 1990.

Mr R A Scott was appointed as a director of the company on 9th August 1990.

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 1990..

ORDINARY SHARES

	1st January 1990 (or on appointment if later)	31st December 1990
C R Barker Bennett	2,921*	6,770
W H Jack	744*	2,236
N G Lister	2,212*	4,118

## OPTIONS

	1st January 1990	Options Granted during the year	Options exercised or lapsed during the year	31st December 1990
C R Barker Bennett	23,593*	8,728 509*	NIL	56,932
W H Jack	6,225*	15,271 436*	NIL	28,593
N G Lister	6,155*	14,393	NIL	26,703
R A Scott	NIL	14,575	NIL	14,575

\* Ordinary shares in General Accident Fire and Life Assurance Corporation p.l.c. (GAFLAC). In terms of a Scheme of Arrangement under Section 425 of The Companies Act 1985, the effective date of which was 5 July 1990 these shares were exchanged for shares in General Accident plc (GA) on the basis of two shares in GA for each ordinary share in GAFLAC.

By order of the Board



R A Whitaker  
Secretary

PERTH  
27th March 1991

THE YORKSHIRE INSURANCE COMPANY LIMITED

REVENUE ACCOUNTS

FOR THE YEAR ENDED 31st DECEMBER 1990

ORDINARY LONG TERM BUSINESS	Note	1990		1989	
		£	£	£	£
Premiums			15,461		11,022
Investment Income			<u>36,334</u>		<u>32,421</u>
			51,795		43,443
Claims paid and outstanding		21,027		18,551	
Commission		588		(61)	
Expenses		8,020		7,840	
Taxation		2,575		2,508	
Shareholders' share of profits		<u>46,667</u>		<u>26,667</u>	
			<u>78,877</u>		<u>55,505</u>
Increase/(Decrease) in Fund during the year			(27,082)		(12,062)
Fund at beginning of year		152,992		190,054	
Shareholders' share of profits 1988		<u>-</u>	<u>152,992</u>	<u>25,000</u>	<u>165,054</u>
Fund at end of the year			<u>125,910</u>		<u>152,992</u>
GENERAL BUSINESS INSURANCE					
Premiums written - Gross			9,022,385		7,026,003
Reinsurance Premiums Ceded			<u>1,721,708</u>		<u>1,311,818</u>
Premiums Written - Net			7,300,677		5,714,185
Increase in unearned premiums 1(d)			<u>1,147,759</u>		<u>1,445,114</u>
Premiums earned			6,152,918		4,268,571
Claims incurred	6,301,357			2,857,018	
Reinsurance Recoverable	<u>1,311,428</u>	4,989,929		<u>164,082</u>	2,692,936
Commission	2,385,047			1,840,625	
Expenses of Management	98,618			171,937	
Deferred Acquisition Cost Adj	<u>(229,552)</u>	<u>2,254,113</u>		<u>(289,123)</u>	<u>1,723,439</u>
			<u>7,244,042</u>		<u>4,416,375</u>
Underwriting Result			<u>(1,091,124)</u>		<u>(147,804)</u>
Underwriting Provisions as per Balance Sheet					
Provision for unearned premiums before deduction of deferred acquisition costs					
At beginning of year		3,493,103		2,996,925	
Exchange adjustment 4		(282,790)		201,423	
Portfolio Transfer		-		(1,150,859)	
Increase during the year		<u>1,147,758</u>		<u>1,445,614</u>	
At end of year		<u>4,358,071</u>		<u>3,493,103</u>	
Provision for outstanding claims:	1(e)	<u>1,484,607</u>		<u>1,050,045</u>	

The notes on pages 8 to 10 form an integral part of these accounts

THE YORKSHIRE INSURANCE COMPANY LIMITED  
REVENUE ACCOUNTS  
FOR THE YEAR ENDED 31st DECEMBER 1990

	Note	£	1990 £	£	1989 £
<b>MARINE AND AVIATION INSURANCE</b>					
	1(f)				
Premiums written			2,265,559		1,650,639
Claims paid		3,417,095		3,367,119	
Expenses		<u>163,601</u>	<u>3,580,696</u>	<u>219,962</u>	<u>3,587,081</u>
			(1,315,137)		(1,936,442)
Transferred (to)/from Profit and Loss			<u>1,085,137</u>		<u>(89,489)</u>
Decrease in fund during year			(230,000)		(2,025,931)
Fund at beginning of year			4,687,000		5,445,931
Exchange on Revaluation			<u>(599,000)</u>		<u>1,267,000</u>
Fund at end of year			<u>3,858,000</u>		<u>4,687,000</u>
<b>PROFIT AND LOSS ACCOUNT</b>					
Investment Income	1(c)		2,087,737		1,702,438
Shareholders' Long Term Profits			46,667		26,667
Underwriting results:					
General Business Insurance			(1,091,124)		(147,804)
Marine and Aviation			<u>(1,085,137)</u>		<u>89,489</u>
Profit before Taxation	3		(41,797)		1,670,790
United Kingdom and Overseas Taxation	5		<u>(10,995)</u>		<u>556,488</u>
Profit after Taxation			(30,802)		1,114,302
Balance forward from previous year		4,317,226		3,927,924	
Shareholders' Long Term Profits 1988		<u>-</u>	<u>4,317,226</u>	<u>25,000</u>	<u>3,952,924</u>
			4,286,424		5,067,226
Dividend for year			<u>2,500,000</u>		<u>750,000</u>
Balance carried forward per Balance Sheet			<u>1,786,424</u>		<u>4,317,226</u>

The notes on pages 8 to 10 form an integral part of these accounts

THE YORKSHIRE INSURANCE COMPANY LIMITED

ORDINARY LONG TERM BUSINESS BALANCE SHEET  
AS AT 31st DECEMBER 1990

	Note	£	1990	£	1989	£
Investments less Reserve	1(c)					
Fixed interest securities		164,161		163,546		
Deposits at interest		<u>60,000</u>		<u>60,000</u>		
			224,161		223,546	
Current Assets						
Debtors		<u>4,857</u>		<u>9,890</u>		
			<u>4,857</u>		<u>9,890</u>	
			229,018		233,436	
Less Current Liabilities						
Due to fellow subsidiary company		28,467		15,973		
Due to General Business Fund		71,514		61,275		
Claims outstanding		1,680		-		
Creditors		<u>1,447</u>		<u>3,196</u>		
			103,108		80,444	
Net Assets			<u>125,910</u>		<u>152,992</u>	
Representing Ordinary Long Term Business Fund			<u>125,910</u>		<u>152,992</u>	

The notes on pages 8 to 10 form an integral part of these accounts

THE YORKSHIRE INSURANCE COMPANY LIMITED  
BALANCE SHEET AS AT 31st DECEMBER 1990

	Note	1990 £	1989 £
Investments	1(c) & 10	24,357,631	26,837,593
Subsidiary Company Shares at cost	8	100	100
Other Assets			
Agency and company balances		1,580,968	2,089,130
Due from fellow subsidiary company		7,585	7,585
Debtors and accrued interest		335,384	133,934
Cash at bank and on deposit		443,788	53,811
Due from Ordinary Long Term Fund		71,514	61,275
Due from parent company		-	1,633,875
Deferred Acquisition Costs		<u>871,614</u>	<u>698,621</u>
		<u>3,310,853</u>	<u>4,678,231</u>
		27,668,584	31,515,924
Less Current Liabilities (including provisions and reserves)			
Claims outstanding		1,484,607	1,050,045
Balances due to other insurers		622,062	626,335
Due to parent company		616,476	-
Creditors		35,738	43,310
Corporation tax		<u>(71,284)</u>	<u>480,271</u>
		<u>2,687,599</u>	<u>2,199,961</u>
		24,980,985	29,315,963
Insurance Funds			
General Business (See page 3)		4,358,071	3,493,103
Marine and Aviation (See page 4)		3,858,000	4,687,000
Ordinary Long Term Business (See page 3)		<u>125,910</u>	<u>152,992</u>
		<u>8,341,981</u>	<u>8,333,095</u>
		16,639,004	20,982,868
Long Term Fund Net Assets (See page 5)		<u>125,910</u>	<u>152,992</u>
		16,764,914	21,135,860
Deferred Tax	1(g)	<u>26,978</u>	<u>33,680</u>
Net Assets		<u>16,737,936</u>	<u>21,102,180</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		10,462,848	12,296,290
Profit and Loss Account		<u>1,786,424</u>	<u>4,317,226</u>
		<u>16,737,936</u>	<u>21,102,180</u>

The notes on pages 8 to 10 form an integral part of these accounts

(6)

*N. G. Lister*  
N G Lister  
Director

THE YORKSHIRE INSURANCE COMPANY LIMITED  
STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
(EXCLUDING LONG TERM BUSINESS)

	1990 £	1989 £
<b>Source of Funds</b>		
Profit before Tax	(41,797)	1,670,790
Shareholders Long Term Profits 1988	-	25,000
Adjustments to convert revenue and expenditure to a cash basis:		
Increase/(Decrease) from changes in		
Insurance funds and outstanding claims	297,537	(670,510)
Agency and company balances	503,889	(763,392)
Other net current assets	2,031,090	1,848,061
(excluding taxation and proposed dividends)		
<b>Total generated from operations</b>	<b>2,790,719</b>	<b>2,109,949</b>
<b>Application of Funds</b>		
Tax paid (including tax attributable to franked investment income)	547,262	851,376
Dividends paid to shareholders	<u>2,500,000</u>	<u>750,000</u>
	<u>3,047,262</u>	<u>1,601,376</u>
<b>Net funds available for investment</b>	<b><u>(256,543)</u></b>	<b><u>508,573</u></b>
<b>Changes in Investments and Net Liquid Funds</b>		
(Net of revaluation reserve)		
Increase/(decrease) in		
Freehold and Leasehold Properties	(509,000)	3,515,190
Fixed interest securities	796,430	(1,120,205)
Ordinary stocks and shares	(77,911)	1,111,117
Deposits at interest	(856,039)	(2,991,430)
Cash at bank	<u>389,977</u>	<u>(6,099)</u>
	<u>(256,543)</u>	<u>508,573</u>



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. 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 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 immaterial.

No provision has been made for taxation which would arise if Investments were sold at the revaluation referred to under (c) above as this contingency is considered to be remote.

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:

	1990	1989
a) Remuneration of auditors	£6,440	£6,000
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 £11,705,828 (1989 £9,110,705) is represented by net premium income and 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:

	1990	1989
U.K. Corporation Tax @ 35%	£(202,265)	£441,146
Tax attributable to U.K. dividends received	107,133	96,079
Overseas taxation	79,172	30,513
Deferred taxation	(6,702)	(11,250)
Tax attributable to long term business profit	11,667	-
	<u>£(10,995)</u>	<u>£556,488</u>

The taxation credit for 1990 was calculated before the 1991 budget announcement.

# 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 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.

# 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 1990 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.

# 10. INVESTMENTS

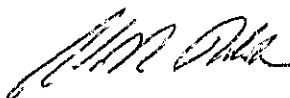
Details of the General Business Fund Investments appear below:

	1990	1989
Freehold and leasehold properties	3,676,800	4,185,800
Fixed interest securities	11,915,643	11,811,818
Ordinary stocks and shares	7,978,962	9,197,610
Deposits at interest	<u>786,326</u>	<u>1,642,365</u>
	<u>£24,357,731</u>	<u>£26,837,593</u>

# 11. SHARE CAPITAL

	1990	1989
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



W N Robertson  
Chairman



C R Barker Bennett  
Director

27th March 1991

REPORT OF THE AUDITORS, KPMG Peat Marwick McLintock,  
TO THE MEMBERS OF THE YORKSHIRE INSURANCE COMPANY LIMITED

We have audited the accounts set out on pages 3 to 10 in accordance with Auditing Standards.

In our opinion the accounts have been properly prepared in accordance with the Companies Act 1985 in the manner authorised for an insurance company.

*KPMG Peat Marwick McLintock*

KPMG Peat Marwick McLintock  
Chartered Accountants

24 Blythswood Square  
Glasgow G2 4QS

27th March 1991