

REPORT AND ACCOUNTS

1992

110410



GRESHAM FIRE AND ACCIDENT INSURANCE SOCIETY LIMITED

Directors

E.Christie (Chairman)
P.R.Raynor, F.C.A.
R.H.Silk
R.J.Young

Secretary

V.S.Ayer, F.C.I.S.

Registered Office

Temple Court,
11 Queen Victoria Street,
London EC4N 4TP

Registered in England No. 110410

REPORT OF THE DIRECTORS

The directors submit their eighty-third annual report together with the financial statements of the Society for the year ended 31st December 1992.

Principal activities

The principal activity of the Society is the transaction of general insurance business (property, motor, liability, pecuniary loss and personal accident).

Result for the year and dividend

The directors do not recommend the payment of a dividend. The Society's results for the year are set out in the profit and loss account on page 8.

Directorate

The names of the present directors are shown on page 1. With the exception of P.R.Raynor all the directors remained in office throughout the year.

G.S.Richards resigned as a director of the Society on 14th April 1992 and P.R.Raynor was appointed as a director of the Society on that date.

No director had any interest in the shares of the Company on 1st January 1992 and 31st December 1992.

E.Christie and P.R.Raynor are also directors of the parent company, Legal & General Assurance Society Limited, and their interests in the shares of the ultimate holding company, Legal & General Group Plc, are shown in the directors' report of the parent company.

REPORT OF THE DIRECTORS

According to the Register of Directors' Share Interests kept by the Society, the other directors of the Society as at 31st December 1992, had, at the respective dates shown, interests within the meaning of the Companies' Act 1985 in ordinary shares of 25p each in the Society's ultimate holding company, Legal & General Group Plc, shown opposite their names in the following table :-

	<u>As at 1st January 1992</u>	<u>As at 31st December 1992</u>
R.H.Silk	26,547	29,500
R.J.Young	4,597	4,508

Directors' share options

In addition to the interests listed above, the directors held options under Legal & General Group Plc's share option schemes, to subscribe for ordinary shares of 25p each, and details of options granted and exercised, together with totals of options held, are as set out in the table below:-

Name of Director	Total options at 1.1.1992	<u>Options Granted</u>				Exercise period	<u>Options Exercised</u>				Total Options at 31.12.92
		<u>Scheme</u>	<u>Date of Grant</u>	<u>No. of Options</u>	<u>Price</u>		<u>Scheme</u>	<u>Date of Exercise</u>	<u>No. of Options</u>	<u>Price</u>	
R.H.Silk	58,390						SAYE(1981)	1.10.92	2,007	219p	56,383
R.J.Young	62,588						SAYE(1981)	24.09.92	250	295p	62,338

SAYE(1981) Savings-related Share Option Scheme (1981)

REPORT OF THE DIRECTORS

Elective resolution

An elective resolution has been passed by the Society's shareholders whereby the Society is not required to hold an Annual General Meeting and does not need to appoint auditors each year. Accordingly, the Society's auditors remain in office until the Society or the auditors otherwise determine.

By Order of the Board

A handwritten signature in dark ink, appearing to read 'V.S. Ayer', with a long horizontal stroke extending to the right.

V.S. Ayer
Secretary
16th March 1993

ACCOUNTING POLICIES

The main accounting policies of the Society are as follows:

- a) **Changes to accounting policies and presentation**
Following approval of the EC Insurance Directive by the European Parliament the Society has changed its accounting policy to reflect the total investment return on general insurance and shareholders' assets in the profit and loss account for the year. Previously unrealised investment gains had been taken directly to reserves. Comparative figures have been restated accordingly.

- b) **Disclosure**
The financial statements are prepared in compliance with section 255A of, and Schedule 9 to, the Companies Act 1985 and conform with applicable UK accounting standards.

Under the provisions of the Companies Act 1985 insurance companies are not required to show separately in their financial statements the amounts of their reserves and provisions or the amounts of the movements therein.

- c) **Investments**
 - (i) **Investment income**
Investment income is shown after deducting directly related investment expenses. Dividends receivable are accounted for on an ex dividend basis and include associated tax credits. Income receivable on investments is taken to the investment return and included in the general insurance business result or shareholders' other income (outgo) in the profit and loss account for the year.

 - (ii) **Interest expense**
Interest expense reflects the underlying cost of borrowing.

 - (iii) **Investment valuations**
Listed investments are shown at market value and unlisted investments at directors' valuation.

 - (iv) **Investment gains and losses**
Realised and unrealised investment gains and losses are taken to the investment return and included in the general insurance result or shareholders' other income (outgo) in the profit and loss account for the year.

ACCOUNTING POLICIES

d) **General insurance**

Underwriting results of general business are determined after taking account of unearned premiums, unexpired risks and outstanding claims.

Premiums are accounted for in the period in which the risk commences. Estimates are included for premiums not notified by the year-end and provision is made for subsequent lapses.

Those proportions of premiums written in a year which relate to periods of risk extending beyond the end of the year are carried forward as unearned premiums.

A proportion of commission and other acquisition expenses relating to unearned premiums is carried forward as deferred acquisition expenses.

Claims are accounted for in respect of all incidents up to the year-end. Provision is made on the basis of available information for the estimated ultimate cost of :

- (i) claims reported but not settled;
- (ii) claims incurred but not yet reported;

This provision reflects claims settlement expenses and anticipated reinsurance and other recoveries.

In addition to unearned premiums and after taking account of investment return, additional amounts are set aside where necessary for unexpired risks to meet future claims on business in force at the end of the year.

Expenses and commissions are charged to the insurance funds as incurred.

e) **Foreign currencies**

Assets, liabilities and revenue transactions held in foreign currencies are translated into sterling at rates of exchange ruling at the end of the year other than certain revenue transactions which are translated into sterling at the appropriate rates prevailing during the year.

f) **Deferred taxation**

Deferred taxation is calculated on the liability method and is provided only to the extent that it is considered with reasonable probability that the liability will become payable within the foreseeable future.

GENERAL INSURANCE BUSINESS REVENUE ACCOUNT
for the year ended 31st December 1992

Note	1992 £'000	1991 £'000 (restated)
7 Funds at beginning of year	18,525	17,140
1 Premium income	12,698	15,417
	<u>31,223</u>	<u>32,557</u>
2 Claims paid	9,129	6,855
Commission	903	2,210
Expenses	3,633	3,538
	<u>13,665</u>	<u>12,603</u>
	<u>17,558</u>	<u>19,954</u>
7 Funds at end of year	17,558	19,954
Underwriting result	-	-
5 Investment return	1,610	1,809
Insurance result	<u>1,610</u>	<u>1,809</u>

PROFIT AND LOSS ACCOUNT
for the year ended 31st December 1992

Note	1992 £'000	1991 £'000 (restated)
General Insurance result	1,610	1,809
6 Shareholders' other income (net)	353	170
Operating profit before taxation	<u>1,963</u>	<u>1,979</u>
3 Taxation charge	630	688
Retained profit from operations	<u>1,333</u>	<u>1,291</u>
Movements in retained profits and reserves		
Balance at beginning of year	1,942	651
Retained profit for year	1,333	1,291
Balance at end of year	<u>3,275</u>	<u>1,942</u>

BALANCE SHEET
on 31st December 1992

Note	1992 £'000	1991 £'000
Investments		
Other fixed interest securities	3,622	3,382
Deposits at interest	18,348	17,311
	<u>21,970</u>	<u>20,693</u>
4 Amount due from parent company	53	356
Amount due from fellow subsidiary undertakings	-	103
Other assets		
Debtors	1,460	2,110
Cash at bank and in hand	46	478
	<u>23,529</u>	<u>23,740</u>
Total assets		
Liabilities and provisions		
Creditors, including taxation and other provisions	1,296	444
7 Insurance liabilities, provisions and reserves		
General insurance funds	17,558	19,954
	<u>4,675</u>	<u>3,342</u>
Total net assets		
11 Representing		
Share capital	1,400	1,400
Retained profits and reserves	2,275	1,942
	<u>4,675</u>	<u>3,342</u>
Shareholders' funds		

The financial statements on pages 5 to 13 were approved by the directors on 16th March 1993.

E. Christie

E.Christie, Chairman

NOTES TO FINANCIAL STATEMENTS

	1992 £'000	1991 £'000
1 United Kingdom premiums		
Property	15,687	13,808
Motor	2,736	2,558
Other	1,277	1,460
	<u>19,700</u>	<u>17,826</u>
Gross premiums		
less reinsurance	7,002	2,409
	<u>12,698</u>	<u>15,417</u>
Net premiums		
2 United Kingdom claims		
Gross	13,879	8,242
less reinsurance	5,056	1,785
	<u>8,823</u>	<u>6,457</u>
Net claims paid		
Claims handling expenses	306	398
	<u>9,129</u>	<u>6,855</u>
3 Taxation		
Corporation tax at 33% (33.25%)	630	688
	<u>630</u>	<u>688</u>

There is no potential liability to deferred taxation.

- 4 **Parent companies**
The parent company is Legal & General Assurance Society Limited, a company registered in England. Legal & General Group Plc is the ultimate parent company which is registered in England and is the parent undertaking of the largest and smallest group to consolidate the financial statements of the Society. Copies of the accounts of the ultimate holding company, Legal & General Group Plc, are available at the Registered Office, Temple Court, 11 Queen Victoria Street, London EC4N 4TP.

NOTES TO FINANCIAL STATEMENTS

	1992 £'000	1991 £'000 (restated)
5 Investment return		
Investment income	2,304	1,959
Interest expense	(405)	(366)
Realised investment gains	-	204
Unrealised investment appreciation	64	182
	<u>1,963</u>	<u>1,979</u>
Recorded within:		
Insurance result	1,610	1,809
Shareholders' other income	353	170
	<u>1,963</u>	<u>1,979</u>
6 Shareholders' other income (net)		
	1992 £'000	1991 £'000 (restated)
Investment return before interest expense	426	201
Interest expense	(73)	(31)
	<u>353</u>	<u>170</u>

NOTES TO FINANCIAL STATEMENTS

7 Insurance liabilities, provisions and reserves

	At 31st December 1991 £'000	Exchange revaluation £'000	Portfolio transfers £'000	Increases during year in liabilities provisions and reserves £'000	At 31st December 1992 £'000
Unearned premiums					
Gross	8,843	-	-	763	9,606
Reinsurance	(473)	-	(2,147)	(283)	(2,903)
Net	8,370	-	(2,147)	480	6,703
Deferred acquisition expenses	(2,462)	-	708	(160)	(1,914)
	<u>5,908</u>	<u>-</u>	<u>(1,439)</u>	<u>320</u>	<u>4,789</u>
Unexpired risks					
Gross	24	-	-	(12)	12
Reinsurance	-	-	-	-	-
Net	24	-	-	(12)	12
Outstanding Claims					
Gross	17,488	10	-	(1,398)	16,100
Reinsurance	(3,466)	-	-	123	(3,343)
Net	<u>14,022</u>	<u>10</u>	<u>-</u>	<u>(1,275)</u>	<u>12,757</u>
	<u>19,954</u>	<u>10</u>	<u>(1,439)</u>	<u>(967)</u>	<u>17,558</u>

On 1st January 1992 the household account was reinsured with a 40 per cent quota share. The transfer of the unearned premium provision at 1st January 1992 has been treated as a portfolio adjustment to the opening provision.

NOTES TO FINANCIAL STATEMENTS

- 8 **Auditor's remuneration**
Remuneration of the auditors is met by the parent company.
- 9 **Directors' emoluments**
No emoluments were paid to any directors, nor were any pension contributions paid in 1992 (1991, £ Nil).
- 10 **Marine**
A small amount of marine business is written overseas which is 100% reinsured.
- 11 **Share capital**
- | | | 1992
£'000 | 1991
£'000 |
|-------------|--|---------------|---------------|
| Authorised: | 1,500,000 ordinary shares
of £1 each | <u>1,500</u> | <u>1,500</u> |
| Issued: | 1,400,000 ordinary shares
of £1 each fully paid | <u>1,400</u> | <u>1,400</u> |

REPORT OF AUDITORS

TO THE MEMBERS OF
GRESHAM FIRE AND ACCIDENT INSURANCE SOCIETY LIMITED

We have audited the financial statements set out on pages 5 to 13 in accordance with Auditing Standards.

In our opinion the financial statements for the year ended 31st December 1992 have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to insurance companies.

Price Waterhouse

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditor
London

16th March 1993