

**LIVERPOOL MARINE AND
GENERAL INSURANCE COMPANY LIMITED**

Report and Accounts

for the year ended 31st December 1999



Contents	Page
Directors	2
Directors' report	3 - 4
Directors' responsibilities and auditors' report	5 - 6
Accounting policies	7 - 8
Profit and loss account	9
Balance sheet	10
Notes on the accounts	11 - 12

Liverpool Marine and General Insurance Company Limited

Directors

Directors

D.E. Reeves

P. Spencer

Secretary

J.H. Berg

Registered Office

St. Mark's Court, Chart Way, Horsham, Sussex, RH12 1XL

Activities

The principal activity of the Company is the transaction of marine insurance business. The whole of the Company's net insurance account is reinsured with its parent company.

Review of the year and future developments

The Company ceased writing new business in 1993 and has no intention to recommence trading in the future. The revenue account comprises the running-down of the existing book of business and is classified as discontinued.

Profit and dividend

The profit for the year is shown in the profit and loss account on page 9. The directors do not recommend the payment of a dividend (1998 £Nil).

Year 2000

The company recognised the importance of the Year 2000 issue and the potential impact it could have on the business. This continues to be managed for all companies within the Royal & Sun Alliance Group through Year 2000 project teams who have looked at IT systems, embedded systems and the reliance that could be placed on external suppliers.

Plans for ensuring systems and processes were fully compliant were completed around mid year 1999 and business interruption and contingency plans were in place at the year end. As a result of this work, the 1999 year end change has taken place without any major Year 2000 problems being identified and all minor issues identified to date have been resolved without affecting our ability to transact business. The company will continue to monitor the situation with regard to Year 2000. The total incremental costs incurred on Year 2000 will be borne by the parent company.

Euro currency

The impact the introduction of the euro has had on the company is minimal. However system and product changes required to achieve euro capability by 1st January 1999 were successfully implemented and work to change over to the euro by 2002 remains on target. The incremental costs of the current euro projects, including future costs, will be borne by the parent company. Plans are also being developed to address the possible extended scope of the euro, including the UK's potential entry.

Liverpool Marine and General Insurance Company Limited

Directors' Report (continued) for the year ended 31st December, 1999

Directors

D.E. Reeves and P. Spencer served as directors throughout the year.

S.A. Atkins served as a director until he resigned on 30th December 1999.

The interests of directors in the ordinary shares of Royal & Sun Alliance Insurance Group plc are as follows:-

	Ordinary shares held at 1st January 1999 or on appointment (Note 1)	Ordinary shares acquired	Ordinary shares disposed	Reduction in number of ordinary shares as a result of share consolidation (Note 2)	Ordinary shares held at 31st December 1999 (Note 3)
D.E. Reeves	550	28	0	51	527

Notes

- 1 Ordinary shares of 25p or, if appointed after 14 May 1999, ordinary shares of 27.5p each (see note 2)
- 2 On 14 May 1999, every 11 ordinary shares of 25p each in the capital of the Company were consolidated into 10 new ordinary shares of 27.5p each.
- 3 Ordinary shares of 27.5p each.

In addition to the interests shown above, the directors had a beneficial interest, as at 31 December 1999, in 6,500,000 shares of 27.5p each in Royal & Sun Alliance Insurance Group plc held in the Royal & Sun Alliance ESOP Trust and all the directors had a beneficial interest, as at 31st December 1999, in 200,000 shares of 27.5p each in the Royal & Sun Alliance Insurance Group plc held in the Royal & Sun Alliance ESOP Trust No. 2. All employees of the Group have a beneficial interest in the shares held in these trusts with the exception of the executive directors of Royal & Sun Alliance Insurance Group plc who are excluded from the beneficiaries of the Royal & Sun Alliance ESOP Trust No. 2.

	Held at 1st January 1999 or on appointment	Options to subscribe for shares During 1999		Held at 31st December 1999
		Granted	Exercised	
D.E. Reeves	41,077	23,318	0	64,395

By order of the directors

J.H. Berg
Secretary

03 APRIL

2000

Liverpool Marine and General Insurance Company Limited

Statement of Directors' Responsibilities and Auditors' Report

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year which 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.

The directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31st December 1999. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors have responsibility for ensuring that the Company keeps proper accounting records. The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Auditors' report to the members of Liverpool Marine and General Insurance Company Limited

We have audited the financial statements on pages 7 to 12 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described above, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit 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.

Equalisation Provisions

Our evaluation of the presentation of information in the financial statements has had regard to the statutory requirements for insurance companies to maintain equalisation provisions. The nature of the equalisation provisions, the amounts set aside at 31 December 1999 and the effect of the movement in those provisions during the year on the balance on the general business technical account and the profit on ordinary activities before tax, are disclosed in note 8 on page 12.

Liverpool Marine and General Insurance Company Limited
Statement of Directors' Responsibilities and Auditors' Report (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31st December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

London, 3 April 2000

1. Accounting and disclosure requirements

The accounts of the Company are prepared in accordance with the provisions of Section 255 of, and Schedule 9A to, the Companies Act 1985.

2. Accounting policies

The financial statements are prepared in accordance with applicable UK accounting standards and the Statement of Recommended Practice issued by the Association of British Insurers in December 1998. The financial statements have been prepared under the historical cost accounting rules.

The Company has entered into mutual guarantees with Royal & Sun Alliance Insurance plc and certain of its UK subsidiaries for the payment of general insurance business liabilities.

(a) General insurance business

(i) Underwriting results

The underwriting result is accounted for on an annual basis. Premiums written are accounted for in the year in which the related risks commence and include estimates where the amounts are not determined at the balance sheet date. Premiums written exclude taxes and duties levied on premiums. The commission and other acquisition costs incurred in writing the business are deferred and amortised over the period in which the related premiums are earned.

Claims paid represent all payments made during the period whether arising from events during that or earlier periods.

The balance on the general business technical account is arrived at after taking account of changes in the equalisation provision.

(ii) Technical provisions

The provision for unearned premiums represents the proportion of premiums written relating to periods of insurance subsequent to the balance sheet date, calculated principally on a daily pro-rata basis.

The provision for claims outstanding, whether reported or not, comprises the estimated cost of claims incurred but not settled at the balance sheet date. It includes related expenses and a deduction for the expected value of salvage and other recoveries. The provision is determined using the best information available of claims settlement patterns, forecast inflation trends and, after recognition of the potential time elapsed in the notification, development and settlement of claims.

Differences between the estimated cost and subsequent settlement are dealt with in the technical account for the year in which the claims are settled or re-estimated.

Provision is made, based on information available at the balance sheet date, for any estimated future underwriting losses relating to unexpired risks, after taking into account future investment income on relevant technical provisions. The unexpired risk provision is assessed in aggregate for business classes which in the opinion of the directors are managed together.

Equalisation provisions are established in the United Kingdom in accordance with the Insurance Companies (Reserves) Act 1995. These provisions, notwithstanding that they do not represent liabilities at the balance sheet date as they are over and above the anticipated ultimate cost of outstanding claims, are required by Schedule 9A to the Companies Act 1985 to be included within technical provisions in the balance sheet and any change in the provisions during the year is shown in the general business technical account.

(b) Investment return

Income from investments is included in the profit and loss account on an accruals basis. Dividend income on ordinary shares is recognised when the related investment goes 'ex-dividend'.

(c) Taxation

Taxation in the non-technical account is based on the profit and income for the year as determined in accordance with the relevant tax legislation, together with adjustments to provisions for prior years.

Deferred taxation is calculated using the liability method and consists of the estimated taxation, or relief from taxation, which is expected to arise in the foreseeable future from material timing differences using expected future rates of tax where applicable. Credit is taken for relief for trading losses in the foreseeable future.

A provision for deferred taxation on unrealised gains is made where disposals giving rise to a taxation liability are anticipated in the foreseeable future.

(d) Investments

Investments are stated in the balance sheet at market values comprising stock exchange values for listed securities and directors' valuations for other investments. Profits and losses on the realisation of investments, the differences between market values and book values of the investments together with the related tax are taken to the non-technical account.

(e) Translation of foreign currencies

Assets and liabilities in foreign currencies and overseas revenue transactions are translated into sterling at rates ruling at the year end. The resulting exchange adjustments, including the differences arising from the translation of the technical provisions at the beginning of the year at year end rates are taken to the non-technical account.

Liverpool Marine and General Insurance Company Limited

Profit and Loss Account for the year ended 31st December, 1999

Technical account - General business

	Notes	1999 £000	1998 £000
Gross premiums written		-	1
Outward reinsurance premiums		-	(1)
Net premiums written	1	-	-
Earned premiums, net of reinsurance		-	-
Claims paid			
Gross amount		(61)	(98)
Reinsurers' share		61	98
		-	-
Change in the provision for claims			
Gross amount		61	297
Reinsurers' share		(61)	(297)
		-	-
Claims incurred, net of reinsurance		-	-
Net operating expenses	2	-	-
Balance on the technical account for general business		-	-

Non-technical account

	Notes	1999 £000	1998 £000
Balance on the technical account for general business		-	-
Investment income	4	29	1
Realised (loss)/gain on investments	4	(12)	-
Unrealised (loss) on investments	4	(9)	(9)
Profit/(loss) on ordinary activities before taxation		8	(8)
Taxation on profit/(loss) on ordinary activities	5	(2)	-
Profit/(loss) on ordinary activities after taxation		6	(8)
Retained profit/(loss) for the year		6	(8)

All figures relate to discontinued operations.

The notes on pages 11 and 12 and the accounting policies on pages 7 and 8 form part of these accounts.

There have been no recognised gains or losses in either reporting year other than those recorded in the profit and loss account and accordingly a Movement in Capital and Reserves and Recognised Gains Statement is not prepared.

Liverpool Marine and General Insurance Company Limited

Balance Sheet as at 31st December, 1999

	Notes	1999 £000	1998 £000
Assets			
Investments			
Listed debt securities and other fixed income securities	7	301	290
Reinsurers' share of technical provisions			
Claims outstanding		1,065	1,140
Debtors			
Due from parent undertaking and fellow subsidiary undertakings		874	873
Prepayments and accrued income			
Accrued interest and rent		8	12
Total assets		<u>2,248</u>	<u>2,315</u>
Liabilities			
Capital and reserves			
Called up share capital	9	300	300
Profit and loss account	6	<u>881</u>	<u>875</u>
Equity shareholders' funds		1,181	1,175
Technical provisions			
Claims outstanding		1,065	1,140
Creditors			
Other creditors including taxation and social security		2	-
Total liabilities		<u>2,248</u>	<u>2,315</u>

The accounts on pages 7 to 12 were approved by the directors on 3 4 2000, and signed on their behalf by:-

D. L. Kern

Director

Liverpool Marine and General Insurance Company Limited

Notes on the Accounts

1. Segmental analysis of business by class and geographical area

All business was written in the United Kingdom.

Because of the nature of marine business an analysis of net premiums written by destination is not appropriate. All business written is within the marine, aviation and transport classes.

2. Net operating expenses: technical account - general business

Net operating expenses are nil as the business is 100% reinsured.

3. Employees and staff costs

Staff costs are borne by Royal & Sun Alliance Insurance plc and are included within the operating expenses allocated to the Company. The staff costs are not separately identified within the expense allocation.

4. Investment activity account

	1999 £000	1998 £000
Investment income	29	1
Realised (loss)/gain on investments	(12)	-
Net investment income	17	1
Unrealised (loss) on investments	(9)	(9)
Investment return	8	(8)

5. Taxation

The charge for UK taxation in the profit and loss account comprises:

UK Corporation Tax at 30.25% (1998 31%)

Double Taxation relief

Overseas Taxes on Profits

	1999 £000	1998 £000
UK Corporation Tax at 30.25% (1998 31%)	2	-
Double Taxation relief	-	-
Overseas Taxes on Profits	2	-
	-	-
	2	-

Previously under an agreement with the Inland Revenue, the United Kingdom corporation tax liabilities of the Company have been aggregated with those attributable to the general insurance business of other UK subsidiaries of Royal & Sun Alliance Insurance plc and assessed in the name of that Company. Accordingly, any provisions for United Kingdom taxation liabilities were transferred to Royal & Sun Alliance Insurance plc.

As from 1st January 1999, this agreement has been rescinded, and current year corporation tax liabilities are retained in the company's balance sheet.

The potential liability for deferred taxation on unrealised appreciation of investments which is not expected to be payable in the foreseeable future and for which, therefore no provision has been made is estimated to amount to £Nil (1998 £Nil).

6. Reserves

Reserves and reserve movements are as follows:

	Profit and loss account	
	1999 £000	1998 £000
Balance at 1st January	875	883
Retained profit/(loss) for the year	6	(8)
Balance at 31st December	881	875

Liverpool Marine and General Insurance Company Limited

7. Investments

The historical cost of listed debt securities and other fixed income investments is £319,000 (1998 £299,000).

8. Equalisation provision

No equalisation provision has been established at the year end (1998 £Nil), nor has there been any movement during the year (1998 £Nil).

9. Share capital

	1999 £000	1998 £000
Authorised		
1,000,000 shares of 100p each	1,000	1,000
Issued and fully paid		
300,000 shares of 100p each	300	300

10. Directors' emoluments

All the directors receive remuneration from Royal & Sun Alliance Insurance plc as employees of that company, and it is not appropriate, because of the non-executive nature of their services, to make an apportionment of their emoluments in respect of the Company.

11. Auditors' remuneration

The cost of auditing the Company's accounts in the UK is borne by a parent company.

12. Capital commitments

The Company had no capital commitments at 31st December 1999 (1998 £Nil).

13. Contingent liabilities

Other than in the normal course of business the Company had no material contingent liabilities at 31st December 1999 (1998 £Nil).

14. Cash flow statement

The Company's ultimate parent is Royal & Sun Alliance Insurance Group plc and the cash flows of the company are included in the consolidated cash flow statement of Royal & Sun Alliance Insurance Group plc. The company has thus taken advantage of the exemption permitted by FRS 1 (revised) and has elected not to prepare its own cash flow statement.

15. Related party transactions

Advantage has been taken of the exemption provided in FRS8 from disclosing details of transactions with Royal & Sun Alliance Insurance Group plc and its subsidiaries.

16. Parent companies

The Company's immediate parent company is Sun Alliance and London Insurance plc which is registered in England and Wales.

The Company's ultimate parent company is Royal & Sun Alliance Insurance Group plc which is registered in England and Wales. A copy of that company's accounts can be obtained from 30 Berkeley Square, London W1X 5HA.