

199059

UNIONE ITALIANA (U.K.) REINSURANCE COMPANY LIMITED

REPORT AND ACCOUNTS

1994



# UNIONE ITALIANA (U.K.) REINSURANCE COMPANY LIMITED

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**UNIONE ITALIANA (U.K.) REINSURANCE COMPANY LIMITED**

**Company Information**

Directors	J C Frangoulis, Chairman and Chief Executive
	M Luzzatto, Deputy Chairman
	J E Cummins
	G De Giusti
	S Funari
	R Garosi
Secretary	J E Cummins
Registered Office	118-119 Fenchurch Street, London, EC3M 5BA
Registered Number	199059
Principal Bankers	Lloyds Bank PLC 72, Fenchurch Street, London EC3P 3EH
Auditors	Neville Russell, Chartered Accountants 246, Bishopsgate, London EC2M 4PB

# **UNIONE ITALIANA (U.K.) REINSURANCE COMPANY LIMITED**

## **Directors' Report**

The Directors present their report and accounts for the year ended 31st December 1994.

## **Activities**

The principal activity of the Company during the year under review was the transaction of general reinsurance business.

## **Review of the year and future developments**

With the continued withdrawal from certain classes of business and revised underwriting policy, premium growth did not materialise during the year under review.

The open underwriting years continued to be profitable, although no profit for those years is recognised in these accounts because the Company does not take profit from an underwriting year until such year has developed for thirty-six months, closed underwriting years prior to 31st December 1992, however required additional reserving.

At 31st December 1994 a provision of £3,425,000 (1993-£Nil) for unrealised loss on investments was required, reflecting the depressed state of the gilts market.

The Directors after reviewing the conditions under which the Company currently operates in the London Market have decided that the Company's capital base would not allow for future development. As a consequence the Directors resolved that with effect from 23rd May 1995 the Company would cease accepting new business and renewals. In all other respects, and in particular as regards claims, recoveries and settlement of accounts, the Company will operate in the usual way. The Parent Company will continue to underwrite a London Market account in Rome

## **Results and appropriations**

The results for the year and state of the Company's affairs are shown on pages 5 to 14 of the accounts.

The Directors do not recommend the payment of a dividend in respect of the year under review. The loss for the year after taxation of £5,298,000 (1993 profit - £183,000) has been carried to reserves.

## **Directors and directors' interests**

The names of the present Directors appear on page 2. Except as shown below all have held office since 1st January 1994 up to the date of this Report.

F. Fegitz (resigned 9th May 1995)

R. Garosi (appointed 29th May 1995)

None of the Directors had a beneficial interest in the shares of the Company or its ultimate parent company at any time during the year nor any material interest in any of the transactions, arrangements or contracts to which the Company is a party, except as disclosed in note 10 to the accounts.

# **UNIONE ITALIANA (U.K.) REINSURANCE COMPANY LIMITED**

## **Directors' Report**

Insurance coverage has been effected on behalf of the Company's Directors and officers in respect of liabilities that may arise out of their official duties.

## **Charitable Contributions**

During 1994 the Company gave £675 (1993 - £ 250) for charitable purposes.

## **Auditors**

Neville Russell, Chartered Accountants, have signified their willingness to continue in office and their reappointment as auditors will be proposed at the forthcoming Annual General Meeting.

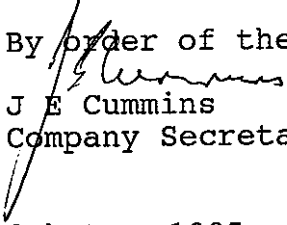
## **Directors' responsibilities**

The Directors accept their legal obligations to prepare accounts in accordance with the provisions of the Company Act 1985.

The Directors have prepared the accounts on the going concern basis which they consider appropriate.

The Directors accept their responsibility for maintaining adequate accounting records for safeguarding the assets and disclosing with reasonable accuracy the financial position of the Company and for taking reasonable steps to prevent and detect fraud and other irregularities.

The Directors confirm that suitable accounting policies have been consistently applied and supported by reasonable and prudent judgements and estimates in the preparation of these accounts and that applicable accounting standards have been followed, subject to any material departure disclosed and explained in the notes to the accounts.

By  order of the Board  
J E Cummins  
Company Secretary

8th June 1995

# UNIONE ITALIANA (U.K.) REINSURANCE COMPANY LIMITED

## Revenue Account

For the year ended 31st December 1994

	Notes	1994	1993
		£000	£000
Gross premiums	4	15,929	18,081
Reinsurance		<u>(3,822)</u>	<u>(7,198)</u>
		12,107	10,883
Gross claims paid		(30,756)	(45,540)
Reinsurance		<u>22,536</u>	<u>35,268</u>
		(8,220)	(10,272)
Commissions		(2,292)	(2,488)
Management expenses	5, 6	<u>(1,345)</u>	<u>(1,451)</u>
		(3,637)	(3,939)
Increase in insurance fund		(4,258)	(2,040)
Exchange adjustment on opening fund		<u>(1,106)</u>	<u>553</u>
		(5,364)	(1,487)
Underwriting balance		<u>(5,114)</u>	<u>(4,815)</u>

## Profit and Loss Account

For the year ended 31st December 1994

	Notes	1994	1993
		£000	£000
Net investment income	7	3,160	3,230
Profit on sale of investments		129	2,316
Unrealised loss on investments		<u>(3,425)</u>	<u>-</u>
		(136)	5,546
Underwriting balance		(5,114)	(4,815)
Depreciation on leasehold properties		(45)	(45)
Exceptional depreciation on leasehold properties		<u>-</u>	<u>(500)</u>
		(5,159)	(5,360)
(Loss)/Profit before taxation		(5,295)	186
Taxation	8	<u>(3)</u>	<u>(3)</u>
(Loss)/Profit for the year carried to reserves	17	<u>(5,298)</u>	<u>183</u>

# UNIONE ITALIANA (U.K.) REINSURANCE COMPANY LIMITED

## Balance Sheet

At 31st December 1994

	Notes	1994 £000	1993 £000
<b>Leasehold Properties</b>	9	2,016	2,061
<b>Investments</b>	10	38,798	36,590
<b>Current Assets</b>			
Cash and short-term deposits	13	10,493	13,420
Due from brokers and companies	14	14,581	15,530
Other debtors		622	561
Taxation recoverable		691	991
		<u>26,387</u>	<u>30,502</u>
<b>Total Assets</b>		<u>67,201</u>	<u>69,153</u>
<b>Current Liabilities</b>			
Due to brokers and companies	14	7,276	8,202
Other creditors		106	106
		<u>7,382</u>	<u>8,308</u>
		<u>59,819</u>	<u>60,845</u>
<b>Insurance Fund</b>	15	41,056	36,798
<b>Shareholders' Capital and Reserves</b>		<u>18,763</u>	<u>24,047</u>
<b>Represented by:</b>			
Share capital	16	23,500	23,500
Revenue reserves	17	(4,737)	547
		<u>18,763</u>	<u>24,047</u>

The accounts on pages 5 to 14 were approved by the Board of Directors on 8th June 1995 and were signed on its behalf by:

R. Garosi  
Director

J.C. Frangoulis  
Chairman and Chief Executive

UNIONE ITALIANA (U.K.) REINSURANCE COMPANY LIMITED

Cash Flow Statement

For the year ended 31st December 1994

Notes

		£000	1994 £000	£000	1993 £000
<b>Net Cash inflow from operating activities</b>	11		2,409		8,949
<b>Taxation</b>					
Tax repaid		991		1,050	
Tax paid or deducted at source		(694)		(555)	
<b>Tax repaid</b>			297		495
<b>Investing Activities</b>					
Purchase of investments		(6,330)		(84,856)	
Sale of investments		697		80,094	
<b>Net Cash outflow from Investing Activities</b>			(5,633)		(4,762)
<b>(Decrease)/increase in cash and cash equivalents</b>	12, 13		(2,927)		4,682



# **UNIONE ITALIANA (U.K.) REINSURANCE COMPANY LIMITED**

## **Notes to the Accounts**

### **1. Basis of Preparation**

The Company is not required to comply with the accounting and disclosure provisions of Chapter I of Part VII of Schedule 4 to the Companies Act 1985. These accounts are presented in compliance with S258 of Chapter II of Part VII and Schedule 9 to the said Companies Act and in accordance with applicable accounting standards.

Consolidated accounts have not been prepared because in the opinion of the Directors the dormant subsidiary's figures are immaterial.

### **2. Accounting Policies**

#### **a) Revenue Account**

All premiums notified in an accounting period are accounted for in that period and attributed to the appropriate underwriting year. All outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards reinsurance business.

All classes of business are accounted for on a funded basis. The provision for claims notified but not settled and claims incurred but not reported at the date of the balance sheet, together with the anticipated reinsurance and other recoveries, are made on the basis of the best information currently available, having regard in particular to past claims experience. The estimates are considered annually in the light of subsequent information and a transfer to or from profit and loss account is made accordingly, no profit is taken from a year until that year has developed for thirty-six months.

#### **b) Foreign Currencies**

Assets, liabilities and revenue transactions in United States dollars are translated at the rate of exchange ruling at the balance sheet date. Revenue transactions in foreign currencies other than United States dollars are translated at rates of exchange ruling during the year. The resulting exchange difference is transferred to currency fluctuation reserve. Any deficiency in the currency fluctuation reserve is transferred to profit and loss account.

#### **c) Management Expenses**

All expenses are written off in the year the expenses are incurred.

# UNIONE ITALIANA (U.K.) REINSURANCE COMPANY LIMITED

## Notes to the Accounts

### d) Capital Expenditure

Capital expenditure, other than expenditure on leasehold property, is written off in management expenses in the year the expenditure is incurred. Leasehold properties are stated at cost less accumulated depreciation unless there is a permanent diminution in value. Depreciation is calculated to write off the cost of the leasehold properties on a straight line basis over the lease periods and making any appropriate adjustments for exceptional changes in value.

### e) Investment Income

Income on variable interest securities is included when payment is due. Income on fixed interest securities and fixed deposits is included on the accruals basis.

### f) Investments

Investments are stated in aggregate at the lower of cost and market value.

### g) Deferred Taxation

Deferred taxation is provided for under the liability method for all liabilities that are expected to arise in the foreseeable future.

### h) Amounts due to or from brokers and companies

The amounts due to or from brokers and companies represent the amounts due to or from individual parties, with the exception of business written through one agent where the overall balance due to the Company through that agent is included in the amounts due to the Company, rather than the amounts due to or from the individual parties which that balance represents.

FRS5, "Reporting the Substance of Transactions", precludes assets and liabilities being offset unless net settlement is legally enforceable. The application of this requirement to insurance companies in connection with the offset of balances between brokers and other intermediaries, reinsurers and cedants has been deferred to accounting periods ending on or after 22nd September 1996. It is not practicable to quantify the gross value of assets and liabilities if advantage had not been taken of this transitional provision.

## 3. Segmental Analysis

The Company only operated in the United Kingdom and in the reinsurance business sector.

## 4. Gross Premiums

	1994 £000	1993 £000
Analysis by class of reinsurance business:		
Proportional - property and casualty	3,921	5,685
Facultative - property	3,205	2,689
Non proportional - property and casualty	7,366	6,377
Marine, aviation and transport	*1,437	*3,330
	<u>15,929</u>	<u>18,081</u>

\* Mainly consists of reinstatement premiums arising from settlement of claims for earlier years.

# UNIONE ITALIANA (U.K.) REINSURANCE COMPANY LIMITED

## Notes to the Accounts

### 5. Emoluments of Directors

Directors' emoluments for the year ended 31st December 1994 were:

	1994	1993
	£	£
Fees	14,000	13,625
Other	167,230	147,577
Total Emoluments	<u>181,230</u>	<u>161,202</u>

Individual emoluments (excluding pension contributions) included above were:

	£	£
Chairman	88,876	79,403

Other Directors received emoluments (excluding pension contributions) within the following bands:

£ NIL - £ 5,000	4	5
£ 60,001 - £ 65,000	-	1
£ 70,001 - £ 75,000	1	-

### 6. Auditors' Remuneration

The remuneration of the auditors of the Company for the year ended 31st December 1994 amounted to:

	1994	1993
	£	£
Audit fee	30,600	29,900
Fees for non - audit services	13,400	16,081

### 7. Net Investment Income

	1994	1993
	£000	£000
Investment income receivable	3,333	3,413
Interest payable	(123)	(133)
Investment expenses	(50)	(50)
	<u>3,160</u>	<u>3,230</u>

# UNIONE ITALIANA (U.K.) REINSURANCE COMPANY LIMITED

## Notes to the accounts

### 8. Taxation

Because the Company has unrelieved tax losses no provision has been made for U.K. corporation tax.

Irrecoverable overseas taxation has been charged to profit and loss account.

### 9. Leasehold Properties

In October 1993 Messrs. Savills, chartered surveyors, undertook an informal valuation for accounts purposes of the Company's leasehold property used as offices by the Company. If this property had not been revalued, leasehold properties would have been included at the following amounts:-

	1994 £000	1993 £000
Cost	2,903	2,903
Aggregate depreciation based on cost	387	342

### 10. Investments

	1994 £000	1993 £000
British government securities	26,325	29,473
Foreign government securities	11,914	6,454
Mortgage loans	558	662
Investment in subsidiary undertaking	1	1
	<u>38,798</u>	<u>36,590</u>

#### Mortgage Loans

The Company operates a house purchase scheme for employees. The rates of interest applicable to the scheme are 3% on the first £ 40,000 advanced and an average base rate for the previous year on any further advance.

The following loan was granted to a director under the scheme:

	1994* £	1993 £
J.E. Cummins	46,500	46,500

\* Also the highest amount outstanding during 1994.

#### Investment in subsidiary undertaking

The Company owns 100% of the allotted, called up and fully paid ordinary share capital of Anglo Saxon Insurance Services Limited which is dormant.

# **UNIONE ITALIANA (U.K.) REINSURANCE COMPANY LIMITED**

## **Notes to the Accounts**

### **11. Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities.**

	1994 £000	1993 £000
Operating (loss)/profit	(5,295)	186
Depreciation including unrealised loss on investment	3,470	545
Increase/(decrease) in currency fluctuation reserve	14	(169)
Decrease in debtors	888	4,782
(Decrease)/increase in creditors	(926)	1,565
Increase in insurance fund	4,258	2,040
Net Cash inflow from operating activities	<u>2,409</u>	<u>8,949</u>

### **12. Analysis of the Balances of Cash and Cash Equivalents during the Year.**

	1994 £000	1993 £000
Balance at 1st January	13,420	8,738
Net Cash (outflow)/inflow	(2,927)	4,682
Balance at 31st December	<u>10,493</u>	<u>13,420</u>

### **13. Analysis of the Balances of Cash and Cash Equivalents as shown in the Balance Sheet.**

	1994 £000	1993 £000	Change In Year 1994 £000	1993 £000
Cash at Bank	378	1,041	(663)	559
Short term cash deposits	9,817	12,068	(2,251)	4,309
Deposit subject to charge *	298	311	(13)	(186)
	<u>10,493</u>	<u>13,420</u>	<u>(2,927)</u>	<u>4,682</u>

\* A cash deposit amounting to £298,145 at 31st December 1994 (1993 - £311,378) is charged to Citibank as security for liabilities under their Letter of Credit Scheme.

# UNIONE ITALIANA (U.K.) REINSURANCE COMPANY LIMITED

## Notes to the Accounts

### 14. Amounts due from and to Brokers and Companies

Included in amounts due from and to brokers and companies are the following net amounts due to fellow group undertakings:

	1994	1993
	£	£
Parent Company	2,625,920	3,764,747
Fellow Subsidiary	33,675	36,323

### 15. Insurance Fund

In arriving at its assessment of the Fund at the year end the Company has, as part of its reinsurance arrangements, recognised significant whole account stop loss contracts through the parent company.

### 16. Share Capital

	1994	1993
	£000	£000
Authorised:		
35,500,000 (1993 - 35,500,000)		
Ordinary Shares of £1 each	35,500	35,500
Allotted, called up and fully paid:		
23,500,000 (1993 - 23,500,000)		
Ordinary Shares of £1 each	23,500	23,500

### 17. Revenue Reserves

	1994	1993
	£000	£000
Balance at 1st January	547	533
Retained (loss)/profit for the year	(5,298)	183
Currency fluctuation reserve	14	(169)
Balance at 31st December	(4,737)	547

## **UNIONE ITALIANA (U.K.) REINSURANCE COMPANY LIMITED**

### **Notes to the Accounts**

#### **18. Pension Costs**

The Company operates a pension scheme providing defined benefits based on final pensionable salary.

The assets of the scheme are held separately from those of the Company, being held in a fund managed by an unrelated company and invested in units in that unrelated company's in-house managed funds which are similar to unit trusts. Contributions to the scheme are charged to the revenue account in management expenses, so as to spread the cost of pensions over the employees' working lives with the Company.

The contributions are determined by an independent, qualified actuary on the basis of triennial valuations using the aggregate method. The most recent valuation was as at 1st July 1994. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investment and the rates of increase in salaries and pensions. It was assumed that investment returns would be 8% per annum, that total pensionable salaries will increase at 6.5% per annum and that pensions in payment will be increased by 4% per annum.

The pension charge for the year ended 31st December 1994 was £99,825 (1993 - £99,125).

The market value of the scheme's assets at the most recent actuarial valuation was £ 1,495,600 and the actuarial value of the assets at £ 1,239,200 represented 80% of the value of the benefits that had accrued to members after allowing for expected future increases in salaries.

#### **19. Ultimate Parent Company**

The Directors regard Istituto Nazionale Delle Assicurazioni S.p.A., incorporated in Italy as the Company's ultimate parent company.

**Auditors' Report to the Shareholders of Unione Italiana (U.K.)  
Reinsurance Company Limited**

We have audited the accounts on pages 5 to 14 which have been prepared following the accounting policies set out on pages 8 and 9.

**Respective responsibilities of directors and auditors**

As described on page 4 the Company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

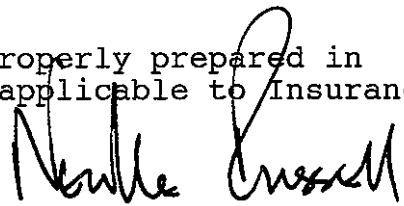
**Basis of Opinion**

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

**Opinion**

In our opinion the accounts have been properly prepared in accordance with the Companies Act 1985 applicable to Insurance Companies.

  
NEVILLE RUSSELL  
Chartered Accountants  
and Registered Auditors

London

8th June 1995