

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

**REPORT AND ACCOUNTS**

**1996**



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

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

**Company Information**

Directors	A. Brend L. Balbi C. Campana P. Gutfleish
Secretary	M Lloyd
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 24 Bevis Marks, London EC3A 7NR

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

### **Directors' Report**

The directors present their report and accounts for the year ended 31st December 1996.

### **Activities**

At the year end the company was authorised by the Secretary of State for Trade and Industry to write all classes of general insurance business, except class 18 (assistance).

Since the year end the directors have decided to cease accepting new business and accordingly on 28th February the Company requested that the Secretary of State for Trade and Industry withdraws the Company's authorisation to effect contracts of insurance.

The future activity of the company will be restricted to the orderly administration of the insurance liabilities.

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

The results for the year have benefited from the profits for the 1994 underwriting year.

Aside from ceasing to accept new business and renewals the company in all other respects, and in particular as regards claims, recoveries and settlements of accounts, has and will continue to operate as at present.

### **Results and appropriations**

The results for the year and state of the company's affairs are shown on pages 5 to 17 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 £147,000 (1995 profit - £203,000) 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 1996 up to the date of this Report.

S. Funari	(resigned 20th May 1996)
R. Garosi	(resigned 30th January 1997)
G. De Giusti	(resigned 30th January 1997)
M. Howard	(resigned 7th February 1997)
A. Brend	(appointed 7th February 1997)
L. Balbi	(appointed 7th February 1997)
C. Campana	(appointed 7th February 1997)
P. Gutfleish	(appointed 7th February 1997)

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.

# **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 1996 the company gave £NIL (1995 - £186) 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 acknowledge their legal obligations to prepare accounts in accordance with the provisions of the Companies Act 1985.

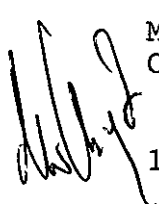
The directors prepare the accounts on a going concern basis unless it is inappropriate to presume that the company will continue in business. Although the Company has ceased to accept new business, the directors having assessed the Company's financial position believe it will be able to meet its liabilities as they fall due and accordingly continue to prepare the financial statements on a going concern basis.

The directors acknowledge 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

M V Lloyd  
Company Secretary



15th May 1997

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

## Profit and Loss Account

For the year ended 31st December 1996

Notes

		£000	1996 £000	£000	1995 £000
<b>Technical Account - General Business</b>					
Earned premiums, net of reinsurance					
Gross premiums written	4,19		(217)		16,214
Outward reinsurance premium			319		(6,389)
			<u>102</u>		<u>9,825</u>
Claims incurred, net of reinsurance					
Claims paid : gross amount		(29,312)		(26,994)	
reinsurers' share	16	<u>21,066</u>		<u>18,735</u>	
		<u>(8,246)</u>		<u>(8,259)</u>	
Changes in provisions for claims					
Gross		36,118		9,362	
Reinsurers' share		<u>(28,315)</u>		<u>(11,568)</u>	
		<u>7,803</u>		<u>(2,206)</u>	
			(443)		(10,465)
Net operating expenses					
Administrative expenses	5,6,7,20	(1,124)		(1,706)	
Reinsurance commissions and profit participation		<u>(563)</u>		<u>(1,668)</u>	
			(1,687)		(3,374)
<b>Balance on the technical account</b>			<u>(2,028)</u>		<u>(4,014)</u>
<b>Non Technical Account</b>					
Balance on the technical account			(2,028)		(4,014)
Investment income	8	3,164		3,367	
Unrealised gains on investment		27		1,090	
Investment expenses and charges	9	(180)		(193)	
Unrealised (losses) on investment		<u>(208)</u>			
			2,803		4,264
Other charges - depreciation			(644)		(45)
Profit/(loss) on ordinary activities before taxation and exchange			<u>131</u>		<u>205</u>
Provision for unrealised loss on exchange			(275)		-
Profit/(loss) on ordinary activities before taxation			<u>(144)</u>		<u>205</u>
Tax on profit/(loss) on ordinary activities	10		(3)		(2)
<b>Profit/(loss) for the financial year</b>	18		<u>(147)</u>		<u>203</u>

All the income and expenditure relates to continuing activities.

## Statement of total recognised gains and losses

In addition to the loss reported above there was a foreign exchange (loss)/gain of ( £860,000), (1995 - £479,000).

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

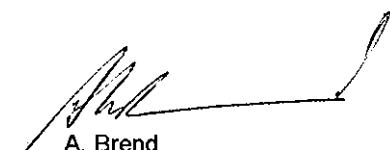
## Balance Sheet

For the year ended 31st December 1996

Notes

		£000	1996 £000	£000	1995 £000
<b>Assets</b>					
<b>Investments</b>					
Land and buildings - leasehold properties	11		1,200		1,972
Investments in group undertakings and participating interests	12		1		1
Other financial investments	13		41,516		49,588
Deposits with ceding undertakings			<u>3,444</u>		<u>4,161</u>
			46,161		55,722
<b>Reinsurers' share of technical provisions - claims outstanding</b>	16,19		99,962		126,829
<b>Debtors</b>					
Debtors arising out of reinsurance operations	16,19	14,160		15,142	
Other debtors	16	<u>1,185</u>	15,345	<u>1,164</u>	16,306
<b>Other assets</b>					
Cash at bank and in hand	15		367		248
<b>Prepayments and accrued income</b>					
Accrued interest and rent			<u>497</u>		<u>725</u>
			<u>162,332</u>		<u>199,830</u>
<b>Liabilities</b>					
<b>Capital and reserves</b>					
Called up share capital	17	23,500		23,500	
Profit and loss account	18	(5,048)		(4,900)	
Currency fluctuation reserve	18	<u>-</u>		<u>860</u>	
			18,452		19,460
<b>Technical provisions - claims outstanding - gross amount</b>	19		134,115		170,233
<b>Deposits received from reinsurers</b>	16		2,017		2,541
<b>Creditors</b>					
Creditors arising out of reinsurance operations	16,19	7,621		7,491	
Other creditors including taxation and social security		<u>15</u>		<u>10</u>	
			7,636		7,501
<b>Accruals and deferred income</b>					
			<u>112</u>		<u>95</u>
			<u>162,332</u>		<u>199,830</u>

The accounts on pages 5 to 17 were approved by the board of directors on 15th May 1997 and were signed on its behalf by:

  
A. Brend  
Chairman

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

**Cash Flow Statement**

For the year ended 31st December 1996

Notes

		£000	1996 £000	£000	1995 £000
<b>Net cash (outflow) from operating activities</b>	14		(8,616)		(130)
<b>Taxation</b>					
Tax repaid		690		-	
Tax paid or deducted at source		<u>(552)</u>		<u>(436)</u>	
<b>Tax repaid</b>			138		(436)
<b>Investing activities</b>					
Purchase of investments		(20,490)		(84,723)	
Sale of investments		<u>29,087</u>		<u>85,159</u>	
<b>Net cash outflow from investing activities</b>			8,597		436
<b>Increase/(decrease) in cash and cash equivalents</b>	15		<u>119</u>		<u>(130)</u>

# **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 Schedule 9A 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**

Premium income represents all anticipated premiums attributable to business written in the year as adjusted for movements in provisions brought forward at the beginning of the year.

Claims include external and internal claims management costs.

All classes of business are accounted for on a funded basis. The nature of the reinsurance account written leads to insufficient information being available for reliable estimates to be made until three years have elapsed. 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.

The estimate for claims outstanding includes a provision for future claims handling expenses.

#### **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 the most recent valuation less accumulated depreciation. Depreciation is calculated to write off the value of the leasehold properties on a straight line basis over the remaining lease periods.

#### **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 at the market value.

#### **g) Run-Off Costs**

No provision has been made for the future costs of administering the run-off of existing business on the basis that future investment income is forecast to exceed these costs.

#### **h) Deferred Taxation**

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

#### **i) Debtors and Creditors arising out of reinsurance operations**

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.

### **3. Segmental Analysis**

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

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

## Notes to the Accounts

### 4. Gross Premiums

All premium income accounted in the financial period relates to reinsurance business accepted.

### 5. Particulars of Staff

The average number of persons employed by the company during the year was:-

	1996 14	1995 18
Management	1	4
Administration	9	10
Claims	4	4

The aggregate amount paid to staff during the year was:-

	1996 £000	1995 £000
Wages and salaries	405	628
Social security costs	36	55
Other pension costs	81	326
	522	1,009

### 6. Emoluments of Directors

Directors' emoluments for the year ended 31st December 1996 were:

	1996 £	1995 £
Fees	7,750	10,957
Other	4,000	290,477
Total emoluments	11,750	301,434

The above analysis of director emoluments includes (excluding pension contributions) remuneration to the chairman of £4,000 (1995 - £1,302) and the highest paid director of £4,750 (1995 - £60,755).

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

£ NIL - £ 5,000	2	3
£ 25,001 - £ 30,000	-	1
£ 55,001 - £ 60,000	-	1

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

## Notes to the accounts

### 7. Auditors' Remuneration

The remuneration of the auditors of the Company for the year ended 31st December 1996 amounted to:

	1996	1995
	£	£
Audit fee	33,500	31,500
Fees for non - audit services	15,459	19,900

### 8. Investment Income

	1996	1995
	£000	£000
Income from investments other than participating interests:		
- Income from investments other than land and buildings	3,155	3,297
Gains on the realisation of investments	9	70
	<u>3,164</u>	<u>3,367</u>

### 9. Investment Expenses and Charges

	1996	1995
	£000	£000
Investment management expenses, including interest:		
- Interest payable	110	123
- Other expenses	70	70
	<u>180</u>	<u>193</u>

Interest payable is in respect of reinsurance deposits.

### 10. 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.

**UNIONE ITALIANA (U.K.) REINSURANCE COMPANY LIMITED****Notes to the accounts****11. Land and buildings - Leasehold properties**

In January 1997 Messrs. Savills, chartered surveyors, undertook a formal 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:-

	Land and Buildings		
	Office - long leasehold	Flat	Total
	£000	£000	£000
Cost			
At 1st January 1996	2,764	139	2,903
Disposals	-	(139)	(139)
At 31st December 1996	2,764	-	2,764
Accumulated Depreciation			
At 1st January 1996	420	11	431
Charge for the year	42	-	42
Eliminated on disposals	-	(11)	(11)
At 31st December 1996	462	-	462

**12. Investment in Group Undertakings and Participating Interests.**

	1996	1995
	£	£
Shares in group undertaking	1,000	1,000

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

### 13. Other Financial Investments

	1996 £000	1995 £000
Debts, securities and other fixed income securities	34,725	31,898
Loans secured by mortgages	451	514
Deposits with credit institutions	6,340	17,176
	<u>41,516</u>	<u>49,588</u>

The historic cost of investments are £41,707,699 (1995 - £48,498,000).

All debt, securities and other fixed income securities are listed investments.

#### Loans secured by mortgages

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.

#### Deposits with credit instructions

A cash deposit amounting to £230,839 at 31st December 1996 (1995 - £309,419) is charged to Citibank as security for liabilities under their letter of credit scheme.

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

	1996 £000	1995 £000
Operating (loss)/profit	131	205
Depreciation including unrealised loss/(profit) on investments	825	(1,045)
(Decrease)/increase in currency fluctuation reserve	(1,135)	479
Decrease in debtors	1,186	1,084
(Decrease)/increase in creditors	(372)	530
(Decrease) in insurance fund	(9,251)	(1,383)
Net cash inflow from operating activities	<u>(8,616)</u>	<u>(130)</u>

### 15. Analysis of the Balances of Cash and Cash Equivalents during the Year.

	1996 £000	1995 £000
Balance at 1st January	248	378
Net cash inflow/(outflow)	119	(130)
Balance at 31st December	<u>367</u>	<u>248</u>

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

## **Notes to the accounts**

### **16. Related party transactions**

Included in the following headings are transactions involving related parties, all of which have been conducted on a commercial basis:-

	1996 £000	1995 £000
Claims paid-reinsurers' share		
Unione Italiana di Riassicurazione SpA	1,636	3,512
Reinsurers' share of technical provisions		
Unione Italiana di Riassicurazione SpA	21,168	23,225
Debtors arising out of reinsurance operations		
Unione Italiana di Riassicurazione SpA	42	240
La Consorziale	8	7
Other debtors		
Unione Italiana di Riassicurazione SpA	15	9
Deposits received from reinsurers		
Unione Italiana di Riassicurazione SpA	658	821
La Consorziale	22	29
Creditors arising out of reinsurance operations		
Unione Italiana di Riassicurazione SpA	2,704	3,013
La Consorziale	7	5
Unione Italiana Int'l (Guernsey)		31

### **17. Share Capital**

	1996 £000	1995 £000
Authorised:		
35,500,000 (1994 - 35,500,000)		
Ordinary shares of £1 each	35,500	35,500
Allotted, called up and fully paid:		
23,500,000 (1994 - 23,500,000)		
Ordinary shares of £1 each	23,500	23,500

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

## **Notes to the Accounts**

### **18. Revenue Reserves**

	1996 £000	1995 £000
Profit and loss account		
Balance at 1st January	(4,900)	(5,103)
Movement for year	(148)	203
Balance at 31st December	(5,048)	(4,900)
Currency Fluctuation Reserve		
Balance at 1st January	860	366
Movement for year	(860)	494
Balance at 31st December	NIL	860

### **19. Prior Year Adjustments**

In order to comply with the provisions of the CA 1985 applicable for insurance companies, certain elements of the Profit and Loss Account has been restated. The effect of the restatement is as follows:-

	1996 £000	1995 £000
(Decrease)/Increase in Gross Premiums		
Written	(2,668)	6,300
Increase/(Decrease) in Outwards		
Reinsurance Premiums	1,084	(2,569)
Increase/(Decrease) in Change in		
Provisions for claims	1,584	(3,731)

Effect of the restatements on certain elements of the Balance Sheet :-

	1996 £000	1995 £000
Increase in Debtors arising out of		
reinsurance operations	3,632	6,300
Increase in Creditors arising out of		
reinsurance operations	1,485	2,569
Reinsurers Share of Technical		
Provisions	99,962	126,829
Technical provisions - claims		
outstanding	102,109	130,560

The overall effect of these adjustments is to increase the total assets and liabilities shown in the Balance Sheet £103,594 (1995 - £133,129).

There is a net nil effect on the Profit and Loss Account Balances both at 31st December 1996 and at 31st December 1995.

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

## **Notes to the Accounts**

### **20. 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 1996. 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 for past service benefits and 4.25% per annum for future service benefits.

The pension charge for the year ended 31st December 1996 was £81,478 (1995 - £325,745).

The market value of the scheme's assets at the most recent actuarial valuation was £2,184,184 and the actuarial value of the assets at £2,049,971 represented 100% of the value of the benefits that had accrued to members after allowing for expected future increases in salaries.

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

## Notes to the Accounts

### 21. Gross Technical Account

	1996 £000	1995 £000
Gross Premiums written	(217)	16,214
Gross premiums earned	(217)	16,214
Gross claims incurred	6,806	(17,632)
Gross operating expenses	(1,696)	(3,510)
The reinsurance balance	(6,921)	914
	(2,028)	(4,014)

All claims were incurred in previous financial years.

During the period 1988 to 1995 the Company wrote liability business which continues to develop, particularly for the years 1989 to 1992. In assessing the provisions that are necessary the directors have taken into account all relevant information available to them. However in view of the fact that this account continues to show significant movement they are of the opinion that the provisions could ultimately prove to be excessive or inadequate.

Furthermore between 1950 to 1971 the Company wrote US liability business through a third party agent. The nature of the business creates difficulty in obtaining adequate information to fully assess the likely level of claims that will ultimately arise and therefore the level of provisions that are appropriate.

### 22. 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 17 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.

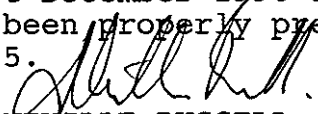
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

**Fundamental uncertainty**

In forming our opinion we considered the adequacy of the disclosures made in the financial statements concerning the provision for insurance liabilities and future reinsurance recoveries. Because of the difficulty of assessing future claims from the long-tail business in which the Company participated particularly in 1989 to 1992, existing provisions may ultimately prove to be either excessive or inadequate. Furthermore the lack of information available to the Company concerning the claims development of certain business written by them through a third party agent gives rise to considerable difficulties in assessing the level of reserves required in respect of that business. Details of these uncertainties are described in note 21. Our opinion is not qualified in this respect.

**Opinion**

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31st December 1996 and its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
NEVILLE RUSSELL  
Chartered Accountants  
and Registered Auditors

London

15th May 1997