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LEGAL & GENERAL INSURANCE LIMITED

REPORT AND ACCOUNTS

1992



22-06-95

**LEGAL & GENERAL INSURANCE LIMITED**

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**Directors**

D.J.Prosser, F.I.A. (Chairman)  
E.Christie  
A.J.Hobson, F.C.A.  
P.R.Raynor, F.C.A.

**Secretary**

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

**Registered Office**

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

Registered in England No. 423930

## REPORT OF THE DIRECTORS

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The directors submit their forty-sixth annual report together with the financial statements of the Company for the year ended 31st December 1992.

### Principal activities

The principal activity of the Company 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 Company's results for the year are set out in the profit and loss account on page 9.

### Share capital

At an Extraordinary General Meeting held on 10th December 1992, 3,499,999 ordinary shares of £1 each were converted into 3,499,999 preference shares of £1 each and the authorised share capital of the Company was increased to £7,000,000 by the creation of 3,500,000 ordinary shares of £1 each. On the same date 1,000,000 ordinary shares of £1 each were issued to Legal & General Assurance Society Limited in consideration for £96,000,000.

On 31st December 1992 and 22nd February 1993 500,000 ordinary shares of £1 each and 250,000 ordinary shares of £1 each, respectively, were issued to Legal & General Assurance Society Limited. These issues were in consideration for the transfer of fixed assets valued at £1,410,000 and goodwill valued at £250,000 respectively.

### Subordinated loan

On 31st December 1992 Legal & General Assurance Society limited advanced £100,000,000 to the Company under the terms of a subordinated loan agreement.

## REPORT OF THE DIRECTORS

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### Review of business

During the year the Company increased, from 1 to 15 percent, the proportion of general insurance business accepted under a reinsurance agreement with its parent company, Legal & General Assurance Society Limited. This is reflected in gross terms in the revenue account on page 8.

On 31st December 1992 the Company entered into an agreement to transfer the UK general insurance business, excluding certain marine and treaty reinsurance business, from Legal & General Assurance Society Limited, a parent undertaking. The transfer of the relevant insurance liabilities in respect of such business is subject to the attainment of certain conditions and will be reflected in the 1993 accounts.

### Directorate

The names of the present directors are shown on page 1. E.Christie remained in office throughout the year.

G.S.Richards resigned as a director of the Company on 14th April 1992 and P.R.Raynor was appointed as a director of the Company on that date. A.J.Hobson and D.J.Prosser were appointed as directors of the Company on 10 December 1992.

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

A.J.Hobson and D.J.Prosser are also directors of the ultimate holding company, Legal & General Group Plc, and their interests in the shares of that company are shown in the accounts of that company.

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

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**Elective resolution**

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

By Order of the Board



V.S. Ayer  
Secretary  
16th March 1993

## ACCOUNTING POLICIES

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The main accounting policies of the Company are as follows:

- a) **Changes to accounting policies and presentation**  
Following approval of the EC Insurance Directive by the European Parliament the Company 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**  
Revaluations of investments in subsidiary undertakings less revaluations of any related borrowings are taken directly to reserves.

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

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- d) **Subsidiary undertakings**  
Shares in subsidiary undertakings are stated at the Company's share of their net assets, including adjustments arising on restating their investments on the basis described in (c) above.

- e) **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.

- f) **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.

## ACCOUNTING POLICIES

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- g) **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	55,575	3,428
1 Premium income	38,095	3,083
	<u>93,670</u>	<u>6,511</u>
2 Claims paid	27,386	2,205
Commission	2,709	442
Expenses	10,899	707
	<u>40,994</u>	<u>3,354</u>
	<u>52,676</u>	<u>3,157</u>
7 Funds at end of year	52,676	3,991
Underwriting loss	-	(834)
5 Investment return	586	404
Insurance result	<u>586</u>	<u>(430)</u>

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

Note	1992 £'000	1991 £'000 (restated)
General Insurance result	586	(430)
6 Shareholders' other income (net)	105	37
Operating profit (loss) before taxation	691	(393)
3 Taxation	(229)	56
	462	(337)
Dividend from subsidiary	13	-
Preference dividend	(11)	-
Retained profit (loss) from operations	464	(337)
<b>Movements in retained profits and reserves</b>		
Balance at beginning of year	354	691
Retained profit/(loss) for year	464	(337)
Balance at end of year	818	354

**BALANCE SHEET**  
on 31st December 1992

Note		1992 £'000	1991 £'000
	Investments		
	Other fixed interest securities	5,001	-
	Deposits at interest	95,752	3,836
		<u>100,753</u>	<u>3,836</u>
4	Amount due from parent company	152,440	4,388
	Amount due from fellow subsidiary undertakings	470	245
	Other assets		
	Fixed assets	1,410	-
	Debtors, including taxation	689	89
		<u>255,762</u>	<u>8,558</u>
	Liabilities and provisions		
	Creditors, including taxation and other provisions	1,215	570
7	Insurance liabilities, provisions and reserves		
	General insurance funds	52,676	3,991
	Total net assets	<u>201,871</u>	<u>3,997</u>
10	Representing Long-term liabilities Subordinated loan	100,000	-
11	Share capital and reserves		
	Share capital	5,000	3,500
	Share premium	96,053	143
	Retained profits and reserves	818	354
	Shareholders' funds	<u>201,871</u>	<u>3,997</u>

The financial statements on pages 5 to 15 were approved by the directors on 16th March 1993.

*E. Christie*

E.Christie, Director

## NOTES TO FINANCIAL STATEMENTS

	1992 £'000	1991 £'000
1 United Kingdom premiums		
Property	26,777	2,348
Motor	8,105	506
Other	3,213	229
Gross premiums	38,095	3,083
less reinsurance	-	-
Net premiums	38,095	3,083
2 United Kingdom claims		
Gross	26,467	2,125
less reinsurance	-	-
Net claims paid	26,467	2,125
Claims handling expenses	919	80
	27,386	2,205
3 Taxation		
Corporation tax at 33% (33.25%)	229	(56)

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 Company. 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	714	411
Interest expense	(3)	-
Realised investment gains	-	184
Unrealised investment appreciation (depreciation)	-	(154)
	<u>711</u>	<u>441</u>
Recorded within:		
Insurance result	586	404
Shareholders' other income	125	37
	<u>711</u>	<u>441</u>
6 Shareholders' other income (net)		
	1992 £'000	1991 £'000 (restated)
Investment return before interest expense	125	37
Unallocated corporate expenses	(20)	-
	<u>105</u>	<u>37</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	1,674	-	16,997	1,614	20,285
Reinsurance	-	-	-	-	-
Net	1,674	-	16,997	1,614	20,285
Deferred acquisition expenses	(493)	-	(4,771)	(654)	(5,918)
	1,181	-	12,226	960	14,367
Unexpired risks					
Gross	5	-	67	(35)	37
Reinsurance	-	-	-	-	-
Net	5	-	67	(35)	37
Outstanding Claims					
Gross	2,805	28	39,263	(3,824)	38,272
Reinsurance	-	-	-	-	-
Net	2,805	28	39,263	(3,824)	38,272
	3,991	28	51,556	(2,899)	52,676

From 1st January 1992 the household account of the business reinsured from Legal & General Assurance Society Limited has been net of a 40 per cent quota share reinsurance. The transfer of the relevant unearned premium provision at 1st January 1992 has been treated as a portfolio transfer, reducing the opening provision by £4,318,000.

The balance of the portfolio transfer, which increases the opening provision by £55,874,000 is a result of the renegotiation, with effect from 1st January 1992, of the short term insurance business treaty with Legal & General Assurance Society Limited, a parent undertaking, whereby the proportion of the general insurance business accepted was increased from 1 to 15 per cent.

## 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 Subordinated loan  
The Company has entered into a loan agreement with Legal & General Assurance Society Limited. Under the terms of this agreement, in the event of the Company becoming insolvent or entering into an insolvent liquidation no amount will be repaid in respect of the subordinated debt until all other creditors have been paid in full.

11	Share capital	1992 £'000	1991 £'000
	Authorised:		
	3,500,001 ordinary shares of £1 each	3,500	3,500
	3,499,999 floating rate cumulative preference shares of £1 each	3,500	-
	Issued:		
	1,500,000 ordinary shares of £1 each fully paid	1,500	3,500
	3,499,999 floating rate cumulative preference shares of £1 each fully paid	3,500	-

- 12 Investments in subsidiary undertakings  
Under Section 230 of the Companies Act 1985, the Company is exempt from the obligation to prepare consolidated accounts as it is a wholly owned subsidiary of Legal & General Assurance Society Limited.

## NOTES TO FINANCIAL STATEMENTS

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### 13 Subsidiary undertakings

The subsidiary of Legal & General Insurance Limited is listed below. The undertaking operates in its country of incorporation and has only one class of issued ordinary shares.

	Nature of Business	Registered In
Legal & General Direct Limited	Insurance administration	England



REPORT OF AUDITORS

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TO THE MEMBERS OF LEGAL & GENERAL INSURANCE LIMITED

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We have audited the financial statements set out on pages 5 to 15 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