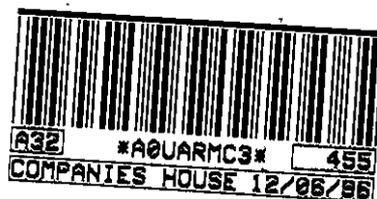


LEGAL & GENERAL INSURANCE LIMITED

REPORT AND ACCOUNTS

1995



LEGAL & GENERAL INSURANCE LIMITED

Directors

D.J.Prosser, FIA (Chairman)

E.Christie, FCII

A.J.Hobson, FCA

P.R.Raynor, FCA

D.Rough, FCII

Secretary

T.A.F.Smith, ACIS

Registered office

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

Registered in England and Wales No. 423930

REPORT OF THE DIRECTORS

The directors submit their forty ninth annual report together with the audited financial statements of the Company for the year ended 31 December 1995.

Principal activity

The Company is an insurance company authorised in the UK whose principal activity is the transaction of general insurance business. The Company has a number of operating subsidiaries whose principal activities are general insurance business and investment holding.

Results for the year and dividend

The Company's results for the year are set out in the profit and loss account on page 7. The directors declared the payment of an interim dividend for 1995 of £6,000,000, (1994, £4,000,000). The total preference share dividend payable for 1995 was £181,000, (1994, £151,000).

Directorate

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

Details of the directors' interests in the share capital of the Company and details of the directors' share options are set out on pages 21 and 22.

Legal & General Group Plc has a directors' and officers' liability insurance policy which indemnifies the directors and officers of the Company against breach of fiduciary duty.

Participating interests

The Company entered into an arrangement with the Woolwich Building Society (Woolwich) with effect from 29 September 1995 relating to the provision of household insurance. The Company purchased a 10% minority interest in Woolwich Insurance Services Limited, at the same time Woolwich acquired a minority interest of 10% of the share capital of the Company's subsidiary, Gresham Insurance Company Limited, an authorised general insurance company.

Employee policy

It is the Company's policy to treat its employees without discrimination and to operate equal opportunity and employment practices designed to achieve this end.

Furthermore, it is the Company's policy to give full and fair consideration to applications for employment made by disabled persons; to continue, whenever possible, the employment of staff who become disabled; and to provide equal opportunities for the training and career development of disabled employees.

The Company seeks to achieve a common awareness among staff of corporate objectives and performance, financial and economic factors affecting the business and other matters of concern to them as employees. During the year, staff were provided with information through briefings by managers, training courses, staff newspapers and circulars.

REPORT OF THE DIRECTORS

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



T.A.F. Smith
Secretary

22 May 1996

DIRECTORS' RESPONSIBILITIES

in respect of the preparation of the financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for the period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that the financial statements comply with the above requirements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors also have a general responsibility for taking reasonable steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

REPORT OF THE AUDITORS

TO THE MEMBERS OF LEGAL & GENERAL INSURANCE LIMITED

We have audited the financial statements set out on pages 6 to 23 which have been prepared in accordance with the accounting policies set out on pages 10 to 12.

Respective responsibilities of directors and auditors

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 1995 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors
London

22 May 1996

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1995

Technical Account - General Business	1995	1994
Profit from continuing operations	£'000	£'000
Note		
Earned premiums, net of reinsurance		
2. Gross premiums written	296,924	410,688
Outward reinsurance premiums	(54,193)	(145,968)
	<u>242,731</u>	<u>264,720</u>
Change in gross provision for unearned premiums	71,426	22,747
Change in provision for unearned premiums, reinsurers' share	(43,994)	(13,270)
	<u>27,432</u>	<u>9,477</u>
Earned premiums, net of reinsurance	<u>270,163</u>	<u>274,197</u>
Allocated investment return transferred from the non-technical account	56,056	(7,446)
	<u>326,219</u>	<u>266,751</u>
Claims incurred, net of reinsurance		
Claims paid - gross	203,478	273,379
- reinsurers' share	(34,664)	(64,378)
	<u>168,814</u>	<u>209,001</u>
Change in the provision for claims - gross amount	(12,905)	(77,103)
- reinsurers' share	14,110	12,533
	<u>1,205</u>	<u>(64,570)</u>
Claims incurred, net of reinsurance	<u>170,019</u>	<u>144,431</u>
Changes in other technical provisions, net of reinsurance	4,900	(20,200)
3. Net operating expenses	105,063	114,004
Balance on the technical account for general business	<u>46,237</u>	<u>28,516</u>

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1995

Non-technical Account	1995	1994
Profit from continuing operations	£'000	£'000
Note		
Balance on the general business technical account	46,237	28,516
6. Investment income and realised gains	50,504	38,721
Unrealised gains on investments	16,781	-
6. Investment expenses, charges and realised losses	(2,764)	(11,021)
Unrealised losses on investments	-	(30,485)
6. Allocated investment return transferred to the general business technical account	(56,056)	7,446
Profit on ordinary activities before tax	54,702	33,177
7. Tax on profit on ordinary activities	(11,939)	(20,914)
Profit for the financial year	42,763	12,263
Dividends	(6,181)	(4,151)
Retained profit for the financial year	36,582	8,112

Statement of total recognised gains and losses	1995	1994
	£'000	£'000
Profit for the financial year	42,763	12,263
Gain (loss) on revaluation of investments in subsidiary undertakings	10,726	(8,984)
Exchange losses	(24)	(4)
Total recognised gains and losses for the year	53,465	3,275

BALANCE SHEET

on 31 December 1995

Assets	1995	1994
Note	£'000	£'000
Investments		
9. Investments in group undertakings and participating interests	285,065	228,527
11. Other financial investments	406,835	422,047
	691,900	650,574
Reinsurers' share of technical provisions		
Provision for unearned premiums	27,188	71,181
Claims outstanding	50,811	64,921
Other technical provisions	13,800	6,300
	91,799	142,402
Debtors		
Debtors arising out of direct insurance operations		
- policyholders	17,230	21,846
- intermediaries	35,643	37,857
	52,873	59,703
Debtors arising out of reinsurance operations		
Amounts owed by group undertakings	12,384	28,258
Other debtors	1,854	12,142
	7,038	5,760
	74,149	105,863
Other assets		
12. Tangible assets	1,654	1,708
Cash at bank and in hand	297	313
	1,951	2,021
Prepayments and accrued income		
Accrued interest and rent	9,369	9,418
Deferred acquisition costs	32,758	45,516
	42,127	54,934
Total assets	901,926	955,794

BALANCE SHEET

on 31 December 1995

Liabilities	1995	1994
Note	£'000	£'000
Capital and reserves		
13. Called up share capital	7,000	7,000
Share premium account	96,053	96,053
14. Revaluation reserve	20,405	(7,078)
14. Profit and loss account	65,928	46,127
15. Shareholders' funds - equity interest	189,386	142,102
16. Subordinated liabilities	100,000	100,000
Technical provisions		
Provision for unearned premiums	186,583	258,008
Claims outstanding	295,642	308,546
Other technical provisions	79,200	66,800
	561,425	633,354
Creditors		
Creditors arising out of direct insurance operations	147	81
Creditors arising out of reinsurance operations	8,710	15,374
17. Other creditors, including taxation and social security	33,905	55,782
	42,762	71,237
Accruals and deferred income	8,353	9,101
Total liabilities	<u>901,926</u>	<u>955,794</u>

The notes on pages 10 to 23 form an integral part of these financial statements.

The financial statements on pages 6 to 23 were approved by the directors on 22 May 1996.



E.Christie, Director

1. Accounting policies

a) Basis of preparation

The financial statements conform with applicable accounting standards, have been prepared under the historical cost convention, modified by the revaluation of certain assets as required by the Companies Act 1985 and have been prepared in compliance with section 255 of the Companies Act 1985 and with the new Schedule 9A which has been amended in the Act by the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993 (the 1993 Regulations); and conform with the Association of British Insurers' Guidance on Accounting for Insurance Business issued in December 1995. The requirements of the 1993 Regulations and of the ABI Guidance have been applied in full for the first time in these financial statements and have resulted in extensive changes to the format. Amounts relating to prior years have been restated accordingly.

Advantage has been taken of the transitional provision within FRS5 which permits the offset of balances arising from insurance broking transactions.

b) General insurance

Underwriting results of general insurance business are determined after taking account of unearned premiums, outstanding claims and unexpired risks using the annual basis of accounting.

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. Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards reinsurance business being reinsured.

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 and anticipated reinsurance recoveries are accounted for in respect of all incidents up to the year end. Provisions, which can never be definitive and are reassessed regularly, are established 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;
- (iii) claims settlement expenses.

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.

NOTES TO FINANCIAL STATEMENTS

1. Accounting policies (continued)

c) Subsidiary undertakings

Shares in subsidiary undertakings are stated at the Company's share of their net assets and gains and losses on revaluation are taken to the revaluation reserve.

d) Investments

(i) General

Investment return, which comprises investment income less related expenses, interest expense and investment gains and losses is included in the non-technical account and an allocation is made to the general business technical account.

(ii) Investment income

Investment income includes dividends and interest; directly related investment expenses are reported separately within investment expenses and charges. Dividends receivable are accounted for on an ex-dividend basis and include associated tax credits. Interest is included on an accruals basis.

(iii) Interest expense

Interest expense reflects the underlying cost of borrowing and is reported within investment expenses and charges.

(iv) Investment valuations

Listed investments are shown at market value and unlisted investments at directors' valuation.

(v) Investment gains and losses

Realised gains and losses on investments are calculated as the difference between net sales proceeds and the original cost.

Unrealised gains and losses on investments are calculated as the difference between the carrying valuation of investments at the balance sheet date and the original cost. Movements in unrealised gains and losses on investments arising in the year are shown in the profit and loss account.

e) Capital expenditure

Expenditure on computers, motor cars and large items of equipment is depreciated over periods ranging up to four years, having regard to expected residual value. All other items of capital expenditure are expensed as incurred.

NOTES TO FINANCIAL STATEMENTS

1. Accounting policies (continued)

f) Operating leases

Rentals payable under operating leases are charged to the profit and loss account in equal annual amounts over the period of the lease.

g) Foreign currencies

Assets, liabilities and revenue transactions in foreign currencies are translated into sterling at rates of exchange ruling at the end of the year other than certain minor revenue transactions which are translated into sterling at the appropriate rates prevailing during the year. The resulting exchange adjustments are dealt with through reserves except for those arising on cash settlements which are included in the profit and loss account.

h) Deferred tax

Deferred tax 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.

i) Pension costs

The Company charges the regular cost of its pensions against profits on a systematic basis over the service lives of the pensionable employees, variations from regular cost being allocated over the expected remaining service lives of current scheme members.

Any difference between the cumulative amounts charged against profits and the contribution amounts paid is included as a provision, or prepayment, in the balance sheet.

Deferred tax in respect of pension costs is accounted for in accordance with the policy in note (h).

NOTES TO FINANCIAL STATEMENTS

2. Segmental analysis	1995 £'000	1994 £'000
Gross premiums written		
Motor (other classes)	26,573	37,997
Fire & other damage to property	236,712	330,223
Third-party liability	9,194	9,700
Miscellaneous	24,445	32,768
All of which resulted from contracts written in the UK.	296,924	410,688
Gross premiums earned		
Motor (other classes)	30,767	45,283
Fire & other damage to property	295,628	339,921
Third-party liability	9,329	10,484
Miscellaneous	32,626	37,747
	368,350	433,435
Gross claims incurred		
Motor (other classes)	22,685	32,195
Fire & other damage to property	140,144	111,224
Third-party liability	3,763	6,164
Miscellaneous	23,981	46,693
	190,573	196,276
Gross operating expenses		
Motor (other classes)	11,071	13,235
Fire & other damage to property	110,652	140,281
Third-party liability	4,698	3,947
Miscellaneous	10,254	12,490
	136,675	169,953
Reinsurance balance		
Motor (other classes)	581	(498)
Fire & other damage to property	37,344	55,803
Third-party liability	411	117
Miscellaneous	184	12,422
	38,520	67,844

NOTES TO FINANCIAL STATEMENTS

3. Net operating expenses	1995 £'000	1994 £'000
Acquisition costs	78,719	100,214
Change in deferred acquisition costs	12,758	8,548
Administrative expenses	30,504	33,630
Reinsurance commissions and profit participation	(16,918)	(28,388)
	<u>105,063</u>	<u>114,004</u>

The above figures include commissions for direct business amounting to:

37,708	<u>54,581</u>
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No material payments have been made in respect of the hire of plant and machinery.

4. Operating leases

Operating lease rentals

The Company's administration expenses include operating lease rentals in respect of hire of computer software and telecommunications equipment for 1995 of £1,888,000, (1994, £145,000).

<i>Operating lease commitment</i>	1995 £'000	1994 £'000
Expiring within 1 year	-	-
Expiring between 2 and 5 years	3,720	5,075
Expiring after 5 years	-	-

5. Auditor's remuneration

Fees paid to Price Waterhouse in relation to the audit of these financial statements and those of the Company's subsidiary undertakings amounted to £128,000, (1994, £123,000). Other fees paid to Price Waterhouse, including fees for the audit of regulatory returns in the UK, amounted to £33,000, (1994, £47,000).

NOTES TO FINANCIAL STATEMENTS

6. Investment return	1995 £'000	1994 £'000
(i) investment income		
Income in respect of listed investments	30,781	26,571
Income in respect of other investments		
- received from group undertakings	6,111	5,337
- received from other sources	5,615	6,813
	11,726	12,150
Realised investment gains	7,997	-
	50,504	38,721
 (ii) unrealised investment gains	16,781	-
 (iii) investment expenses and charges		
On borrowings repayable, otherwise than by instalments, in less than five years	(2,191)	(1,503)
Investment management expenses	(573)	(544)
Realised investment losses	-	(8,974)
	(2,764)	(11,021)
 (iv) unrealised investment losses	-	(30,485)
 Total investment return	64,521	(2,785)
 Included in:		
Technical account for general business	56,056	(7,446)
Non-technical account	8,465	4,661

Investment return has been allocated to the general business technical account in proportion to the size of the investible funds.

NOTES TO FINANCIAL STATEMENTS

7. Tax charge	1995 £'000	1994 £'000
Corporation tax at 33%	10,746	20,110
Prior year adjustment	-	6
Tax on franked investment income	1,190	789
Foreign tax	3	9
	<u>11,939</u>	<u>20,914</u>

The tax charge includes £2,745,000, (1994, £2,807,000 credit) in respect of realised investment gains, but does not include any charge in respect of unrealised investment gains.

Potential amount of deferred tax not provided for:	1995 £'000	1994 £'000
Unrealised net investment gains	16,055	9,042
Other timing differences	1,704	1,533
	<u>17,759</u>	<u>10,575</u>

Potential deferred tax is computed at the relevant corporate tax rate according to existing law.

8. Particulars of staff	1995	1994
Average number of staff employed in the conduct of general insurance business	<u>1,030</u>	<u>1,144</u>
Average number of part time staff included in the above	<u>118</u>	<u>95</u>
	1995 £'000	1994 £'000
Staff costs included in operating expenses		
Wages and salaries	22,170	19,117
Social security costs	1,602	1,511
Other pension costs	1,811	2,339
	<u>25,583</u>	<u>22,967</u>
Staff costs of part time staff included in the above	<u>808</u>	<u>631</u>

NOTES TO FINANCIAL STATEMENTS

9. Investments in group undertakings and participating interests	1995 £'000	1994 £'000
Shares in subsidiary undertakings	54,778	13,652
Loans to subsidiary undertakings	104,573	104,573
Loans to other group undertakings	123,993	110,302
Participating interests	1,721	-
	285,065	228,527

Original cost of shares in subsidiary undertakings is £44,935,000, (1994, £14,535,000). The subsidiary companies of Legal & General Insurance Limited are listed below. The Company holds 100% of the ordinary share capital and voting rights, except for Gresham Insurance Company Limited, where the Company holds 90% of the ordinary share capital and voting rights. Each undertaking operates mainly in the United Kingdom.

Held directly by the Company	Nature of Business	Registered In
Gresham Insurance Company Limited	General insurance	England & Wales
Legal & General Direct Limited	Insurance administration	England & Wales
Legal & General GI Computer Services Limited	Leasing company	England & Wales
Southgate Associates Limited	Holding company	England & Wales
Held indirectly through subsidiary undertakings		
Bridge End Computers Limited	Leasing company	England & Wales
Glanfield Securities Limited	Investment company	England & Wales
Legal & General Investment Trust Limited	Investment company	England & Wales
Participating interests (10%)		
Woolwich Insurance Services Limited	Insurance administration	England & Wales

10. Parent companies

The parent company is Legal & General Assurance Society Limited, a company registered in England and Wales. Legal & General Group Plc is the ultimate parent company which is registered in England and Wales 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.

The Company is exempt from the obligation to prepare and deliver group accounts as it is a wholly owned subsidiary of Legal & General Assurance Society Limited. These accounts therefore provide information about the Company as an individual undertaking.

In accordance with FRS1 the Company has not prepared a cashflow statement as the ultimate holding company has included a group cashflow statement in its financial statements.

NOTES TO FINANCIAL STATEMENTS

11. Other financial investments	1995 £'000	1994 £'000
Shares and other variable-yield securities and units in unit trusts	112,494	100,672
Debt securities and other fixed income securities		
- British Government securities	177,375	159,301
- Other	105,068	150,320
	282,443	309,621
Other loans	1	13
Deposits with credit institutions	11,897	11,741
	406,835	422,047
Included in the current value above are listed investments on the UK stock exchange	394,239	337,283

The original cost of financial investments was £396,184,000, (1994, £428,178,000).

At 31 December 1995 the reported asset mix does not reflect the use of derivatives. At that date there were no outstanding futures contracts and therefore no effect on the shareholders funds. There was no effect for 1994.

12. Tangible assets	1995	1994
Fixtures, fittings, tools and equipment.	£'000	£'000
Cost		
Balance at beginning of year	4,434	3,878
Additions	1,281	986
Disposals	(1,122)	(430)
Balance at end of year	4,593	4,434
Depreciation		
Balance at beginning of year	2,726	2,346
Provided during the year	626	683
Disposals	(413)	(303)
Balance at end of year	2,939	2,726
Net book value at 31 December	1,654	1,708

NOTES TO FINANCIAL STATEMENTS

13. Share capital	1995 £'000	1994 £'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	3,500
Issued:		
3,500,000 ordinary shares of £1 each, fully paid	3,500	3,500
3,499,999 floating rate cumulative preference shares of £1 each, fully paid	3,500	3,500
	<u>7,000</u>	<u>7,000</u>

Rights of preference shareholders

Total dividends for 1995 of £181,000, (1994, £151,000), are payable half yearly on 1 June and 1 December and rank in priority to any other class of shares.

On winding-up or redemption the preference shareholders are entitled, in priority to any other class of shares, to the capital repayment plus the proportion of dividends due.

There are no voting rights attaching to the preference shares other than for a resolution for winding-up the Company or reducing its capital.

14. Movements in retained profits and reserves

	Profit & loss Reserve 1995 £'000	Revaluation Reserve 1995 £'000	Profit & loss Reserve 1994 £'000	Revaluation Reserve 1994 £'000
Balance at 1 January	46,127	(7,078)	7,530	32,395
Retained profit	36,582		8,112	
Unrealised investment gain	(16,781)	16,781	30,485	(30,485)
Gain (loss) on revaluation of investments in subsidiaries		10,726		(8,984)
Exchange losses		(24)		(4)
Balance at 31 December	<u>65,928</u>	<u>20,405</u>	<u>46,127</u>	<u>(7,078)</u>

NOTES TO FINANCIAL STATEMENTS

15. Reconciliation of movements in shareholders' funds	1995 £'000	1994 £'000
Profit on ordinary activities after tax	42,763	12,263
Dividends paid and proposed	(6,181)	(4,151)
Other recognised gains and losses relating to the year	10,702	(8,988)
	<u>47,284</u>	<u>(876)</u>
Net addition to shareholders' funds	142,102	142,978
Opening shareholders' funds	<u>189,386</u>	<u>142,102</u>
Closing shareholders' funds	<u>189,386</u>	<u>142,102</u>

16. Long term liabilities

The Company has a subordinated 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.

17. Analysis of other creditors	1995 £'000	1994 £'000
Tax	3,825	14,226
Amounts owed to group undertakings	3,606	1,796
Other creditors	26,474	39,760
	<u>33,905</u>	<u>55,782</u>

18. Contingent liabilities

There is a contingent liability for three serious injury claims, settled in prior financial years, using a structured settlement arrangement. In the event of the insolvency of the life company which issued the annuity the structured settlement beneficiary may have recourse against the Company.

NOTES TO FINANCIAL STATEMENTS

19. Directors' information

Directors' remuneration

Emoluments of the directors in respect of their services to the Company are as follows:

	1995 £'000	1994 £'000
Directors emoluments, including pension contributions:		
- in respect of services as directors	237	240
- pension contributions	37	37
	274	277

The emoluments of the highest paid director, excluding pension contributions were:-

134	137
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No emoluments were paid to the Chairman.

The table below sets out, within the bands stated, the number of directors of the Company at any time during the year, whose emoluments, excluding pension contributions were:

£	1995	1994
0 - 5,000	3	3
100,001 - 105,000	1	1
130,001 - 135,000	1	-
135,001 - 140,000	-	1

Included in the above figures are performance related payments amounting to £40,000 (1994, £57,000).

Directors' transactions and arrangements

No director had any material interest in any contract or arrangement of significance in relation to the business of the Company during 1995.

Directors' share interests

No director had any interest in the shares of the Company on 1 January 1995 or 31 December 1995.

A.J.Hobson, D.J.Prosser and D.Rough 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 is also a director of the parent company, Legal & General Assurance Society Limited, and his interest in the shares of the ultimate holding company, Legal & General Group Plc, are shown in the accounts of the parent company.

NOTES TO FINANCIAL STATEMENTS

19. Directors' information (continued)

Directors' share interests (continued)

According to the Registrar of Directors' Share Interests kept by the Company, the other director of the Company as at 31 December 1995, had, at the respective dates shown, interests within the meaning of the Companies Act 1985 in ordinary shares of 25p each in the Company's ultimate holding company, Legal & General Group Plc, shown opposite her name in the following table:-

	at 1 January 1995	at 31 December 1995
P.R.Raynor	3,598	5,113

Included in directors' share interests shown above are, where applicable, shares allotted under the employee profit sharing scheme, the restricted share plan and the share bonus plan. Details of the restricted share plan and the share bonus plan are disclosed in the accounts of the ultimate holding company.

Directors' share options

In addition to the interests listed above, the director held the following options. They were acquired under either the executive option scheme (1985) or the Legal & General Group Plc's save as you earn scheme.

	Price(p)	P.R.Raynor	Exercise period/ Exercise date
At 1 January 1995		43,500	
Granted during year	4.77	16,353	18.04.1998 to 17.04.2005
Exercised during year	3.65*	(15,000)	30.03.1995
At 31 December 1995		<u>44,853</u>	

* Weighted average exercise prices.

No options lapsed during the year. The market price of the shares at 31 December 1995 was 670p and the range during 1995 was 415p to 718p. The Company's Register of Directors' interests (which is open to inspection) contains full details of directors' shareholdings and options.

NOTES TO FINANCIAL STATEMENTS

20. Technical provisions	At 31 December 1994 £'000	Exchange revaluation £'000	Movement in year £'000	At 31 December 1995 £'000
Unearned premiums				
Gross	258,008	1	(71,426)	186,583
Reinsurance	(71,181)	(1)	43,994	(27,188)
Net	186,827	-	(27,432)	159,395
Unexpired risks				
Gross	66,800	-	12,400	79,200
Reinsurance	(6,300)	-	(7,500)	(13,800)
Net	60,500	-	4,900	65,400
Outstanding Claims				
Gross	308,546	1	(12,905)	295,642
Reinsurance	(64,921)	-	14,110	(50,811)
Net	243,625	1	1,205	244,831
Deferred acquisition costs	(45,516)	-	12,758	(32,758)
Total	<u>445,436</u>	<u>1</u>	<u>(8,569)</u>	<u>436,868</u>

21. Pension scheme

The majority of employees of the Company are members of the Legal & General Group's UK defined benefit (final salary) pension schemes, details of the actuarial valuation of which are disclosed in the financial statements of the ultimate holding company. The total cost to the Company for all schemes was £1,811,000, (1994, £2,339,000) none of which is attributable to amortisation of part service liabilities. The schemes were subject to a formal review at 31 December 1994 by a qualified actuary, who was an employee of Legal & General Assurance Society Limited, the parent undertaking, using the projected unit method. The assets of the schemes are held through separate trustee administered funds.

The employers' contribution rates over the average remaining service lives of the members of the schemes take account of surpluses disclosed by the valuation. The Company has no material liability for post retirement benefits other than for pensions.