

STRONGHOLD
INSURANCE COMPANY LIMITED

ANNUAL REPORT 1975

Stronghold
Insurance Company Limited

**Annual Report and Accounts
for the Year ended 31st December 1975**

Stronghold Insurance Company Limited

Contents

	<i>Page</i>
Notice of Meeting	3
Directors and Officers	4-5
Report of the Directors	6-7
Consolidated Underwriting Account	8
Consolidated Profit and Loss Account	9
Balance Sheet	10
Notes on the Balance Sheet and Accounts	11-13
Report of the Auditors	14
Analysis of Underwriting Account	15
Summary of Ten Year Record	16

Stronghold Insurance Company Limited

Notice of Meeting

Notice is hereby given that the Thirteenth Annual General Meeting of Stronghold Insurance Company Limited will be held at Bankside House, 107-112 Leadenhall Street, London, EC3A 4AS, on 28th June, 1976, at 10.30 a.m., for the purpose of receiving the Balance Sheet and Accounts for the year ended 31st December, 1975, together with the Reports of the Directors and of the Auditors thereon, and of transacting any other ordinary business of the Company. A member entitled to attend and vote at this Meeting is entitled to appoint a proxy, who need not be a member of the Company, to attend and vote on his behalf.

By Order of the Board

J. H. Hibberd

Secretary

23rd June, 1976

Stronghold Insurance Company Limited

Directors and Officers

Directors

J. C. S. Lepine, M.C. (*Chairman*)

W. J. Gilmartin (U.S.A.)

Dr. H. Fehlmann (*Swiss*)

B. J. Brennan, M.C.

Chief Executive

Donald Fox

Manager

P. M. Fitzsimmons, A.C.I.I.

Accountant and Company Secretary

J. H. Hibberd, F.C.I.S.

Registered Office

37-39 Lime Street, London, EC3M 7BJ

Auditors

Coopers & Lybrand, *Chartered Accountants*

Abacus House,

Gutter Lane, Cheapside, London, EC2V 8AH

Stronghold Insurance Company Limited

Directors and Officers (cont)

Underwriters

B. G. Adams

A. A. Dodds, F.C.I.I.

P. M. Fitzsimmons, A.C.I.I.

Donald Fox

I. P. Hammersley, A.C.I.I.

C. J. Ridgwell

A. Taylor, F.C.I.I.

Deputy Underwriters

P. P. Layet

R. F. Sayers, A.C.I.I.

Departmental Managers

B. W. Wood, A.C.I.I. (*Claims*)

A. R. Nicholls (*Technical and Market Accounts*)

P. J. Watson (*Treaty Administration*)

Underwriting Rooms

37-39 Lime Street, London, EC3M 7BJ

Telephone: 01-623 1658

Administrative Offices

Bankside House,

107-112 Leadenhall Street, London, EC3A 4AS

Telephone: 01-623 5391

Telox: 884559

Stronghold Insurance Company Limited

Report of the Directors

The Directors present to the Members the Accounts of the Company for 1975, together with their Report.

Principal Activity

The principal activity of the Company is the acceptance of all classes of reinsurance business other than Life.

Currency Fluctuation

It has previously been the practice to include the exchange gains or losses arising from the realisation and revaluation of dollar assets in the figure for premiums. This year, however, the adjustment is material and it has been disclosed separately in the accounts.

Underwriting Account

Last year's report stated that certain underwriting years on the relatively new Proportional Treaty Accounts (Fire and Accident and Marine and Aviation, respectively) would be closed in 1975 for the purpose of declaring a result. The policy now adopted is to close the Fire and Accident account three years, and the Marine and Aviation account four years, in arrears.

The underwriting years closed this year are therefore 1972 and 1973 on the Fire and Accident Account and 1971 and 1972 on the Marine and Aviation Account. After making provision for the future development of those years closed, the profits declared are £2,000 (1974 nil) and £79,000 (1974 nil) respectively.

After bringing in these profits, and considerably increasing the Funds in the Excess Loss and Facultative Account to which £279,440 has been credited for exchange, the Underwriting Account shows a loss of £755,322 (1974 £47,651) which has been charged to the Profit and Loss Account.

Premium Income

The Company's gross premium income amounted to £15,253,700 (1974 £10,041,385). Retained premiums amounted to £5,274,061 (1974 £3,195,180).

Stronghold Insurance Company Limited

Report of the Directors

Insurance Funds

The total insurance funds amounted to £7,029,287 (1974 £4,640,550).

Profit and Loss Account

The Profit and Loss Account shown on page 9 sets out the results for the year. The loss for the year after tax is £55,143 (1974 £207,396 profit). This sum, together with the retained profits brought forward, results in a total of £307,805 (1974 £362,948) being available for appropriation. The Directors do not recommend the payment of a dividend.

Charitable Donations

During 1975 these amounted to £1,000 (1974 £1,092).

Directors

The following persons served as Directors of the Company during 1975: Mr. J. C. S. Lepine, M.C. (Chairman), Mr. W. J. Gilmartin, Dr. H. Fehlmann and Mr. B. J. Brennan, M.C. Mr. J. C. S. Lepine retires by rotation and, being eligible, offers himself for re-election. No Director had any beneficial interest in the shares of the Companies within the group at any time during 1975.

Auditors

The Auditors, Coopers & Lybrand, will continue in office in accordance with the provisions of Section 159 (2) of the Companies Act, 1948.

By Order of the Board

J. H. Hibberd

Secretary

28th June, 1976.

Stronghold Insurance Company Limited and Subsidiary Company

Consolidated Underwriting Account For the year ended 31st December, 1975

	£	1975 £	£	1974 £
Income for the year				
Premiums accounted for, less reinsurance		5,274,061		3,195,180
Exchange Adjustment		279,440		(29,721)
Increase in reserve for unearned premiums and/or unexpired risks (Note 1c)		(732,402)		(336,056)
			4,821,099	2,829,403
Premiums earned			11,869	86,845
Profit Commission on prior underwriting years				
			4,832,968	2,916,248
Charges against income				
Claims paid, less recoveries		2,976,580		1,887,025
Increase in provision for outstanding claims (Note 1d)		1,656,335		589,438
Claims incurred		4,632,915		2,476,463
Commission	930,932			471,676
Overseas Taxation	24,443			15,760
		955,375		
			5,588,290	2,963,899
Underwriting Loss transferred to Consolidated Profit and Loss Account			(£755,322)	(£47,651)
 Insurance Funds				
Provision for:				
			1975 £	1974 £
Unearned premiums and/or unexpired risks (Note 1c)			1,998,586	1,266,184
Outstanding claims (Note 1d)			5,030,701	3,374,366
			£7,029,287	£4,640,550
Total Insurance Funds at 31st December, 1975				

For Notes see pages 11-13

Stronghold Insurance Company Limited and Subsidiary Company

Consolidated Profit and Loss Account

For the year ended 31st December, 1975

	1975	1974
	£	£
Dividends and Interest	830,630	919,664
Realised Profits/(Losses) on sales of Investments	159,186	(151,176)
	<u>989,816</u>	<u>768,488</u>
Expenses of Management (Note 1h)	401,952	254,901
Loss transferred from Consolidated Underwriting Account	755,322	47,651
Provision for uncollectable reinsurance recovery	—	6,532
	<u>1,157,274</u>	<u>309,084</u>
Profit/(Loss) before Taxation	(167,453)	459,404
Taxation (Note 2)	(112,315)	252,008
	<u>(55,143)</u>	<u>207,396</u>
Profit/(Loss) after Taxation	(55,143)	207,396
Retained Profit brought forward from previous year	362,948	155,552
	<u>£307,805</u>	<u>£362,948</u>
Total Profit available for Appropriation	£307,805	£362,948
	<u>294,606</u>	<u>356,361</u>
Stronghold Insurance Co. Ltd.	13,199	6,587
Subsidiary Company		
	<u>£307,805</u>	<u>£362,948</u>
Retained Profit carried forward	£307,805	£362,948

For Notes see pages 11-13

Stronghold Insurance Company Limited and Subsidiary Company

Balance Sheet

As at 31st December, 1975

This is the copy referred to in the annexed certificate 'B'

[Signature]
Secretary.

[Signature]
Director.

	1975 £	1974 £	1975 £	1974 £
	Stronghold		Group	
Capital and Reserves				
Authorised Share Capital 2,000,000 Shares of £1	2,000,000	2,000,000	2,000,000	2,000,000
Issued and Fully Paid 1,600,000 Shares of £1	1,600,000	1,600,000	1,600,000	1,600,000
Investment Reserve	19,981	19,981	19,981	19,981
Retained Profit	294,606	356,361	307,805	362,948
Shareholders' Funds	£1,914,587	£1,976,342	£1,927,786	£1,982,929
Represented by:				
Fixed Assets (Note 1e)	14,184	20,602	14,184	20,602
Freehold Property	34,500	—	34,500	—
Investments at book value (Notes 1f and 6) (Market Value £8,229,970, 1974 £8,367,786)	8,202,578	6,358,960	8,202,578	6,358,960
Subsidiary Company Shares, at cost	5,000	5,000		
	8,256,262	6,384,562	8,251,262	6,379,562
Current Assets (Note 8)	4,365,769	3,082,943	4,360,210	3,077,383
Loss: Liabilities (Note 9)	3,678,157	2,850,613	3,654,399	2,833,466
Not Current Assets	687,612	232,330	705,811	243,917
	8,943,874	6,616,892	8,957,073	6,623,470
Loss: Insurance Funds	7,029,287	4,640,550	7,029,287	4,640,550
	£1,914,587	£1,976,342	£1,927,786	£1,982,929

J. C. S. LEPINE
H. FEHLMANN
DONALD FOX
J. H. HIBBERD

Chairman
Director
Chief Executive
Secretary

For Notes see pages 11-13

Stronghold Insurance Company Limited and Subsidiary Company

Notes relating to and forming an integral part of the annexed Balance Sheet and Accounts

1. The principal accounting policies adopted by the company are set out below and are consistent with those applied in the previous year except as otherwise stated:
 - (a) All income and expenditure including investment income and any realised investment gains and losses, is reflected in the Profit and Loss Account.
 - (b) The underwriting results are determined after taking into account premiums, claims and commissions notified during the year, and after movements in the provision for outstanding claims and unearned premiums, but before deducting expenses of management (see (h) below), which are charged in the Profit and Loss Account. The bases of computing the insurance funds in respect of outstanding claims and unearned premiums are set out in (c) and (d) below.
 - (c) The provision for unearned premiums and/or unexpired risk, representing the proportion of premiums recorded during the year which is deemed to relate to liabilities arising after the balance sheet date, is computed, for both proportional and non-proportional business, at between 32% and 40% of all premiums recorded during the year, irrespective of the year of risk (1974 - 40%).
 - (d) The provision for outstanding losses includes the estimated cost of notified and unnotified claims at the balance sheet date using the best information available, and after taking into account recoveries due from reinsurers. The adequacy of the provisions for outstanding claims and unearned premiums is assessed by reference to projections of the eventual run-off of premiums and claims in respect of each underwriting year and, where necessary, additional provisions have been included in outstanding claims.
 - (e) Fixed assets, representing office equipment and motor vehicles, are depreciated on a straight line basis over their expected useful lives.
 - (f) Investments are stated at the lower of book and market value.
 - (g) U.S. and Canadian Dollars have been converted to sterling at \$2.024 and \$2.056 to the £1 respectively (1974 - 2.35 and 2.32 to the £1). All other convertible currency transactions including balances with brokers and insurance companies are accounted for at book rates of exchange. Other assets and liabilities in non-sterling currencies are converted into sterling at the approximate rates of exchange ruling at 31st December, 1975. Realised and revaluation exchange differences are reflected in the underwriting account; the exchange adjustment shown relates to the revaluation of certain dollar assets and liabilities.
 - (h) Expenses of management are based on an apportionment of the total expenses of the company and its fellow subsidiary *pro rata* to their gross premium income, less recoveries from certain reinsurers.

Stronghold Insurance Company Limited and Subsidiary Company

**Notes relating to and forming an integral part of the annexed
Balance Sheet and Accounts**

	1975 £	1974 £
2. Taxation for the year is made up as follows:		
Corporation Tax at 52%	—	13,064
(Receivable from)/payable to fellow subsidiary in respect of tax losses surrendered by way of group relief	(145,000)	200,000
Tax on franked investment income	32,685	38,944
	<u>£(112,315)</u>	<u>£252,008</u>
3. The aggregate emoluments of the Directors were: NIL		
Directors' Fees	—	—
Other emoluments, including Pension contributions	—	7,042
		<u>£7,042</u>
Remuneration of the Chairman	—	—
Remuneration of the highest paid Director	—	5,608
Remuneration paid to all other Directors	—	—
4. In 1975 staff members received remuneration as follows:		
£10,000-£12,500	—	1
£12,501-£15,000	1	—
£20,001-£22,500	1	—
5. Auditors' Remuneration, included in Management Expenses, amounted to £7,250 (1974 - £3,500).		
6. Investments, at book value		
British Government and Municipal Securities	812,448	—
Foreign Government Securities	170,827	—
Water Board and other Preference Stocks	914,014	538,837
Ordinary Stocks and Shares	—	39,402
Mortgages on Property within the United Kingdom	178,884	201,407
Deposits at Interest	6,126,403	5,579,314
Aggregate book value of Investments	<u>£8,202,578</u>	<u>£6,358,960</u>
Aggregate market value ~ Investments	<u>£8,229,970</u>	<u>£6,367,786</u>
7. During 1975 repayments of mortgage loans which had been made to officers of the company in connection with house purchase amounted to £75,000. Loans existing at the time of appointment as officer of the company amounted to £9,400. The balance outstanding at 31st December was £49,400 (1974 £115,000).		

Stronghold Insurance Company Limited and Subsidiary Company

Notes relating to and forming an integral part of the annexed Balance Sheet and Accounts

	1975 Stronghold	1974	1975 Group	1974
	£	£	£	£
8. Current Assets				
Due by Agents, Brokers and Companies	3,750,042	2,256,595	3,750,042	2,256,595
Due by Reinsurers	180,962	362,341	180,962	362,341
Sundry debtors, including taxation	125,603	101,336	119,994	95,726
Cash at Banks on Current Accounts				
and in Hand	147,877	147,574	147,927	147,624
Interest Accrued	161,285	215,097	161,285	215,097
	<u>£4,365,769</u>	<u>£3,082,943</u>	<u>£4,360,210</u>	<u>£3,077,383</u>
9. Current Liabilities				
Due to Agents, Brokers and Companies	648,081	529,605	648,081	529,605
Due to Reinsurers	2,948,113	2,201,002	2,948,113	2,201,002
Due to Subsidiary	24,308	17,347	—	—
Sundry Creditors	57,655	102,659	58,205	102,859
	<u>£3,678,157</u>	<u>£2,850,613</u>	<u>£3,654,399</u>	<u>£2,833,466</u>

10. Inter Company balances. Balances amounting to £207,774 (1974 £285,864) due to the Reinsurance Corporation Limited, which is also a subsidiary of Anills Holdings Limited, are included in Current Liabilities.

11. The Subsidiary Company is R. W. Gibbon (1973) Limited which is wholly owned.

12. The ultimate holding company is Anills Holdings Limited, which is incorporated in the United Kingdom.

Stronghold Insurance Company Limited and Subsidiary Company

Report of the Auditors

In our opinion the accounts set out on pages 8 to 13
comply with the provisions of the Companies Acts 1948 and 1967
applicable to Insurance Companies.

COOPERS & LYBRAND
Chartered Accountants

London
28th June, 1976

Stronghold Insurance Company Limited and Subsidiary Company

Analysis of Underwriting Account

	Total		Excess Loss & Facultative		Proportional Marine & Aviation Treaties		Proportional Fire & Accident Treaties	
	1975	1974	1975	1974	1975	1974	1975	1974
Income for the Year								
Premiums earned	4,821	2,829	2,220	1,661	1,306	703	1,295	465
Profit Commission	12	87	12	87	—	—	—	—
	<u>4,833</u>	<u>2,916</u>	<u>2,232</u>	<u>1,748</u>	<u>1,306</u>	<u>703</u>	<u>1,295</u>	<u>465</u>
Charges against Income								
Claims incurred	4,633	2,477	2,939	1,644	928	561	766	272
Commission	931	471	130	137	298	142	503	192
Overseas Taxation	24	15	18	14	1	—	5	1
	<u>5,588</u>	<u>2,963</u>	<u>3,087</u>	<u>1,795</u>	<u>1,227</u>	<u>703</u>	<u>1,274</u>	<u>465</u>
Underwriting Profit/(Loss) for the Year	<u>(755)</u>	<u>(47)</u>	<u>(855)</u>	<u>(47)</u>	<u>73</u>	<u>—</u>	<u>21</u>	<u>—</u>
Insurance Funds								
<i>Provision for:—</i>								
Unearned premiums and/or unexpired risks	1,998	1,266	882	677	611	333	505	256
Outstanding claims	5,031	3,374	4,444	2,831	524	463	63	80
Total Insurance Funds at 31st December, 1975	<u>7,029</u>	<u>4,640</u>	<u>5,326</u>	<u>3,508</u>	<u>1,135</u>	<u>796</u>	<u>568</u>	<u>336</u>

Stronghold Insurance Company Limited and Subsidiary Company

Summary of Ten Year Record

	1966	1967	1968	1969	1970	£'000s 1971	1972	1973	1974	1975
Premiums accounted for, less reinsurance	819	1,075	1,465	1,327	1,271	1,684	1,732	2,325	3,195	5,274
Premiums earned	722	1,015	1,308	1,381	1,293	1,519	1,713	2,088	2,829	4,821
Profit Commission on prior years	—	—	—	—	—	—	42	247	87	12
	722	1,015	1,308	1,381	1,293	1,519	1,755	2,335	2,916	4,833
Claims incurred	729	847	981	1,103	878	1,008	1,390	1,761	2,477	4,833
Commission and Overseas Taxes	99	99	117	127	157	220	176	299	487	955
Underwriting Profit/(Loss)	(108)	89	210	151	258	291	189	275	(48)	(755)
Management Expenses	(40)	(52)	(60)	(79)	(157)	(176)	(146)	(150)	(261)	(402)
Investment Income	51	61	104	195	309	318	358	586	919	831
Investment Profits/(Losses) realized	—	—	—	—	—	—	(302)	(613)	(151)	169
Profit/(Loss) before tax	(95)	78	254	267	410	433	99	98	459	(167)
Tax and other items	9	(19)	19	129	199	180	(35)	10	252	(112)
Dividends	—	—	—	41	41	50	120	80	—	—
Retained Profit/(Deficit) before any Capitalisation	(104)	97	235	97	170	203	14	—	207	(55)
Insurance Funds										
Provision for unearned premiums and/or unexpired risks	328	430	585	531	509	674	693	930	1,266	1,998
Provision for outstanding claims	528	686	1,033	1,324	1,426	1,771	2,236	2,785	3,374	5,031
	856	1,116	1,618	1,855	1,935	2,445	2,929	3,715	4,640	7,029
Shareholders' Funds										
Capital Issued	825	825	825	825	825	1,000	1,600	1,600	1,600	1,600
Retained profit/(deficit) and other items, including Capital and Investment Reserves	(316)	(185)	50	149	354	382	167	476	383	328
	509	640	875	974	1,179	1,382	1,767	1,776	1,983	1,928