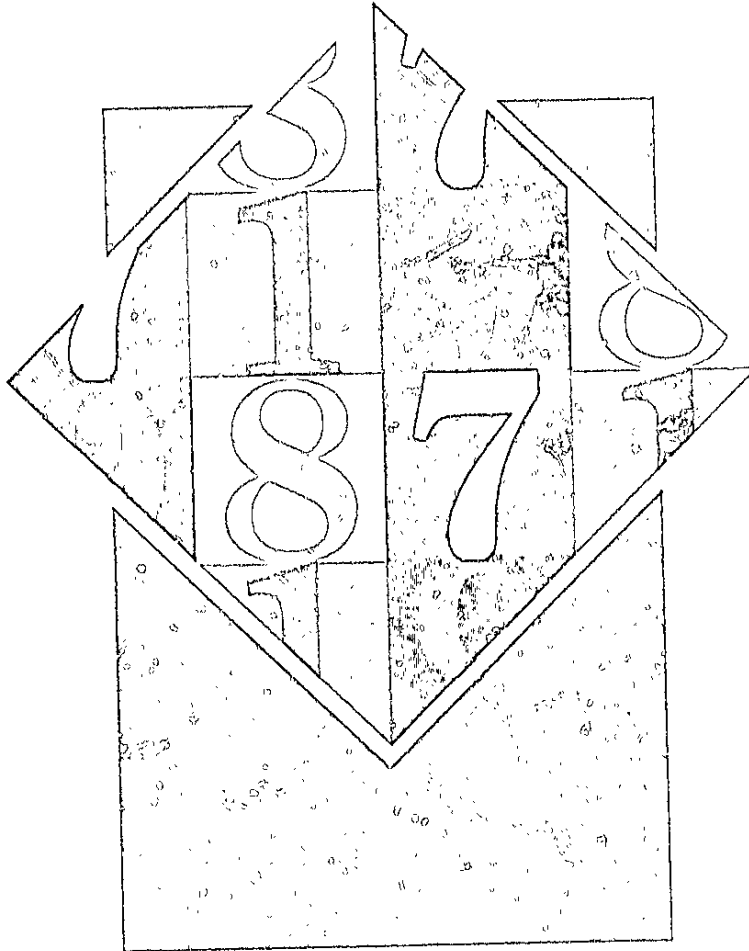


# Report & Accounts 1987



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MAY 1988

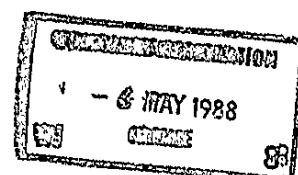


Black Horse  
Life

# Black Horse Life Assurance Company Limited

## Report and Accounts 1987

Mountbatten House, Chatham, Kent ME4 4JF  
Tel: Medway (0634) 405161.



## Directors and officers

### *Directors*

R O Steel (Chairman)  
E J Dawson  
K P Plummer  
D I Stuart

*Following signing of this report and accounts,  
the composition of the board will be as follows:*

D I Stuart (Chairman)  
R L Bevan FIA  
T J Jones  
R J Spragg FFA

*General Manager*  
R L Bevan FIA

*Secretary*  
F C A Maslen

*Registered Office*  
71 Lombard Street  
London EC3P 3BS

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*Actuaries*  
Bacon & Woodrow  
Empire House  
St Martin's-le-Grand  
London EC1A 4ED

*Auditors*  
Price Waterhouse  
Southwark Towers  
32 London Bridge Street  
London SE1 9SY

*Bankers*  
Lloyds Bank Plc  
72 Lombard Street  
London EC3P 3BT

*Solicitors*  
Linklaters & Paines  
Barrington House  
59-67 Gresham Street  
London EC2V 7JA

## Statement by the Chairman

It is with great pleasure that I am able to report another record year for the Company. New annual premiums, at £3.4 million, have increased by 143 per cent over the previous year, whilst new single premiums, at £65.1 million, show an increase of 147 per cent. The Company wrote over 68,000 new policies.

The value of the Life Fund has grown to £152 million, an increase of over 100 per cent on 1986.

### Product development

The introduction of a pension plan for the self-employed and persons in non pensionable employment marked the Company's entry into the pension market — a development which will be carried on strongly into 1988 when new personal pensions legislation is introduced.

The Unit Linked Mortgage Plan, introduced in 1986, attracted increasing sales during 1987 and, as a leading product of its type in the market, is expected to make a major contribution to the Company's new business in 1988.

As part of the Company's continuing policy of providing value for money, all classes of term assurance are now available on special terms to non-smokers. The popular Black Horse Investment Bond can now qualify for bonus units when held for five years or more.

### Investments

The Company has aimed to provide policyholders with a wide investment choice, allied to better than average performance. Overall, our funds have performed very well placing the Company firmly in the first quartile of insurance fund group performance, with consistently improving results relative to our competitors.

### With profits policies: bonus rates

We have maintained our reversionary bonus levels at 4.5 per cent. per annum compound, and our terminal bonus for policies becoming claims at death or maturity at 45 per cent. of existing bonuses, plus 1 per cent. of the basic sum assured for each complete year that a policy was in force up to the date of claim.

### Data processing

We have continued to enhance and up-date our computerised systems. A new administration system, which will enable very high volumes of business to be processed, was introduced on 1 October 1987. This will enable the Company to improve further its high level of service whilst effectively containing cost levels.

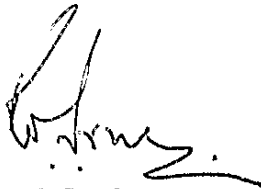
### The future

The life assurance industry faces a major challenge in 1988 with the introduction of the Financial Services Act. Black Horse Life is well placed to take advantage of the opportunities which will arise and the Company has already prepared for what could well be one of the most important years in its history.

### Staff

At the end of the financial year the number of staff employed totalled 157 (1986: 92). A major recruitment campaign was launched to provide for the Company's anticipated expansion in 1988.

I should like to take this opportunity to thank the staff for their efforts and congratulate them on the excellent results achieved during a highly successful year.



R O Steel  
Chairman  
27 January 1988

# Report of the directors

## Activities

The principal activity of the Company is to transact ordinary long term life assurance and pensions business.

## New business

New business completed by the Company during the year before reinsurance was:

	1987	1986
	£m	£m
Annual premiums	3.4	1.4
Single premiums	65.1	26.3

## Bonus declaration

The following bonuses for with profit, whole life, and endowment policies, including low cost endowment plans, in force on 1 October 1987 have been declared:

1. a reversionary bonus of 4.5 per cent. per annum compound to vest with immediate effect; and
2. a terminal bonus payable only in the event of death or maturity of:
  - (a) 45 per cent. of existing reversionary bonuses, plus
  - (b) 1 per cent. of basic sum assured for each complete year in force at date of death or maturity.

Until further notice, with profit policies becoming claims at death or maturity after 1 October 1987 will receive reversionary and terminal bonuses at the above rates.

## Long term business revenue account

Details of the business transacted during the year are shown on page 8 in the long term business revenue account.

## Share capital

In order to support further development and expansion the authorised share capital was increased in August 1987 from £5,000,000 to £6,000,000 by the creation of 1,000,000 additional ordinary shares of £1 each. 1,000,000 shares were issued at par for cash.

## E.E.C. solvency margin

The unencumbered capital of the Company is invested in narrow range securities mainly in support of the E.E.C. solvency margin as calculated in accordance with The Insurance Companies Regulations 1981 and Insurance Companies Act 1982.

## Directors

The names of the present directors of the Company are shown on page 1.

In February 1987 Mr D I Stuart was appointed a director of the Company.

The interests of the directors in the share and loan capital of Lloyds Bank Plc are shown on page 13 in note 7.

## Auditors

Price Waterhouse have indicated their willingness to continue in office and a resolution concerning their re-appointment as auditors will be submitted to the annual general meeting.

## Actuary

Mr R J Spragg became the appointed actuary of the Company on 1 October 1987.

By order of the board,

FCA Maslen  
Secretary

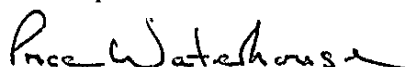
27 January 1988

# Report of the auditors

To the members of Black Horse Life Assurance Company Limited

We have audited the accounts for the year ended 30 September 1987 on pages 6 to 13 in accordance with approved Auditing Standards.

In our opinion, the accounts comply with the provisions of the Companies Act 1985 applicable to insurance companies.



Price Waterhouse  
*Chartered Accountants*

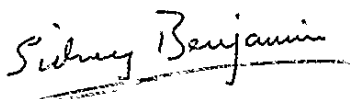
Southwark Towers  
32 London Bridge Street  
London SE1 9SY

27 January 1988

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## Actuary's certificate

In my opinion, the aggregate amount of the liabilities of the Company in relation to its long term business as at 30 September 1987 does not exceed the aggregate amount of those liabilities as shown in the balance sheet. In reaching that opinion I have had regard to the nature and term of the assets available to meet those liabilities as shown in the balance sheet and the value placed on such assets.



Sidney Benjamin  
*Actuary*  
of Bacon & Woodrow

Empire House  
St Martin's-le-Grand  
London EC1A 4ED

27 January 1988

## Profit and loss account for the year ended 30 September 1987

	1987	1986
	£000	£000
Transfer from (to) long term business revenue account	478	(322)
Profit (Loss) before and after taxation	478	(322)
Reserves brought forward	(1,392)	(1,070)
Reserves carried forward	(914)	(1,392)

The notes on pages 11 to 13 form part of these accounts



# Statement of source and application of shareholders' funds for the year ended 30 September 1987

	1987	1986
	£000	£000
<b>Source of funds</b>		
Issue of shares	<u>1,000</u>	<u>2,000</u>
<b>Application of funds</b>		
Transfer (from) to long term business revenue account	(478)	322
Items not involving movement of funds:		
Depreciation	(100)	(61)
Loss on disposal of fixed assets	<u>(75)</u>	<u>—</u>
	(653)	261
Additions to equipment	434	236
Increase in current liabilities	(355)	—
Increase in other current assets	<u>1,574</u>	<u>1,503</u>
	<u>1,000</u>	<u>2,000</u>

The notes on pages 11 to 13 form part of these accounts

# Long term business revenue account for the year ended 30 September 1987

Income	Note	1987 £000	1986 £000
Premium income	1a	69,042	28,545
less: Reassurance		(11,395)	(7,503)
		57,647	21,042
Investment income	1b	5,098	3,378
Profit on realisation of investments		2,072	1,690
		64,817	26,110
<b>Expenditure</b>			
Claims		1,717	1,120
Surrenders		6,264	3,201
Commission	1c	628	1,737
Stamp duty and medical fees		108	89
Management expenses	1c, 6	4,401	2,261
Taxation	3	277	14
		13,395	8,422
		51,422	17,688
<b>Increase in market value of investments</b>		30,247	6,130
		81,669	23,818
<b>Transfer (to) from profit and loss account</b>		(478)	322
		81,191	24,140
<b>Increase in fund during the year</b>		81,191	24,140
<b>Long term insurance fund at beginning of year</b>		71,300	47,160
<b>Long term insurance fund at end of year</b>		152,491	71,300

The notes on pages 11 to 13 form part of these accounts

# Balance sheet

at 30 September 1987

	Note	Policyholders' funds	
		1987 £000	1986 £000
<b>Funds employed</b>			
Share capital	4	—	—
Profit and loss account		—	—
		<hr/>	<hr/>
Long term insurance fund		152,491	71,300
		<hr/>	<hr/>
		152,491	71,300
		<hr/>	<hr/>
<b>Represented by</b>			
Equipment	5	—	—
<b>Investments at market value</b>	1d		
British Government securities		22,419	15,438
Other fixed interest securities		1,735	1,902
Lloyds Bank unit trusts		44,188	13,775
Equities and other unit trusts		72,276	32,324
Property		2,910	3,025
		<hr/>	<hr/>
		143,528	66,464
		<hr/>	<hr/>
<b>Current assets</b>			
Investment income receivable		752	504
Tax recoverable		815	707
Claims paid in advance		65	67
Short term loans and deposits		7,968	3,200
Balances with Lloyds Bank Plc		328	300
Other debtors		2,428	1,945
		<hr/>	<hr/>
		12,356	6,723
		<hr/>	<hr/>
<b>Less: Current liabilities</b>			
Claims outstanding		720	376
Balances with Lloyds Bank Plc		—	—
Balances with fellow subsidiaries		536	—
Other creditors		1,839	1,391
Deferred taxation	1g	298	120
		<hr/>	<hr/>
		3,393	1,887
		<hr/>	<hr/>
		8,963	4,836
		<hr/>	<hr/>
		152,491	71,300
		<hr/>	<hr/>

R O Steel *Chairman*  
E J Dawson *Director*



The notes on pages 11 to 13 form part of these accounts

Balance sheet

Shareholders' funds		Total	
1987 £000	1986 £000	1987 £000	1986 £000
6,000 (914)	5,000 (1,392)	6,000 (914)	5,000 (1,392)
5,086	3,608	5,086	3,608
152,491		152,491	71,300
5,086	3,608	157,577	74,908
700	441	700	441
—	—	22,419	15,438
—	—	1,735	1,902
—	—	44,188	13,775
—	—	72,276	32,324
—	—	2,910	3,025
—	—	143,528	66,464
31	41	783	545
72	25	815	707
4,638	2,800	137	92
—	301	12,606	6,000
—	—	328	631
—	—	2,423	1,945
4,741	3,167	17,097	9,896
—	—	720	376
355	—	355	—
—	—	536	—
—	—	1,839	1,391
—	—	298	120
355	—	3,748	1,887
4,386	3,167	13,349	8,003
5,086	3,608	157,577	74,908

# Notes to the accounts

## 1. Accounting policies

The accounts are prepared under the historical cost convention modified by the revaluation of investments and in accordance with the Companies Act 1985, sections 257, 258, 260 and Schedule 9 and with the other requirements of the Companies Act 1985 applicable to insurance companies.

### a Premium income

Premium income is credited to the long term business revenue account in the year in which it is receivable, after deducting related reinsurance premiums.

### b Investment income

Investment income comprises interest, dividends, and rents receivable and includes the associated tax credits on franked investment income. The investment income arising on assets representing shareholders' funds is credited to the long term business revenue account.

### c Commission and management expenses

Commission and management expenses are charged to the long term business revenue account in the year in which they are incurred.

### d Investments

Investments are included in the balance sheet at valuation on bases determined as follows:

- (i) Linked investments — at the actuary's valuation by reference to the highest and lowest available market dealing bid and offer prices. In previous years linked investments were stated at middle market price. The effect of this change is not material and accordingly comparative figures have not been restated.
- (ii) Non Linked investments — listed investments at middle market price and unit trusts at bid price.
- (iii) Property — at directors' valuations on the basis of open market value by reference to the most recent valuations prepared by the professional valuers.
- (iv) Short term loans and deposits — at the amounts advanced.

Profits and losses on restatement or realisation of investments are taken to the long term business revenue account.

### e Life assurance business

Actuarial valuations of the liabilities of the long term business fund are made annually. The most recent valuation was carried out as at 30 September 1987.

### f Depreciation

Equipment is depreciated by equal annual instalments over the estimated useful lives of the assets, which are mainly as follows:

Fixtures and fittings	20 years
Furnishings	10 years
Computers and other equipment	6 years

### g Deferred taxation

Deferred taxation is provided at the appropriate rates of taxation where there is a reasonable probability that such taxation will become payable in the foreseeable future.

**2. Emoluments of the directors and employees**

The emoluments of the chairman were £2,800 (1986: £2,800)

None of the other directors (1986: none) received any emoluments.

All staff engaged in the service of the Company are employees of Lloyds Bank Plc.

**3. Taxation**

The taxation charge in the long term business revenue account is based on a United Kingdom corporation tax rate of 35% (1986: 35%) and comprises:

	1987 £000	1986 £000
Current taxation	98	9
Prior year adjustment	1	(18)
Deferred taxation, relating to short term timing differences	178	23
	<hr/>	<hr/>
	277	14
	<hr/>	<hr/>

**4. Share capital**

	1987 £000	1986 £000
Authorised, issued, allotted and fully paid: ordinary shares of £1 each	6,000	5,000
	<hr/>	<hr/>

The whole of the issued share capital is owned by Lloyds Bank Plc, the ultimate holding company, which is incorporated in Great Britain.

**5. Equipment**

	Cost £000	Depreciation £000	Balance sheet amount £000
At 1 October 1986	588	(147)	441
Additions	434	—	434
Disposals	(90)	15	(75)
Depreciation for the year	—	(100)	(100)
	<hr/>	<hr/>	<hr/>
At 30 September 1987	932	(232)	700
	<hr/>	<hr/>	<hr/>

## 6. Management expenses

Management expenses include depreciation of £99,905 (1986: £61,024), office relocation costs of £113,601 and auditors' remuneration of £18,600 (1986: £15,300).

## 7. Directors' interests

The interests, all beneficial, of the directors in the share capital of Lloyds Bank Plc were as follows:

	<i>Ordinary shares of £1 each</i>			
	<i>At 30 September 1987</i>		<i>At 1 October 1986 or later date of appointment</i>	
	<i>Shares</i>	<i>Options to subscribe for shares</i>	<i>Shares</i>	<i>Options to subscribe for shares</i>
E J Dawson	16,174	95,892	12,231	48,589
K P Plummer	8,104	33,117	3,399	25,355
R O Steel	5,163	—	3,442	—
D I Stuart	10,032	14,780	6,684	5,060

None of the directors had an interest, at the beginning or end of the year, in the loan capital of Lloyds Bank Plc.

## 8. Date of approval

The directors approved the accounts on 27 January 1988.

# Black Horse Life Contracts

## CONVENTIONAL ASSURANCES

Homecover — Mortgage Protection Assurance

Family Income Benefit

Term Assurance

Convertible Term Assurance

Flexible Life Protection Plan

Adaptable Life Protection Plan

Coverloan — Flexible Term Assurance

Cashback

## UNIT LINKED ASSURANCES

Investment Bond

Investment Plan

Low Cost Mortgage Plan

Low Start Mortgage Plan

Pension Plan

## SPECIAL FACILITIES

Personal Bond

Gemini Bond

Guaranteed Bonus Bond

Home Loan Scheme

'Top-Up' Home Loan Scheme