

**Black Horse  
Life Assurance Company Limited**

**Report and Accounts  
1986**



# Black Horse Life Assurance Company Limited

Report and Accounts 1986

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

## *General Manager*

R L Bevan FIA

## *Secretary*

L B Cox

## *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

I am pleased to report that new annual premiums amounted to £1.4m which was a 90% increase over the previous year. The single premium business amounted to £26.3m, an increase of 177%. Both figures were new records for the company which wrote over 29,000 policies, the highest number in its history.

The value of the Life Fund has grown to £71m, an increase of 51% over 1985.

### Product Development

Improvements made to the company's product range resulted in a substantial increase in the new business written. Enhancements to the Black Horse Investment Bond and the increasing success of Gemini, an innovative product combining the features of a guaranteed bonus bond with that of an investment bond, resulted in a substantial increase in single premium business.

Unit-linked mortgage endowment policies were introduced in September 1986. Successful direct marketing exercises contributed 45% of the new regular premium business written.

### Investments

The company's internal funds generally performed well with the Managed and Managed Investment Funds achieving, respectively, 17.4% and 18.4% growth net of tax and all charges.

### Bonus Rates for With Profits Policies

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

### Data Processing

The company is continuing to develop its computerised administration systems, enabling the increasing volume of new business to be handled without a corresponding increase in staff numbers.

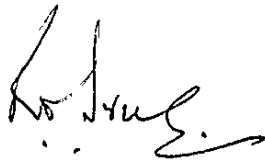
### Changes in Legislation

The Financial Services Act will have a major impact on the life assurance industry and it is expected that the company will be well placed to take advantage of the changes that will take place. Legislation affecting personal pensions which becomes effective in April 1988 will also present new opportunities.

### Staff

At the end of the financial year the number of staff employed totalled 92 (1985: 64) and a move to new premises at the end of 1986 was necessary to cater for further expansion.

I would like to take this opportunity to thank the staff for their efforts and congratulate them on a highly successful year.



R. O Steel  
*Chairman*  
11 February 1987

# Report of the Directors

## Activities

The principal activity of the company is to transact ordinary long term unit linked and conventional life assurance business.

## New Business

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

	1986	1985
	£m	£m
Annual premiums	1.4	0.7
Single premiums	26.3	9.5

## Bonus declaration

The following bonuses for with profit whole life and endowment policies, including low cost endowment plans, in force on 1 October 1986 have been declared:

1. a reversionary bonus of 4.5% 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% of existing reversionary bonuses, plus
  - (b) 1% 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 1986 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 1986 2,000,000 shares were issued at par for cash to support further expansion of the company.

## 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 calculated in accordance with The Insurance Companies Regulations 1981 and the Insurance Companies Act 1982.

## Directors

The present directors of the company are shown on page 1.

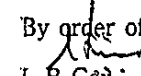
Mr D I Stuart was appointed a director in February 1987. In accordance with the articles of association he will retire at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

The interests of the directors in the share capital of Lloyds Bank Plc are shown on page 13 in note 8.

## 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.

By order of the Board,

  
L B Cox  
Secretary  
11 February 1987

# 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 1986 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*

Price Waterhouse  
Chartered Accountants

Southwark Towers  
32 London Bridge Street  
London SE1 9SY

11 February 1987

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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 1986 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

*S. Benjamin*

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

11 February 1987

## Profit and loss account for the year ended 30 September 1986

	1986	1985
	£000	£000
Transfer to long term business revenue account	(322)	(597)
Taxation credit	—	—
Loss after taxation	(322)	(597)
Balance brought forward	(1,070)	(473)
Balance carried forward	(1,392)	(1,070)

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 1986

	1986	1985
	£000	£000
<b>Source of funds</b>		
Issue of shares	2,000	1,000
Disposal of investments	—	—
	<u>2,000</u>	<u>1,000</u>
<b>Application of funds</b>		
Transfer to long term business revenue account	322	597
Items not involving movement of funds: Depreciation	(61)	(46)
	<u>261</u>	<u>551</u>
Additions to equipment	236	31
Decrease in current liabilities	—	2
Increase in other current assets	1,503	416
	<u>2,000</u>	<u>1,000</u>

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

## Long term business revenue account for the year ended 30 September 1986

	Note	1986 £000	1985 £000
<b>Income</b>			
Premium income	1a, 2	21,042	8,002
Investment income	1b	3,378	2,476
Profit on realisation of investments		1,690	1,106
		26,110	11,584
<b>Expenditure</b>			
Claims		1,120	1,517
Surrenders		3,201	2,968
Commission	1c	1,737	664
Stamp duty and medical fees		89	98
Management expenses	1c, 7	2,261	1,533
Taxation	4	14	98
		8,422	6,878
		17,688	4,706
<b>Increase in market value of investments</b>		6,130	2,507
		23,818	7,213
<b>Transfer from profit and loss account</b>		322	597
		24,140	7,810
<b>Long term insurance fund at beginning of year</b>		47,160	39,350
<b>Long term insurance fund at end of year</b>		71,300	47,160

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

# Balance sheet

at 30 September 1986

	Note	Policyholders' funds	
		1986 £000	1985 £000
<b>Funds employed:</b>			
Share capital	5	—	—
Profit and loss account		—	—
		<hr/>	<hr/>
<b>Long term insurance fund</b>		71,300	47,160
		<hr/>	<hr/>
		71,300	47,160
		<hr/>	<hr/>
<b>Represented by:</b>			
Equipment	6	—	—
<b>Investments at market value</b>	1d		
British Government securities		15,438	13,943
Other fixed interest securities		1,902	1,764
Lloyds Bank unit trusts		13,775	6,766
Equities and other unit trusts		32,324	18,219
Property		3,025	2,995
		<hr/>	<hr/>
		66,464	43,687
		<hr/>	<hr/>
<b>Current assets</b>			
Investment income accrued		504	395
Tax recoverable		707	438
Claims paid in advance		67	74
Short term loans and deposits		3,200	3,283
Balances with Lloyds Bank Plc		300	620
Other debtors		1,945	296
		<hr/>	<hr/>
		6,723	5,106
		<hr/>	<hr/>
<b>Less: Current Liabilities</b>			
Claims outstanding		376	350
Other creditors		1,391	1,186
Deferred taxation		120	97
		<hr/>	<hr/>
		1,887	1,633
		<hr/>	<hr/>
		4,836	3,473
		<hr/>	<hr/>
		71,300	47,160
		<hr/>	<hr/>

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

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

Shareholders' funds		Total	
1986	1985	1986	1985
£000	£000	£000	£000
5,000	3,000	5,000	3,000
(1,392)	(1,070)	(1,392)	(1,070)
<u>3,608</u>	<u>1,930</u>	<u>3,608</u>	<u>1,930</u>
—	—	71,300	47,160
<u>3,608</u>	<u>1,930</u>	<u>74,908</u>	<u>49,090</u>
441	266	441	266
—	—	15,438	13,943
—	—	1,902	1,764
—	—	13,775	6,766
—	—	32,324	18,219
—	—	3,025	2,995
—	—	<u>66,464</u>	<u>43,687</u>
41	33	545	428
—	—	707	438
25	8	92	82
2,800	1,617	6,000	4,900
301	6	601	626
—	—	1,945	296
<u>3,167</u>	<u>1,664</u>	<u>9,890</u>	<u>6,770</u>
—	—	376	350
—	—	1,391	1,186
—	—	120	97
—	—	<u>1,887</u>	<u>1,633</u>
<u>3,167</u>	<u>1,664</u>	<u>8,003</u>	<u>5,137</u>
<u>3,608</u>	<u>1,930</u>	<u>74,908</u>	<u>49,090</u>

# 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 stated on the basis as defined in the Insurance Companies Regulations 1981 as follows:

British Government and other fixed interest securities — at middle market price.

Listed investments — at middle market price.

Unit trusts — at bid price.

Property — at directors' valuations on the basis of open market value by reference to the most recent valuations prepared by the professional valuers.

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. No provision is made for taxation on unrealised investment gains.

### 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 1986.

### 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. Premium income

Premium income is stated after taking account of reinsurance premiums payable amounting to £7,502,992 (1985: £3,239,380).

### 3. Emoluments of the Directors

The emoluments of the chairman were £2,800 (1985: £2,800).

Neither of the other directors (1985: Five directors) received any emoluments. In the previous year, one director other than the chairman received emoluments, excluding pension contributions, of less than £5,000.

### 4. Taxation

The taxation charge in the long term business revenue account is based on a United Kingdom corporation tax rate of 35.0% (1985: 42.5%) and comprises:

	1986 £000	1985 £000
Current taxation	9	53
Prior year adjustment	(18)	—
Deferred taxation, relating to short term timing differences	23	45
	<u>14</u>	<u>98</u>

### 5. Share capital

	1986 £000	1985 £000
Authorised ordinary shares of £1 each	5,000	5,000
Issued and fully paid ordinary shares of £1 each	<u>5,000</u>	<u>3,000</u>

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

### 6. Equipment

	Cost £000	Depreciation £000	Net book amount £000
At 1 October 1985	352	(86)	266
Additions	236	—	236
Charge for the year	—	(61)	(61)
At 30 September 1986	<u>588</u>	<u>(147)</u>	<u>441</u>

#### 7. Management expenses

Management expenses include depreciation of £61,024 (1985: £45,740) and auditors' remuneration of £15,300 (1985: £14,450).

#### 8. 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 1986</i>		<i>At 1 October 1985</i>	
	<i>Shares</i>	<i>Options to subscribe for shares</i>	<i>Shares</i>	<i>Options to subscribe for shares</i>
E J Dawson	12,231	48,589	4,425	26,255
K P Plummer	3,399	25,355	2,152	11,669
R O Steel	3,442	—	2,295	—

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

#### 9. Date of approval

The Directors approved the accounts on 11 February 1987.

# Black Horse Life Contracts

## CONVENTIONAL ASSURANCES

With Profits Endowment Assurance

Homesaver — Low Cost Endowment Plan

Homecover — Mortgage Protection Assurance

Family Income Benefit

Level Term Assurance

Convertible Level Term Assurance

Renewable Increaseable Convertible Term Assurance (R.I.C.T.A. plan)

Coverloan — Flexible Term Assurance

Cashback

## UNIT LINKED ASSURANCES

Black Horse Investment Bond

Black Horse Investment Plan

Black Horse Low Cost Mortgage Plan

Black Horse Low Start Mortgage Plan

## SPECIAL FACILITIES

Personal Bond

Gemini Bond

Guaranteed Bonus Bond

Home Loan Scheme

'Top-Up' Home Loan Scheme