

Ambassador Insurance Company Limited

REPORT AND ACCOUNTS 1994



Ambassador Insurance Company Limited

Directors' Report

The Directors present their report and the financial statements of Ambassador Insurance Company Limited for the year ended 31st December 1994.

Principal Activity and Business Review

The Company's activities throughout the year have comprised the provision of private health insurance plans. New Business levels increased slightly over 1993, but the effect of larger renewals stream of premium income have produced a significant increase in profits. A fuller operating review is published in the accounts of the immediate parent company, Lloyds Abbey Life plc.

Profit and Loss Account

The profit for the year after taxation amounted to £ 2.2m (1993 - £1.5m). The directors recommend that no dividend be declared in respect of the year ended 31st December 1994 (1993 - 'nil').

Balance Sheet

The Company's expenditure on Fixed Assets during the year was £116,953 (1993 - £155,278).

Directors

The names of persons who were directors of the Company during the financial year were as follows :

| | |
|-----------------|-------------------|
| E. A. Kirtley | Managing Director |
| S. Maran | Chairman |
| J. N. Temple | |
| C. M. Wiscarson | |

According to the register kept for the purpose, no director has any interest in the share capital of the Company.

The interest of S. Maran and C.M. Wiscarson in the share capital of other group companies are disclosed in the accounts of Lloyds Abbey Life plc. The interest of J.N. Temple in the share capital of other group companies is disclosed in the accounts of Abbey Life Assurance Company Limited. Details of E. A. Kirtley's interest in other group companies is shown on page 3

Ambassador Insurance Company Limited

Directors' Report

Directors (continued)

*Lloyds Bank Plc
Ordinary Shares of £1 each*

| | <u>at 1.1.94</u> | <u>at 31.12.94</u> |
|---------------|------------------|--------------------|
| E. A. Kirtley | <u>10,637</u> | <u>10,637</u> |

Options held, granted and exercised during the year were as follows:

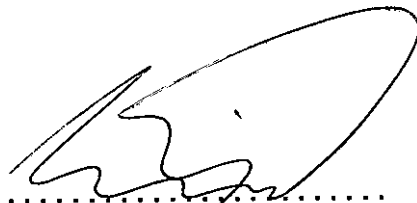
*Lloyds Abbey Life plc Share Option Schemes:
Ordinary Shares of 5p each*

| | <u>at 1.1.94</u> | <u>granted</u> | <u>exercised</u> | <u>at 31.12.94</u> |
|-------------------------------------|------------------|----------------|------------------|--------------------|
| Employee Share Option Scheme | | | | |
| E.A. Kirtley | 73,654 | 12,658 | - | 86,312 |
| Savings-Related Share Option Scheme | | | | |
| E. A. Kirtley | 1,244 | - | - | 1,244 |
| | <u>74,898</u> | | | <u>87,556</u> |

Auditors

Ernst & Young will continue in office as the Company's Auditors. The Company has, as permitted by the Companies Act, dispensed with the obligation to appoint auditors annually.

By order of the Board


.....
E. A. Kirtley
Director

30th January 1995

Ambassador Insurance Company Limited

Statement of Directors' Responsibilities in respect of the Accounts

Company law requires the directors to prepare accounts for each financial year which show a true and fair view of the state of affairs of the Company in accordance with the provisions of the Companies Act 1985. In preparing those accounts the directors are entitled to take account of the special provisions of the Act applicable to insurance companies. In meeting their responsibilities in respect of the preparation of the accounts the directors are also required to:

- * select suitable accounting policies and 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 accounts; and
- * prepare the accounts on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that the accounts 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 enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Ambassador Insurance Company Limited

Report of the Auditors to the members of Ambassador Insurance Company Limited

We have audited the accounts on pages 6 to 14, which have been prepared on the basis of the accounting policies set out on pages 10 and 11.

Respective Responsibilities of Directors and Auditors

As described on page 4 the Company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion on whether the accounts of the Company have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to insurance companies, based on our audit, 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, 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 accounts are free from material misstatement, whether 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 accounts after taking account of the provisions of the Companies Act applicable to insurance companies.

Opinion

In our opinion the accounts have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to insurance companies.



Ernst & Young
Chartered Accountants
Registered Auditor
London

30th January 1995

Ambassador Insurance Company Limited

Revenue Account for the year ended 31st December 1994

"Accident & Health" classes of business

| | | 1994 | | 1993 | |
|--|--------------|-------------|---------------|-------------|---------------|
| | <i>Notes</i> | <u>£000</u> | <u>£000</u> | <u>£000</u> | <u>£000</u> |
| Gross written premiums | | | 16,814 | | 13,236 |
| Reinsurance ceded | | | (151) | | (133) |
| Net written premiums | 3 | | 16,663 | | 13,103 |
| Gross unearned premiums | | 620 | | 457 | |
| Reinsurance ceded | | - | | (10) | |
| Net unearned premiums at beginning of year | | | 620 | | 447 |
| Gross unearned premiums | | (767) | | (620) | |
| Reinsurance ceded | | - | | - | |
| Net unearned premiums at end of year | | | (767) | | (620) |
| Net earned premiums | | | <u>16,516</u> | | <u>12,930</u> |
| Gross claims paid | | 6,813 | | 4,669 | |
| Reinsurers' share | | (3) | | - | |
| Net claims paid | | | 6,810 | | 4,669 |
| Net outstanding claims at beginning of year | | (1,700) | | (931) | |
| Net outstanding claims at end of year | | 2,346 | | 1,700 | |
| | | | 646 | | 769 |
| Net incurred claims | | | 7,456 | | 5,438 |
| Underwriting expenses : | | | | | |
| Acquisition costs | | 4,029 | | 3,634 | |
| Maintenance expenses | | 576 | | 436 | |
| | | | 4,605 | | 4,070 |
| Management expenses : | | | | | |
| General | | 33 | | 40 | |
| Claims handling | | 273 | | 130 | |
| | | | 306 | | 170 |
| Underwriting result transferred to Profit and Loss account | | | <u>4,149</u> | | <u>3,252</u> |
| | | | <u>16,516</u> | | <u>12,930</u> |

Ambassador Insurance Company Limited

Revenue Account for the year ended 31st December 1994

Other classes of business

| | <i>Notes</i> | 1994 | | 1993 | |
|--|--------------|-------------|-------------|-------------|-------------|
| | | <u>£000</u> | <u>£000</u> | <u>£000</u> | <u>£000</u> |
| Gross written premiums | | | 13 | | - |
| Reinsurance ceded | | | | | - |
| Net written premiums | 3 | | 13 | | - |
| Gross unearned premiums | | - | | - | |
| Reinsurance ceded | | <u>-</u> | | <u>-</u> | |
| Net unearned premiums at beginning of year | | | - | | - |
| Gross unearned premiums | | (9) | | - | |
| Reinsurance ceded | | <u>-</u> | | <u>-</u> | |
| Net unearned premiums at end of year | | | (9) | | - |
| Net earned premiums | | | <u>4</u> | | <u>-</u> |
| Gross claims paid | | - | | - | |
| Reinsurers' share | | <u>-</u> | | <u>-</u> | |
| Net claims paid | | | - | | - |
| Net outstanding claims at beginning of year | | - | | - | |
| Net outstanding claims at end of year | | <u>-</u> | | <u>-</u> | |
| Net incurred claims | | | - | | - |
| Underwriting expenses : | | | | | |
| Acquisition costs | | - | | - | |
| Maintenance expenses | | <u>-</u> | | <u>-</u> | |
| | | | - | | - |
| Management expenses : | | | | | |
| General | | - | | - | |
| Claims handling | | <u>-</u> | | <u>-</u> | |
| | | | - | | - |
| Underwriting result transferred to Profit and Loss account | | | <u>4</u> | | <u>-</u> |
| | | | <u>4</u> | | <u>-</u> |

Ambassador Insurance Company Limited

Profit and Loss Account for the year ended 31st December 1994

| | <u>Notes</u> | 1994 <u>£000</u> | 1993 <u>£000</u> |
|---|--------------|---------------------|---------------------|
| Underwriting Result - "Accident & Health" | | 4,149 | 3,252 |
| Underwriting Result - "Other" | | 4 | - |
| Investment Income | 4 | 637 | 529 |
| Management Expenses | | (1,567) | (1,230) |
| Profit on ordinary activities before taxation | | <u>3,223</u> | <u>2,551</u> |
| Taxation | 5 | (1,052) | (1,074) |
| Profit on ordinary activities after taxation and retained for the financial year | | <u>2,171</u> | <u>1,477</u> |
| Retained Profit/(Loss) brought forward | | 939 | (538) |
| Retained Profit/(Loss) carried forward | | <u><u>3,110</u></u> | <u><u>939</u></u> |


The profit on ordinary activities before taxation for 1994 and 1993 contains no items in respect of discontinued operations.

There are no recognised gains and losses other than the profit attributable to shareholders of the Company of £2,171,000 in the year ended 31 December 1994 and of £1,477,000 in the year ended 31 December 1993 as shown above.

Ambassador Insurance Company Limited

Balance Sheet as at 31st December 1994

| | | 1994 | | 1993 | |
|--|--------------|----------------|---------------|----------------|--------------|
| | <i>Notes</i> | <u>£000</u> | <u>£000</u> | <u>£000</u> | <u>£000</u> |
| Fixed Assets | | | | | |
| Tangible Assets | | | 160 | | 143 |
| Investments | 9 | | 12,000 | | 8,000 |
| | | | <u>12,160</u> | | <u>8,143</u> |
| Current Assets | | | | | |
| Outstanding Premiums | | 89 | | 51 | |
| Debtors | 10 | 242 | | 382 | |
| Cash at bank & in hand | | <u>1,274</u> | | <u>1,788</u> | |
| | | | 1,605 | | 2,221 |
| Creditors : amounts falling due within one year | | | | | |
| Creditors | | (1,237) | | (783) | |
| Taxation | | <u>(1,046)</u> | | <u>(1,072)</u> | |
| | | | (2,283) | | (1,855) |
| Insurance Funds | | | | | |
| Unearned Premiums | | (776) | | (620) | |
| Outstanding Claims | | <u>(2,346)</u> | | <u>(1,700)</u> | |
| | | | (3,122) | | (2,320) |
| | | | <u>8,360</u> | | <u>6,189</u> |
| Capital and Reserves | | | | | |
| Share Capital | 11 | 5,250 | | 5,250 | |
| Profit & Loss | | <u>3,110</u> | | <u>939</u> | |
| | | <u>8,360</u> | | <u>6,189</u> | |



Director

30th January 1995

Ambassador Insurance Company Limited

Notes to the Accounts

1. Accounting Policies

The accounts have been prepared in compliance with section 255 of the Companies Act 1985. A new Schedule 9A of the Companies Act 1985 was inserted by the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993. However the Company has availed itself of a transitional provision in these Regulations permitting it to prepare accounts in accordance with the old Schedule 9A. The Company avails itself of certain exemptions from disclosure for insurance companies under the old Schedule 9A. The accounts have also been prepared in accordance with applicable accounting standards.

The Company is exempt from the requirement to produce a cashflow statement since a consolidated cashflow statement prepared in accordance with the requirements of Financial Reporting Standard No. 1 is included in the accounts of the parent undertaking, Lloyds Abbey Life plc.

The principal accounting policies are as follows :

- (a) Provision has been made for that element of premiums receivable which was unearned in the year.
- (b) Policy acquisition costs have been written off when incurred.
- (c) Provision has been made for claims notified but not paid by the balance sheet date. A provision for those claims which have been incurred but not reported (IBNR) is established on an actuarial or statistical basis as appropriate.
- (d) The claims reserve has not been discounted.
- (e) Claims handling expenses have been taken as the cost of claims staff, plus overhead allocations.
- (f) Investment income is accounted for on a receivable basis.
- (g) Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value over the expected useful life as follows:

| | |
|----------------------------------|---------|
| Computer equipment | 3 years |
| Furniture, fixtures and fittings | 5 years |

Motor vehicles are depreciated on an individual basis having regard to the envisaged usage.

(h) Deferred taxation is provided at appropriate rates of corporation tax in respect of timing differences where there exists a reasonable expectation that a liability will arise in the future.

(i) Payments in respect of operating leases have been included in the appropriate period.

Ambassador Insurance Company Limited

Notes to the Accounts

(j) The staff of the Company are members of the Abbey Life Staff Pension Scheme, which is a benefits pension scheme. The assets of this scheme are held in separate trustee administered funds. The pension costs relating to these schemes are assessed in accordance with the advice of qualified actuaries using the projected unit method. Variations from the regular cost are allocated by equal instalments over the average remaining service lives of the group's employees. Contributions are charged to the Profit and Loss Account so as to spread the expected cost of pensions on a systematic basis over the employees' working lives.

2. Reinsurance

The Company has entered into reinsurance contracts as follows :

Stop Loss on the Total Claims Incurred in respect of the Company's "Healthcare", "Low Cost Option", "Budget" and "Over Sixties" individual contracts:

An Excess cover of £1,750,000 should the expected Net Claims Fund rise to 125%.

Individual Claim Stop Loss in respect of the Company's "Healthcare" and "Low Cost Option" individual contracts:

An Excess cover of £60,000 should the value of an individual claim rise to £60,000.

Stop Loss on the Total Claims Incurred in respect of the Company's policies written in association with Health Care Management and Mirror Group Newspapers:

An Excess of cover to 142.5% of the expected Net Claims Fund should the expected Net Claims Fund rise to 110%.

3. Gross Premiums

Premiums relate primarily to the Accident & Health class of insurance business, and are written wholly in the United Kingdom; the Company has, in 1994, also written contracts under other classes of insurance business. Turnover for the year amounted to £16,827,000 (1993 - £13,236,000).

4. Investment Income

| | 1994 £000 | 1993 £000 |
|-------------------------|--------------|--------------|
| Gross Investment Income | 637 | 529 |
| | <u>637</u> | <u>529</u> |

Ambassador Insurance Company Limited

Notes to the Accounts

5. Taxation

The charge for taxation in the profit and loss account is as follows:

| | 1994 | 1993 |
|---|--------------|--------------|
| | £000 | £000 |
| Corporation Tax @33% (1993 - 33%) | 1,046 | 1,072 |
| Under/(Over) Provision in respect of previous years | 6 | 2 |
| | <u>1,052</u> | <u>1,074</u> |

6. Pensions

Staff are members of the Abbey Life Staff Pension Scheme for which an outline of the results of the most recent actuarial valuation is disclosed in the accounts of the immediate parent company Lloyds Abbey Life plc. Contributions are based on the pension costs across all members of the scheme, the Company's contribution in the year being £141,645 (1993 - £115,897).

7. Directors Emoluments

| | 1994 | 1993 |
|-----------------------|------------|------------|
| | £000 | £000 |
| Fees | - | - |
| Emoluments | 100 | 103 |
| Pension Contributions | 29 | 22 |
| | <u>129</u> | <u>125</u> |

Emoluments excluding pension contributions :

| | £ | £ |
|-----------------------|--------|---------|
| Highest Paid Director | 99,619 | 102,824 |
| Chairman | nil | nil |

8. Auditors Remuneration

The auditors remuneration included in management expenses is £22,950 (1993 - £18,000).

9. Investments

The deposits consist of bank time deposits with maturities between one month and one year.

Ambassador Insurance Company Limited

Notes to the Accounts

10. Debtors

| | 1994 £000 | 1993 £000 |
|-------------------------|--------------|--------------|
| Group relief receivable | 38 | 270 |
| Interest receivable | 202 | 63 |
| Other debtors | 2 | 49 |
| | <u>242</u> | <u>382</u> |

11. Share Capital

The Share Capital Authorised, Allotted & Fully Paid consists of 5,250,000 Ordinary Shares of £1 each.

| | 1994 £000 | 1993 £000 |
|---------------------------------------|--------------|--------------|
| Authorised Ordinary Shares of £1 each | <u>5,250</u> | <u>5,250</u> |
| Allotted and Fully Paid | <u>5,250</u> | <u>5,250</u> |

12. Operating Lease Commitments

Operating lease rentals of equipment which are due in the following year are as follows:

| | 1994 £000 | 1993 £000 |
|---|--------------|--------------|
| Leases expiring within 1 year | 1 | 1 |
| Leases expiring between 1 and 5 years | 7 | 8 |
| Leases expiring after more than 5 years | <u>-</u> | <u>-</u> |

13. Holding Company

The Company is a wholly owned subsidiary undertaking of Lloyds Abbey Life plc. The Company's ultimate parent company is Lloyds Bank plc, a company incorporated in Great Britain and registered in England and Wales.

Ambassador Insurance Company Limited

Notes to the Accounts

14. Group Accounts

The parent for the largest group of undertakings, for which group accounts are drawn up and of which the Company is a member, is Lloyds Bank plc. Copies of the accounts can be obtained from Lloyds Bank plc, 71 Lombard Street, London EC3P 3BS.

The parent for the smallest group of undertakings, for which for which group accounts are drawn up and of which the Company is a member, is Lloyds Abbey Life plc, a company incorporated in Great Britain and registered in England and Wales. Copies of the accounts can be obtained from Lloyds Abbey Life plc, 205 Brooklands Road, Weybridge, Surrey, KT13 0PE.