

# Ambassador Insurance Company Limited

REPORT AND ACCOUNTS 1996



# **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 1996.

### **Principal Activity and Business Review**

The Company's activities throughout the year have comprised the provision of private health insurance plans. Overall new business levels were higher than in 1995 due to an increase in group scheme business.

### **Profit and Loss Account**

The profit for the year after taxation amounted to £ 3.5m (1995 - £2.9m). The directors do not recommend a dividend in respect of the year ended 31st December 1996 (1995 - £500,000).

### **Balance Sheet**

The Company's expenditure on Fixed Assets during the year was £105,561 (1995 - £146,216).

### **Charitable Donations**

During the year the Company made a charitable donation of £10,000.

### **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
L. C. Powers-Freeling	

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 L. C. Powers-Freeling in the share capital of other group companies are disclosed in the accounts of Lloyds Abbey Life plc.

# Ambassador Insurance Company Limited

## Directors' Report

### Directors (continued)

Details of E. A. Kirtley's interest in other group companies is shown below.

	<i>Lloyds TSB Group</i>	<i>Lloyds TSB Group</i>
	<u>at 1.1.96</u>	<u>at 31.12.96</u>
E. A. Kirtley	<u>29,148</u>	<u>50,862</u>

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

#### *Lloyds Abbey Life plc Employee Share Option Schemes:*

	<u>at 1.1.96</u>	<u>granted</u>	<u>exercised</u>	<u>at 31.12.96</u>
E. A. Kirtley	<u>87,556</u>	-	86,312	<u>1,244</u>

As a consequence of the scheme of arrangement by which Lloyds Abbey Life became a wholly owned subsidiary of Lloyds TSB Group, the options are exercisable for a six month period commencing on 11th December 1996. On exercise, optionholders will receive, for every 7 Lloyds Abbey Life shares under option, 6 new Lloyds TSB Group shares and 2100p in cash. Optionholders may also elect to receive a partial cash or loan note alternative.

Optionholders in the Savings-Related Share Option scheme may, during the six month period commencing 11th December 1996, cancel their options in Lloyds Abbey Life in return for the grant of new options in Lloyds TSB Group on the basis of 1.624 Lloyds TSB Group shares for every Lloyds Abbey Life share under option.

In addition, E. A. Kirtley had an interest in the loan capital of Lloyds TSB Group as the holder of £61,249 of loan notes issued under the scheme of arrangement.

# ***Ambassador Insurance Company Limited***

## **Directors' Report**

### **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

A handwritten signature in black ink, appearing to be 'E. A. Kirtley', written over a dotted line.

.....  
E. A. Kirtley  
*Director*

24th January 1997

## ***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 preparing those accounts the directors are 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 7 to 20, which have been prepared on the basis of the accounting policies set out on pages 12 and 13.

### **Respective Responsibilities of Directors and Auditors**

As described on page 5, the Company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

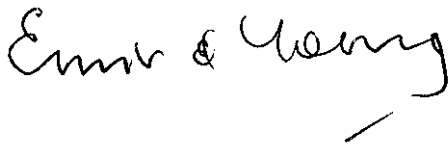
### **Basis of Opinion**

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 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.

### **Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the Company at 31st December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young  
Chartered Accountants  
Registered Auditor  
London

28th January 1997

# Ambassador Insurance Company Limited

## Profit and Loss Account for the year ended 31st December 1996 Technical Account - General Business

	<i>Notes</i>	1996 <u>£000</u> <u>£000</u>	1995 <u>£000</u> <u>£000</u>
Gross premiums written		24,854	20,948
Reinsurance ceded		<u>264</u>	<u>181</u>
Net premiums written	3	24,590	20,767
Change in gross provision for unearned premiums		667	1,188
<b>Total Technical Income</b>		<u>23,923</u>	<u>19,579</u>
Gross claims paid		12,032	8,407
Reinsurers' share		<u>-</u>	<u>-</u>
Net claims paid		12,032	8,407
Gross change in provision for claims		1,266	1,256
Reinsurers' share		<u>-</u>	<u>-</u>
Net change in provision for claims		1,266	1,256
Claims incurred net of reinsurance	4	<u>13,298</u>	<u>9,663</u>
Net operating expenses	5	6,646	6,001
<b>Total Charges</b>		<u>19,944</u>	<u>15,664</u>
<b>Balance on the technical account for general business</b>		<u>3,979</u>	<u>3,915</u>

## **Ambassador Insurance Company Limited**

### **Profit and Loss Account for the year ended 31st December 1996 Non-Technical Account**

	<u>Notes</u>	<u>1996</u> <u>£000</u>	<u>1995</u> <u>£000</u>
<b>Balance on the general business technical account</b>		3,979	3,915
Investment Income	10	1,161	1,001
<b>Profit on ordinary activities before taxation</b>		<u>5,140</u>	<u>4,916</u>
Taxation	11	1,675	2,059
<b>Profit on ordinary activities after taxation</b>		<u>3,465</u>	<u>2,857</u>
Dividends	12	-	500
<b>Profit retained for the financial year</b>		<u><u>3,465</u></u>	<u><u>2,357</u></u>

The profit on ordinary activities before taxation for 1996 and 1995 contains no items in respect of discontinued operations.

Movements on reserves are shown in note 18.



# Ambassador Insurance Company Limited

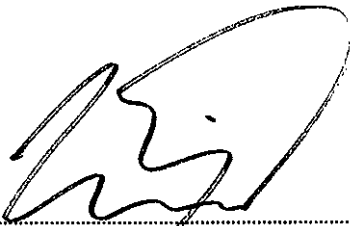
## Balance Sheet as at 31st December 1996

Assets	Notes	1996		1995	
		£000	£000	£000	£000
<b>Investments</b>					
Deposits with credit institutions	13		20,000		16,000
<b>Debtors</b>					
Debtors arising out of direct insurance operations - policyholders			2,729		2,070
Other debtors	14		<u>238</u>		<u>207</u>
			2,967		2,277
<b>Other Assets</b>					
Tangible assets	15		189		185
Cash at bank and in hand			<u>1,443</u>		<u>1,579</u>
			1,632		1,764
<b>Prepayments and Accrued Income</b>					
Accrued interest			113		75
Deferred acquisition costs			375		339
Other prepayments and accrued income			<u>225</u>		<u>212</u>
			713		626
<b>Total Assets</b>			<u>25,312</u>		<u>20,667</u>

# Ambassador Insurance Company Limited

Balance Sheet as at 31st December 1996

Liabilities	<i>Notes</i>	1996		1995	
		<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
<b>Capital and Reserves</b>					
Called up share capital	16	5,250		5,250	
Profit and loss account		<u>9,041</u>		<u>5,576</u>	
			14,291		10,826
<b>Technical Provisions</b>					
Unearned premiums		2,632		1,964	
Claims outstanding		<u>4,868</u>		<u>3,602</u>	
			7,500		5,566
<b>Creditors</b>	17				
Arising out of direct insurance operations		895		747	
Proposed dividend		-		500	
Other creditors including taxation and social security		<u>2,383</u>		<u>2,807</u>	
			3,278		4,054
<b>Accruals and Deferred Income</b>			243		221
<b>Total Liabilities</b>			<u>25,312</u>		<u>20,667</u>



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Director

24th January 1997

## ***Ambassador Insurance Company Limited***

### **Statement of Total Recognised Gains and Losses for the year ended 31st December 1996**

	1996 <u>£000</u>	1995 <u>£000</u>
Retained profit for the financial year	3,465	2,357
Prior year adjustment (as explained in note 18)	-	109
Total gains and losses recognised since last annual report	<u>3,465</u>	<u>2,466</u>

# ***Ambassador Insurance Company Limited***

## **Notes to the Accounts**

### **1. Accounting Policies**

The accounts have been prepared in compliance with the special provisions relating to insurance companies of section 255 of, and Schedule 9A to, the Companies Act 1985.

The accounts have been prepared in accordance with applicable accounting standards. In addition, the company has adopted all material recommendations of the Guidance on Accounting for Insurance Business issued by the Association of British Insurers in December 1996.

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 ultimate parent undertaking, Lloyds TSB Group 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) Acquisition costs which vary with, and are primarily related to, the acquisition of new insurance contracts and the renewal of existing contracts are deferred to the extent that they are attributable to premiums unearned at the balance sheet date.
- (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 provision has not been discounted.
- (e) Claims handling expenses have been taken as the cost of claims staff, plus overhead allocations. Provision has been made for those costs that will be incurred in processing the outstanding claims liabilities.
- (f) Investment income is accounted for on a receivable basis.
- (g) All investments are stated at current value in the balance sheet.
- (h) 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.

# ***Ambassador Insurance Company Limited***

## **Notes to the Accounts**

(i) 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.

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

(k) 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 individual and company contracts:

Aggregate stop loss without limit should the expected Net Claims Fund rise to 125% of that expected.

Individual Claim Stop Loss in respect of the Company's individual and small companies contracts that have no policy benefit limits:

An Excess of loss without limit should the value of an individual claim exceed £60,000.

# **Ambassador Insurance Company Limited**

## **Notes to the Accounts**

### **3. Earned Premiums net of Reinsurance**

	Gross £000	Reinsurance £000	Net £000
1996			
Premiums receivable	<u>24,854</u>	<u>264</u>	<u>24,590</u>
Unearned premiums carried forward	2,631	-	2,631
Unearned premiums brought forward	1,964	-	1,964
Increase	<u>667</u>	<u>-</u>	<u>667</u>
Premiums earned	<u><u>24,187</u></u>	<u><u>264</u></u>	<u><u>23,923</u></u>
1995			
Premiums receivable	<u>20,948</u>	<u>181</u>	<u>20,767</u>
Unearned premiums carried forward	1,964	-	1,964
Unearned premiums brought forward	776	-	776
Increase	<u>1,188</u>	<u>-</u>	<u>1,188</u>
Premiums earned	<u><u>19,760</u></u>	<u><u>181</u></u>	<u><u>19,579</u></u>

### **4. Claims Incurred net of Reinsurance**

1996			
Claims paid	11,768	-	11,768
Claims handling expenses paid	264	-	264
	<u>12,032</u>	<u>-</u>	<u>12,032</u>
Outstanding claims carried forward	4,868	-	4,868
Outstanding claims brought forward	3,602	-	3,602
Increase	<u>1,266</u>	<u>-</u>	<u>1,266</u>
Claims incurred	<u><u>13,298</u></u>	<u><u>-</u></u>	<u><u>13,298</u></u>

# Ambassador Insurance Company Limited

## Notes to the Accounts

	Gross £000	Reinsurance £000	Net £000
1995			
Claims paid	8,216	-	8,216
Claims handling expenses paid	191	-	191
	<u>8,407</u>	<u>-</u>	<u>8,407</u>
Oustanding claims carried forward	3,602	-	3,602
Oustanding claims brought forward	2,346	-	2,346
	<u>1,256</u>	<u>-</u>	<u>1,256</u>
Increase	<u>1,256</u>	<u>-</u>	<u>1,256</u>
Claims incurred	<u>9,663</u>	<u>-</u>	<u>9,663</u>

### 5. Net Operating Expenses

1996

Acquisition Costs	<u>3,546</u>	<u>-</u>	<u>3,546</u>
Deferred acquisition costs carried forward	375	-	375
Deferred acquisition costs brought forward	339	-	339
	<u>36</u>	<u>-</u>	<u>36</u>
Increase	<u>36</u>	<u>-</u>	<u>36</u>
Incurred acquisition costs	<u>3,510</u>	<u>-</u>	3,510
Administrative expenses			3,136
			<u>6,646</u>

1995

Acquisition Costs	<u>3,317</u>	<u>-</u>	<u>3,317</u>
Deferred acquisition costs carried forward	339	-	339
Deferred acquisition costs brought forward	109	-	109
	<u>230</u>	<u>-</u>	<u>230</u>
Increase	<u>230</u>	<u>-</u>	<u>230</u>
Incurred acquisition costs	<u>3,087</u>	<u>-</u>	3,087
Administrative expenses			2,914
			<u>6,001</u>

# Ambassador Insurance Company Limited

## Notes to the Accounts

6. Administrative Expenses	1996 £000	1995 £000
Administrative expenses include:		
Depreciation	<u>77</u>	<u>88</u>
Policyholders' Protection Act levy	<u>71</u>	<u>97</u>
Auditors' remuneration - audit services	<u>20</u>	<u>19</u>
Operating lease rentals	<u>12</u>	<u>13</u>

7. Staff Costs	1996 £000	1995 £000
Wages and salaries	1,261	1,180
Social security costs	102	99
Other pension costs	191	164
	<u>1,554</u>	<u>1,443</u>

The average number of employees during the year was as follows:

	1996 No.	1995 No.
Management	3	3
Clerical	3	2
Other	63	58
	<u>69</u>	<u>63</u>

8. Directors Emoluments	1996 £000	1995 £000
Emoluments	122	107
Pension Contributions	37	34
	<u>159</u>	<u>141</u>

Emoluments excluding pension contributions :

	£	£
Highest Paid Director	121,596	106,861
Chairman	nil	nil



# Ambassador Insurance Company Limited

## Notes to the Accounts

### 9. 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.

### 10. Investment Income

Investment income consists mainly of income from deposits with credit institutions.

### 11. Taxation

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

	1996 £000	1995 £000
Corporation Tax @33% (1995 - 33%)	1,691	2,058
(Over)/Under Provision in respect of previous years	(16)	1
	<u>1,675</u>	<u>2,059</u>

### 12. Dividends

	1996 £000	1995 £000
Proposed final dividend	<u>nil</u>	<u>500</u>

### 13. Investments

Investments consist of deposits with credit institutions with maturities of between one and three months.

### 14. Debtors

Other debtors includes £6,000 (1995 - £16,000) due from group undertakings, and £ nil (1995 - £125,000) recoverable after more than one year.

# Ambassador Insurance Company Limited

## Notes to the Accounts

15. Tangible Assets	Computer equipment £000	Motor vehicles £000	Furniture & equipment £000	Total £000
Cost:				
At 1st January 1996	131	132	133	396
Additions	20	77	9	106
Disposals	14	76	-	90
At 31st December 1996	<u>137</u>	<u>133</u>	<u>142</u>	<u>412</u>
Depreciation:				
At 1st January 1996	88	59	64	211
Charge for year	27	31	19	77
Disposals	14	51	-	65
At 31st December 1996	<u>101</u>	<u>39</u>	<u>83</u>	<u>223</u>
Net book value:				
At 31st December 1996	<u>36</u>	<u>94</u>	<u>59</u>	<u>189</u>
At 31st December 1995	<u>43</u>	<u>73</u>	<u>69</u>	<u>185</u>

## 16. Share Capital

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

	1996 £000	1995 £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>

## 17. Creditors

Creditors arising out of direct insurance operations includes £458,000 (1995 - £381,000) due to group undertakings. Other creditors include £136,000 (1995 - £137,000) due to group undertakings.

# Ambassador Insurance Company Limited

## Notes to the Accounts

### 18. Reconciliation of Movements in Shareholders' Funds

	Share capital £000	Profit & loss account £000	Total £000
At 1st January 1995 - as originally stated	5,250	3,187	8,437
Prior year adjustment	-	32	32
At 1st January 1995 - as restated	<u>5,250</u>	<u>3,219</u>	<u>8,469</u>
Retained profit for the financial year	-	2,357	2,357
At 31st December 1995	<u>5,250</u>	<u>5,576</u>	<u>10,826</u>
At 1st January 1996	5,250	5,576	10,826
Retained profit for the financial year	-	3,465	3,465
At 31st December 1996	<u>5,250</u>	<u>9,041</u>	<u>14,291</u>

The prior year adjustment in 1995 relates to the deferral of acquisition costs attributable to premiums unearned at the balance sheet date.

### 19. Segmental Analysis

	Accident & Health £000	Other £000	Total £000
1996			
Gross premiums written	<u>24,841</u>	<u>13</u>	<u>24,854</u>
Gross premiums earned	24,178	9	24,187
Gross claims incurred	13,298	-	13,298
Gross operating expenses	<u>6,646</u>	<u>-</u>	<u>6,646</u>
Gross technical result	4,234	9	4,243
Reinsurance balance	264	-	264
Net technical result	<u>3,970</u>	<u>9</u>	<u>3,979</u>
Net technical provisions	<u>7,500</u>	<u>-</u>	<u>7,500</u>

# Ambassador Insurance Company Limited

## Notes to the Accounts

	Accident & Health £000	Other £000	Total £000
1995			
Gross premiums written	<u>20,935</u>	<u>13</u>	<u>20,948</u>
Gross premiums earned	19,751	9	19,760
Gross claims incurred	9,663	-	9,663
Gross operating expenses	<u>6,001</u>	<u>-</u>	<u>6,001</u>
Gross technical result	4,087	9	4,096
Reinsurance balance	<u>181</u>	<u>-</u>	<u>181</u>
Net technical result	<u>3,906</u>	<u>9</u>	<u>3,915</u>
Net technical provisions	<u>5,566</u>	<u>-</u>	<u>5,566</u>

All risks are located and concluded in the United Kingdom.

## 20. Operating Lease Commitments

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

	1996 £000	1995 £000
Leases expiring within 1 year	2	2
Leases expiring between 1 and 5 years	8	8
Leases expiring after more than 5 years	-	-

## 21. Parent Company

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

## 22. 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 TSB Group plc. Copies of the accounts can be obtained from Lloyds TSB Group 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 TSB Group plc, 71 Lombard Street, London, EC3P 3BS.