

2306320

ZURICH HOLDINGS (UK) LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1991

ZURICH HOLDINGS (UK) LIMITED

**DIRECTORS**

D Menzies, MA (Oxon), FIA (London), FIA (Australia), Chairman (resigned 01.05.91)  
R F Huppi (Swiss), (appointed a Director and Chairman 01.05.91)  
D W White, ACII, Managing Director  
R M Farr, BA (Oxon)  
D L C Lee, FCA  
A W Ridding, ACII

**COMPANY SECRETARY**

D L C Lee, FCA, (resigned 18.11.91)  
M J Chandler, BSc ACIS, (appointed 18.11.91)

**AUDITORS**

Grant Thornton, Chartered Accountants  
Enterprise House  
Isambard Brunel Road  
Portsmouth PO1 2RZ

**BANKERS**

The Royal Bank of Scotland Plc  
5-10 Great Tower Street  
London  
EC3P 3HX

**REGISTERED OFFICE**

Zurich House  
Stanhope Road  
Portsmouth  
Hampshire  
PO1 1DU

Registered in England No 2306320

ZURICH HOLDINGS (UK) LIMITED

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting the third Annual Report and the Accounts of the Company, for the year ended 31 December 1991.

**PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS**

The principal activity of the Company is to act as a general holding company.

The net loss for the year after taxation amounted to £4,562,006 (1990: £2,070,430) which is included in the balance now carried forward on the Profit and Loss Account.

**DIRECTORS**

The Directors who held office during the year are shown on page 2.

**SHAREHOLDINGS**

Throughout the year D L C Lee and A W Ridding held a joint interest in 100 Voting shares in Zurich Insurance Company (U.K.) Limited, together with two other persons.

The Directors held no beneficial interests in the shares of other group companies during the year.

**FIXED ASSETS**

The Directors are of the opinion that the market value of the freehold land exceeds its book cost.

**AUDITORS**

Grant Thornton, having offered themselves for reappointment as auditors shall be deemed to be reappointed for the next financial year in accordance with section 386 of the Companies Act 1985.

BY ORDER OF THE BOARD

Zurich House  
Stanhope Road  
Portsmouth  
Hampshire  
PO1 1DU



M J Chandler  
Secretary

23 June 1992

ZURICH HOLDINGS (UK) LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1991

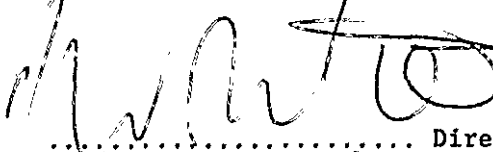
	<u>Note</u>	<u>£</u>	<u>1991</u> <u>£</u>	<u>1990</u> <u>£</u>
INVESTMENT INCOME	2(a) 3		151,673	5,498,008
EXPENDITURE:	2(b)			
Interest payable to group undertakings		6,134,034		7,545,205
Administrative costs		9,859		16,933
Legal and financial		11,859		6,300
			6,155,752	7,568,438
LOSS BEFORE TAXATION	4		(6,004,079)	(2,070,430)
TAXATION	6		1,442,073	-
			(4,562,006)	(2,070,430)
RETAINED DEFICIT BROUGHT FORWARD			(7,101,213)	(5,030,783)
RETAINED DEFICIT CARRIED FORWARD			£(11,663,219)	£(7,101,213)

The notes on pages 7 to 10 form part of these accounts.

ZURICH HOLDINGS (UK) LIMITED  
BALANCE SHEET AT 31 DECEMBER 1991

	<u>Note</u>	£	<u>1991</u> £	<u>1990</u> £
<b>FIXED ASSETS</b>				
Land, at cost	7		945,000	945,000
Investments	8		57,001,000	57,001,000
			<u>57,946,000</u>	<u>57,946,000</u>
<b>CURRENT ASSETS</b>				
Debtors	9	2,037,101		3,822,375
Investments	10	196,008		484,982
Cash at bank		544		6,844
		<u>2,233,653</u>		<u>4,314,201</u>
CREDITORS: amounts falling due within one year	11	6,842,872		9,361,414
				<u>9,361,414</u>
<b>NET CURRENT LIABILITIES</b>			(4,609,219)	(5,047,213)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>53,336,781</u>	<u>52,898,787</u>
CREDITORS: amounts falling due after more than one year	12		45,000,000	45,000,000
			<u>£8,336,781</u>	<u>£7,898,787</u>
<b>CAPITAL AND RESERVES</b>				
Called up share capital	13		20,000,000	15,000,000
Profit and loss account			(11,663,219)	(7,101,213)
			<u>£8,336,781</u>	<u>£7,898,787</u>

The financial statements were approved by the Board on 23 June 1992

  
..... Director  
D W White

The notes on pages 7 to 10 form part of these accounts.

ZURICH HOLDINGS (UK) LIMITED  
STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
FOR THE YEAR ENDED 31 DECEMBER 1991

	£	<u>1991</u> £	<u>1990</u> £
OUTFLOW OF FUNDS FROM OPERATIONS			
LOSS BEFORE TAXATION		(6,004,079)	(2,070,430)
FUNDS FROM OTHER SOURCES			
Issues of share capital	5,000,000		-
Sale of investment in group undertaking	-		20,000
	<hr/>	5,000,000	20,000
APPLICATION OF FUNDS			
Purchase of investments in group undertakings		-	(27,001,000)
		<hr/>	<hr/>
NET OUTFLOW OF FUNDS		£(1,004,079)	£(29,051,430)
INCREASE/(DECREASE) IN WORKING CAPITAL			
DEBTORS		(3,822,375)	2,654,421
CREDITORS		3,113,570	(5,691,978)
		<hr/>	<hr/>
		(708,805)	(3,037,557)
NET LIQUID FUNDS			
Current asset investments	(288,974)		(26,019,734)
Cash at bank	(6,300)		5,861
	<hr/>	(295,274)	(26,013,873)
		<hr/>	<hr/>
NET DECREASE IN WORKING CAPITAL		£(1,004,079)	£(29,051,430)

ZURICH HOLDINGS (UK) LIMITED

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 1991

1. ULTIMATE HOLDING COMPANY

The Company is a member of the Zurich Insurance Group, and its ultimate holding company is Zurich Insurance Company incorporated in Switzerland.

The directors have attached the accounts of ZPC (Construction) Company Ltd, Zurich International (UK) Ltd, and Zurich Re (UK) Ltd, the company's subsidiary undertakings so that taken together with the accounts of Zurich Holdings (UK) Ltd they form group accounts. As the subsidiaries operate in different businesses and prepare the accounts under different requirements the directors consider that the preparation of consolidated accounts would be of no value to a user of the accounts or to the members of the company.

Except for the above the accounts have been prepared in accordance with applicable accounting standards.

2. ACCOUNTING POLICIES

The accounts have been prepared in accordance with applicable accounting standards under the historical cost convention.

(a) Income from investments

Investment income comprises dividends receivable during the year and interest receivable on short-term deposits.

(b) Expenses

Expenses are charged to revenue as they fall due for payment.

3. INVESTMENT INCOME

	<u>1991</u> £	<u>1990</u> £
Short-term deposit interest	151,673	3,619,208
Income from shares in group undertakings	-	1,878,800
	<u>£151,673</u>	<u>£5,498,008</u>

4. LOSS BEFORE TAXATION

The loss before taxation is stated after charging Auditors' remuneration of £4,250 (1990: £4,250).

5. DIRECTORS

No remuneration was payable to the directors during the year.

# ZURICH HOLDINGS (UK) LIMITED

## NOTES TO THE ACCOUNTS (CONTINUED)

### 6. TAXATION

The tax credit is based on the result for the year.

	<u>1991</u> £	<u>1990</u> £
United Kingdom Corporation Tax at 33% (1990 34%)	-	590,684
Group Relief surrendered	-	(590,684)
Group Relief receivable - 1991	(2,037,101)	
Group Relief payable - 1990	595,028	-
	<u>£(1,442,073)</u>	<u>£ -</u>

### 7. FIXED ASSETS - LAND

This represents land adjacent to Zurich House, Stanhope Road, Portsmouth, purchased freehold by the Company on 13 March 1989.

### 8. FIXED ASSET INVESTMENTS

Shares in group undertakings at cost

	<u>1991</u> £	<u>1990</u> £
Zurich Re (UK) Limited	57,000,000	57,000,000
Vita Life Services London Limited	1,000	1,000
	<u>£57,001,000</u>	<u>£57,001,000</u>

At 31 December 1991 the group held more than 10% of the equity of the following companies:

	<u>Country of Registration</u>	<u>Class of Share Capital held</u>	<u>Proportion Held By Parent Company</u>	<u>By the Group</u>	<u>Nature of business</u>
Zurich Re (UK) Limited	England	Ordinary	100%	-	Insurance and Reinsurance
Zurich International (UK) Limited	England	Ordinary	-	100%	Insurance and Reinsurance
ZPC (Construction) Company Limited	England	Ordinary	-	75%	Property Investment

ZURICH HOLDINGS (UK) LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

9. DEBTORS

	<u>1991</u> £	<u>1990</u> £
Group relief receivable	2,037,101	-
Amounts owed by group undertaking	-	3,822,375
	<u>£2,037,101</u> =====	<u>£3,822,375</u> =====

The loan was to a group undertaking, ZPC (Construction) Company Limited, and was interest free and repaid in full on 29 January 1991.

10. CURRENT ASSET INVESTMENTS

	<u>1991</u>	<u>1990</u>
Short Term Deposits	£196,008 =====	£484,982 =====

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1991</u> £	<u>1990</u> £
Amounts owed to parent undertakings	6,224,195	9,336,878
Amounts owed to subsidiary undertaking	19,649	19,649
Group Relief payable	595,028	-
Accruals	4,000	4,887
	<u>£6,842,872</u> =====	<u>£9,361,414</u> =====

12. CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>1991</u> £	<u>1990</u> £
Due to group undertakings		
Loan from Turegum Insurance Company	22,500,000	22,500,000
Loan from Ultimate Holding Company	22,500,000	22,500,000
	<u>£45,000,000</u> =====	<u>£45,000,000</u> =====

# ZURICH HOLDINGS (UK) LIMITED

## NOTES TO THE ACCOUNTS (CONTINUED)

### 12. CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (CONTINUED)

These loans are both for an initial period of five years. Thereafter they can be terminated by either party giving to the other at least three months prior written notice of termination. The earliest termination date in respect of the loan from Turegum Insurance Company is 19 December 1994 whilst that in respect of Zurich Insurance Company is 8 March 1994.

Interest is payable on these loans at 2% above the base rate of The Royal Bank of Scotland Plc, or such lower rate as may be agreed in writing from time to time between the parties.

### 13. SHARE CAPITAL

	<u>1991</u> £	<u>1990</u> £
<u>Authorised:</u>		
12,500,000 5% non-cumulative redeemable preference shares of £1 each	12,500,000	3,750,000
37,500,000 ordinary shares of £1 each	37,500,000	11,250,000
	<hr/>	<hr/>
	£50,000,000	£15,000,000
	<hr/>	<hr/>
<u>Issued and fully paid:</u>		
5,000,000 5% non-cumulative redeemable preference shares of £1 each	5,000,000	3,750,000
15,000,000 ordinary shares of £1 each	15,000,000	11,250,000
	<hr/>	<hr/>
	£20,000,000	£15,000,000
	<hr/>	<hr/>

On 23 December 1991 a total of 3,750,000 £1 Ordinary shares and 1,250,000 5% non-cumulative, redeemable £1 Preference shares were issued at par for cash, in order to increase working capital.

The £1 Preference shares are redeemable at the option of the holder on the fifth and subsequent anniversary dates of issue, the earliest redemption date being 12 October 1994 in respect of 3,750,000 Preference shares and 23 December 1996 in respect of the remaining 1,250,000 Preference shares.

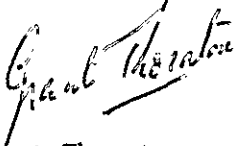
ZURICH HOLDINGS (UK) LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF  
ZURICH HOLDINGS (UK) LIMITED

We have audited the financial statements on pages 4 to 10 in accordance with Auditing Standards.

The group financial statements of Zurich Holdings (UK) Limited and its subsidiary undertakings are set out on pages 1 to 64. We have audited the financial statements on pages 4 to 10, 15 to 21 and 27 to 36 in accordance with auditing standards. The financial statements on pages 46 to 51 have been audited by Coopers and Lybrand. The reports of the auditors accompany the financial statements of the subsidiary undertakings and are shown on pages 22, 37 and 52.

For the reasons stated in note 1 on page 7, the financial statements prepared by the directors are not fully consolidated as required by section 227(2) of the Companies Act 1985 and therefore, in our opinion, cannot be considered to have been properly prepared in accordance with the Act, nor to give a true and fair view of the state of affairs of the group as a whole at 31 December 1991 or of its results and source and application of funds for the year then ended. However, in our opinion, the financial statements of Zurich Holdings (UK) Limited on pages 4 to 10 do give a true and fair view of the state of affairs of the Company at 31 December 1991 and of its result and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Grant Thornton  
Registered Auditor  
Chartered Accountants  
Enterprise House  
Isambard Brunel Road  
Portsmouth  
PO1 2RZ

23 June 1992

ZPC (CONSTRUCTION) COMPANY LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1991

ZPC (CONSTRUCTION) COMPANY LIMITED

**DIRECTORS**

D W White, ACII, Chairman and Managing Director  
P A Edwards  
R M Farr, BA (Oxon)  
D L C Lee, FCA  
A W Ridding, ACII

**COMPANY SECRETARY**

D L C Lee, FCA (resigned 18.11.91)  
M J Chandler, BSc ACIS (appointed 18.11.91)

**AUDITORS**

Grant Thornton, Chartered Accountants  
Enterprise House  
Isambard Brunel Road  
Portsmouth PO1 2RZ

**BANKERS**

The Royal Bank of Scotland Plc  
5-10 Great Tower Street  
London EC3P 3HX

**REGISTERED OFFICE**

Zurich House  
Stanhope Road  
Portsmouth  
Hampshire PO1 1DU

Registered in England No 2306067

ZPC (CONSTRUCTION) COMPANY LIMITED

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting the second Annual Report and the Accounts of the Company, for the year ended 31 December 1991.

**PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS**

The principal activity of the Company is to act as a property company and to lease out office space at its premises at The Zurich Building, 90 Fenchurch Street, London, EC3M 4JX. The Company acquired the freehold of these premises on 11 December 1990.

The net profit for the year after taxation amounted to £2,710,403 (1990: £106,353). The Directors do not recommend payment of a dividend and the profit has therefore been retained.

**DIRECTORS**

The Directors named on page 2 held office throughout the year.

**SHAREHOLDINGS**

Throughout the year D L C Lee and A W Ridding held a joint interest in 100 Voting shares in Zurich Insurance Company (UK) Limited, together with two other persons.


The Directors held no beneficial interests in the shares of other group companies during the year.

**AUDITORS**

Grant Thornton, having offered themselves for reappointment as auditors shall be deemed to be reappointed for the next financial year in accordance with Section 386 of the Companies Act 1985.

Zurich House  
Stanhope Road  
Portsmouth  
Hampshire  
PO1 1DU

BY ORDER OF THE BOARD

  
.....

M J Chandler  
Secretary

19 June 1992

ZPC (CONSTRUCTION) COMPANY LIMITED

PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 1991

		<u>1991</u>	<u>1990</u>
	<u>Note</u>	<u>£</u>	<u>£</u>
RENTAL INCOME	2(b)	3,132,954	106,687
OTHER INCOME	3	3,125,000	-
		<u>6,257,954</u>	<u>106,687</u>
EXPENSES	2(c), 2(d)	<u>1,901,613</u>	<u>56,158</u>
OPERATING PROFIT		4,356,341	50,529
INVESTMENT INCOME	2(a)	<u>227,826</u>	<u>55,824</u>
PROFIT BEFORE TAXATION	4	4,584,167	106,353
TAXATION	6	<u>1,873,764</u>	<u>-</u>
PROFIT AFTER TAXATION		2,710,403	106,353
DIVIDEND : ORDINARY	7	-	(1,878,800)
PROFIT (LOSS) FOR THE YEAR		2,710,403	(1,772,447)
RETAINED PROFIT BROUGHT FORWARD		<u>109,860</u>	<u>1,882,307</u>
RETAINED PROFIT CARRIED FORWARD		<u>£2,820,263</u>	<u>£109,860</u>

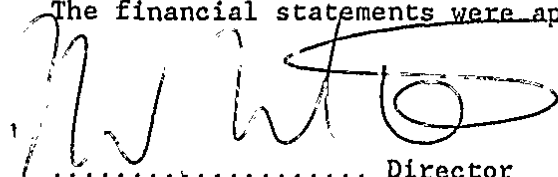
The notes on pages 7 to 9 form part of these accounts.

ZPC (CONSTRUCTION) COMPANY LIMITED

BALANCE SHEET AT 31 DECEMBER 1991

			<u>1991</u>	<u>1990</u>
	<u>Note</u>	<u>£</u>	<u>£</u>	<u>£</u>
TANGIBLE FIXED ASSETS	2(e) 8		53,801,302	52,057,285
CURRENT ASSETS				
Debtors	9	3,733,346		7,778,238
Investments	10	2,688,708		3,156,247
Cash at bank		175,332		1,031
		<u>6,597,386</u>		<u>10,935,516</u>
CREDITORS: amounts falling due within one year	11	3,558,425		8,862,941
NET CURRENT ASSETS			<u>3,038,961</u>	<u>2,072,575</u>
			<u>£56,840,263</u>	<u>£54,129,860</u>
CAPITAL AND RESERVES				
Called up share capital	12		54,020,000	54,020,000
Profit and loss account			<u>2,820,263</u>	<u>109,860</u>
			<u>£56,840,263</u>	<u>£54,129,860</u>

The financial statements were approved by the Board on 19 June 1992.

  
..... Director

D W White

The notes on pages 7 to 9 form part of these accounts.

ZPC (CONSTRUCTION) COMPANY LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
FOR THE YEAR ENDED 31 DECEMBER 1991

	<u>1991</u>	<u>1990</u>
	£	£
<b>SOURCE OF FUNDS</b>		
From operations		
Profit before taxation	4,584,167	106,353
Adjustment for item not involving the movement of funds		
Depreciation	460,418	-
	<u>5,044,585</u>	<u>106,353</u>
<b>FUNDS FROM OTHER SOURCES</b>		
Issue of share capital	-	54,000,000
Loans from group undertakings	-	7,644,750
	<u>5,044,585</u>	<u>61,751,103</u>
<b>APPLICATION OF FUNDS</b>		
Loans from group undertakings	(7,644,750)	-
Purchase of freehold property	(5,000)	(52,054,204)
Purchase of fixed assets	(2,199,435)	(3,081)
Dividend paid	-	(1,878,800)
	<u>£(4,804,600)</u>	<u>£7,815,018</u>
<b>INCREASE (DECREASE) IN WORKING CAPITAL</b>		
Debtors	(4,044,392)	5,883,636
Investments	(467,539)	3,156,247
Creditors	(466,470)	(1,215,948)
	<u>(4,978,901)</u>	<u>7,823,935</u>
<b>NET LIQUID FUNDS</b>		
Cash at bank	174,301	(8,917)
<b>NET INCREASE IN WORKING CAPITAL</b>	<u>£(4,804,600)</u>	<u>£7,815,018</u>

ZPC (CONSTRUCTION) COMPANY LIMITED

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 1991

1. ULTIMATE HOLDING COMPANY

The Company is a member of the Zurich Insurance Group and its ultimate holding company is the Zurich Insurance Company incorporated in Switzerland.

2. ACCOUNTING POLICIES

These Accounts have been prepared in accordance with applicable accounting standards under the historical cost convention.

(a) Investment income

Investment income is accounted for on the basis of the amount receivable for the year. During the current year this consisted entirely of interest received gross in respect of short-term loans.

(b) Rental income

Rental income is accounted for on the basis of the amount receivable for the year.

(c) Expenses

Expenses are charged to revenue as they fall due for payment.

(d) Depreciation

Depreciation is calculated by the straight line method and aims to write down the cost less estimated residual value of tangible fixed assets other than investment properties over their expected useful economic lives.

The rates/periods used are:

Plant and Machinery - 33 1/3% / 3 years  
Furniture and Equipment - 33 1/3% / 3 years

(e) Freehold property

The freehold property, consisting of land and buildings, was acquired in December 1990 and is stated at cost.

The directors are of the opinion that the open market value of the freehold property is not materially different from cost. Formal valuations take place every three years in accordance with DTI requirements.

No depreciation is provided on the freehold property as it is the company's policy to maintain this asset in a continual state of sound repair. The useful economic life of this asset is thus so long and residual value so high that any depreciation would not be material. Residual value is based on prices prevailing at the date of acquisition or subsequent valuation. Provision is made in the profit and loss account for any permanent diminution in value.

ZPC (CONSTRUCTION) COMPANY LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

3. OTHER INCOME

This represents the agreed consideration to absolve P&O Developments Limited from their obligation under the Agreement dated 30 November 1990 to find tenants for vacant office space in the company's investment property 90 Fenchurch Street, London and to pay compensation payments in lieu thereof.

4. PROFIT BEFORE TAXATION

The profit before taxation is stated after Auditors remuneration of £5,562 (1990 : £4,250).

5. DIRECTORS

No remuneration was payable to the Directors during the year.

6. TAXATION

The tax charge is based on the profit for the year.

	<u>1991</u>	<u>1990</u>
United Kingdom Corporation Tax at 33% (1990 34%)	-	109,297
Group relief surrendered	-	(109,297)
Group relief payable - 1991	1,764,467	-
- 1990	87,808	-
Deferred tax	-	-
United Kingdom Corporation Tax - Adjustment of prior year	21,489	-
	<u>£1,873,764</u>	<u>£ -</u>

7. DIVIDEND

	<u>1991</u> £	<u>1990</u> £
Ordinary shares		
Interim dividend of £93.94p per share paid 6 November 1990	£ -	£1,878,800

ZPC (CONSTRUCTION) COMPANY LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

8. TANGIBLE FIXED ASSETS

	<u>Total</u> £	<u>Freehold</u> <u>Property</u> £	<u>Plant and</u> <u>Machinery</u> £	<u>Furniture and</u> <u>Equipment</u> £
Cost				
At 01.01.91	52,057,285	52,054,204	-	3,081
Additions	2,204,435	5,000	1,804,319	395,116
	<hr/>	<hr/>	<hr/>	<hr/>
At 31.12.91	<u>£54,261,720</u>	<u>£52,059,204</u>	<u>£1,804,319</u>	<u>£398,197</u>
Depreciation				
At 01.01.91	-	-	-	-
Provided in the year	460,418	-	372,953	87,465
	<hr/>	<hr/>	<hr/>	<hr/>
At 31.12.91	<u>£460,418</u>	<u>£ -</u>	<u>£372,953</u>	<u>£87,465</u>
Net book amount at				
31.12.91	<u>£53,801,302</u>	<u>£52,059,204</u>	<u>£1,431,366</u>	<u>£310,732</u>
Net book amount at				
31.12.90	<u>£52,057,285</u>	<u>£52,054,204</u>	<u>£ -</u>	<u>£3,081</u>

9. DEBTORS

	<u>1991</u> £	<u>1990</u> £
Amounts falling due within one year:		
Trade debtors	3,675,301	68,783
Amounts owed by group undertakings	19,648	20,618
Sundry debtors	38,397	-
Value added tax	-	7,688,837
	<hr/>	<hr/>
	<u>£3,733,346</u>	<u>£7,778,238</u>

10. CURRENT ASSET INVESTMENTS

This consisted entirely of a short term loan with a United Kingdom bank.

ZPC (CONSTRUCTION) COMPANY LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

11. CREDITORS: amounts falling due within one year

	<u>1991</u> £	<u>1990</u> £
Group relief payable	1,852,275	-
Bank overdraft	-	1,251
Amounts owed to group undertakings	752,736	7,681,615
Current taxation	21,489	-
Accruals	931,925	1,180,075
	<hr/>	<hr/>
	<u>£3,558,425</u>	<u>£8,862,941</u>

12. SHARE CAPITAL

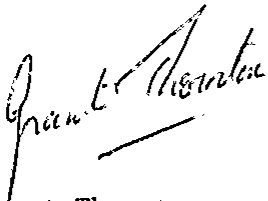
	<u>1991</u>	<u>1990</u>
Authorised: 55,000,000 Ordinary shares of £1 each	<u>£55,000,000</u>	<u>£55,000,000</u>
Issued and fully paid: 54,020,000 Ordinary shares of £1 each	<u>£54,020,000</u>	<u>£54,020,000</u>

ZPC (CONSTRUCTION) COMPANY LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF  
ZPC (CONSTRUCTION) COMPANY LIMITED

We have audited the financial statements on pages 4 to 10 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 1991 and of its profit and source and application of funds for the year then ended and have been prepared in accordance with the Companies Act 1985.



Grant Thornton  
Registered Auditor  
Chartered Accountants  
Enterprise House  
Isambard Brunel Road  
Portsmouth  
PO1 2RZ

19 June 1992

ZURICH INTERNATIONAL (UK) LIMITED

REPORT AND ACCOUNTS

1991

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ZURICH INTERNATIONAL (UK) LIMITED

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DIRECTORS

F Gerber, (Swiss) Chairman  
D W White, ACII, Managing Director  
R F Huppi, (Swiss)  
D Menzies, MA (Oxon), FIA (London), FIA (Australia) (Resigned 01.05.91)  
F R Hall, ACII M Inst. M  
D L C Lee, FCA (Alternate for R F Huppi)  
A W Ridding, ACII  
E J Hester, ACII, General Manager

COMPANY SECRETARY

D L C Lee, FCA

AUDITORS

Grant Thornton  
Chartered Accountants  
Enterprise House  
Isambard Brunel Road  
Portsmouth  
PO1 2RZ

BANKERS

The Royal Bank of Scotland  
5-10 Great Tower Street  
London  
EC3P 3HX

National Westminster Bank Plc  
130 Commercial Road  
Portsmouth  
PO1 1ES

REGISTERED OFFICE

Zurich House  
Stanhope Road  
Portsmouth  
Hampshire  
PO1 1DU

Registered in England number 41334

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## ZURICH INTERNATIONAL (UK) LIMITED

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### REPORT OF THE DIRECTORS

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The Directors have pleasure in presenting the ninety eighth Annual Report and the Accounts of the Company for the year ended 31 December 1991.

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### PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

Zurich International (UK) Limited is registered for all classes of general insurance business. The company provides specialist products and services for multinational and large UK-based corporate customers. The company's Head Office is now established in the Group's new London Headquarters, The Zurich Building, which together with Zurich House in Portsmouth houses the majority of the employees.

During the course of the year the company established three new departments as part of its development programme:-

- \* Captives and Financial Risk Management - to respond to the developing needs of customers to participate more directly in their own risks.
- \* Risk Engineering - to service our customers' requirements in areas including risk analysis and risk reduction.
- \* Marine Underwriting - to offer cargo programmes for multinationals and provide specialist risk control services in the UK to customers of the Group.

Product Development activity included the launch of a Directors' and Officers' Liability policy and the relaunch of our Motor Fleet policy together with initial participation in a pilot study for the Group's environmental impairment product (the Zurich Environmental Risk Protected Model).

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### RESULTS

The underwriting loss for the year was £6,628,849 (1990: £2,359,897). After taxation the net loss for the year amounted to £4,318,018 (1990: £1,342,509). The balance on Profit and Loss account now stands at a deficit of £5,627,775 (1990: £1,309,757).

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### DIRECTORS

The Directors named on page 2 held office throughout the year with the exception of Mr Menzies who retired from the Board on 1 May 1991.

The Board wish to place on record their appreciation of the service Mr Menzies gave to the Company whilst acting in this capacity.

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ZURICH INTERNATIONAL (UK) LIMITED

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REPORT OF THE DIRECTORS

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DIRECTORS' SHAREHOLDINGS

Throughout the year F R Hall, D L C Lee and A W Ridding had a joint interest together with one other person in 100 voting shares in Zurich Insurance Company (U.K.) Limited.

No person who was a Director at the end of the year had any other interest in shares or debentures as specified by paragraph 2 of Schedule 7 to the Companies Act 1985.

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AUDITORS

Grant Thornton, having offered themselves for reappointment as auditors shall be deemed to be reappointed for the next financial year in accordance with section 386 of the Companies Act 1985.

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D L C Lee  
Secretary

22 June 1992

ZURICH INTERNATIONAL (UK) LIMITED

REVENUE ACCOUNT

	<u>Note</u>	<u>£</u>	<u>1991</u> <u>£</u>	<u>1990</u> <u>£</u>
Gross premiums written	5		82,628,815	15,822,964
Reinsurance ceded			45,337,152	3,155,777
			<hr/>	<hr/>
Net premiums written			37,291,663	12,667,187
Increase in unearned premiums	3		(37,290)	(9,371,081)
			<hr/>	<hr/>
Premiums earned			37,254,373	3,296,106
Gross claims incurred		(80,982,408)		(3,320,613)
Reinsurance recoverable		48,329,896		1,137,284
		<hr/>		<hr/>
Net claims incurred		(32,652,512)		(2,183,329)
Commission & Expenses		(11,230,710)		(3,472,674)
		<hr/>		<hr/>
			(43,883,222)	(5,656,003)
			<hr/>	<hr/>
Underwriting loss			£(6,628,849)	£(2,359,897)
			<hr/>	<hr/>

ZURICH INTERNATIONAL (UK) LIMITED

PROFIT AND LOSS ACCOUNT

	<u>Note</u>	<u>1991</u> £	<u>1990</u> £
Underwriting loss for the year		(6,628,849)	(2,359,897)
Investment Income	2(c), 6	2,728,759	1,095,307
Interest payable		(657,887)	(63,584)
Directors' emoluments		(950)	(3,410)
Auditors' remuneration		(12,782)	(10,925)
		<hr/>	<hr/>
Loss before taxation		(4,571,709)	(1,342,509)
Taxation	7	253,691	-
		<hr/>	<hr/>
		(4,318,018)	(1,342,509)
Balance brought forward		(1,309,757)	682,752
Dividend paid		-	(600,000)
Transfer from retained profits		-	(50,000)
		<hr/>	<hr/>
Balance carried forward		£(5,627,775) =====	£(1,309,757) =====

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ZURICH INTERNATIONAL (UK) LIMITED

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BALANCE SHEET  
31 DECEMBER 1991

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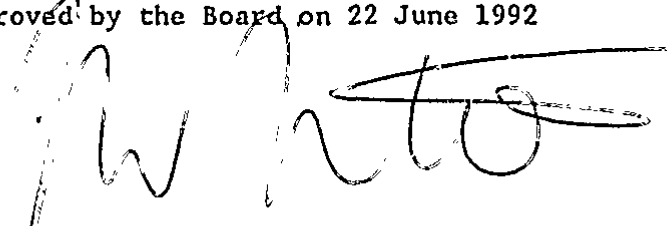
	<u>Note</u>	<u>1991</u> <u>£</u>	<u>1990</u> <u>£</u>
SHARE CAPITAL AND RESERVES			
Called-up share capital	12	30,000,000	30,000,000
Share premium account		7,000,000	7,000,000
Profit and Loss account		(5,627,775)	(1,309,757)
Investment reserve	2(c)	2,828,407	1,688,466
		<u>£34,200,632</u>	<u>£37,378,709</u>

ZURICH INTERNATIONAL (UK) LIMITED

BALANCE SHEET  
31 DECEMBER 1991

	Note	£	1991 £	1990 £
FIXED ASSETS				
Investment in subsidiary	8		40,520,000	40,520,000
CURRENT ASSETS				
Debtors	9	27,125,501		8,209,401
Investments	10	38,769,020		14,016,797
Cash at Bank		872,275		31,429
		<hr/>		<hr/>
		66,766,796		22,257,627
Accrued Income		528,951		175,848
		<hr/>		<hr/>
		67,295,747		22,433,475
CREDITORS				
Amounts falling due within one year	11	40,754,097		15,030,759
		<hr/>		<hr/>
NET CURRENT ASSETS			26,541,650	7,402,716
TOTAL ASSETS LESS CURRENT LIABILITIES			67,061,650	47,922,716
LIABILITIES				
Outstanding Claims				
Gross		(69,070,017)		(3,783,759)
Reinsurance		<u>45,490,785</u>		<u>1,891,607</u>
			(23,579,232)	(1,892,152)
Unearned Premiums				
Gross		(26,303,948)		(11,754,845)
Reinsurance		<u>16,895,474</u>		<u>2,383,661</u>
			(9,408,474)	(9,371,184)
Deferred acquisition expenses			<u>126,688</u>	<u>719,329</u>
			<hr/>	<hr/>
			£34,200,632	£37,378,709
			=====	=====

Approved by the Board on 22 June 1992

  
D W White, Managing Director

ZURICH INTERNATIONAL (UK) LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	<u>1991</u> £	<u>1990</u> £
SOURCE OF FUNDS		
(Loss)/Profit before taxation	(4,571,709)	(1,342,509)
Realised Investment (losses) gains	(44,459)	116,316
Adjustments for movements in:		
Debtors	(19,015,512)	(7,774,039)
Creditors	37,285,393	3,435,731
Insurance funds	22,317,011	10,543,922
	<hr/>	<hr/>
Generated from operations	35,970,724	4,979,421
FUNDS FROM OTHER SOURCES		
Issue of share capital	-	36,600,000
Loan from Zurich Insurance Company (UK Branch)	-	11,562,055
	<hr/>	<hr/>
	35,970,724	53,141,476
APPLICATION OF FUNDS		
Loan repaid to Zurich Insurance	(11,562,055)	-
Investment in subsidiary	-	(40,520,000)
Dividend paid	-	(600,000)
	<hr/>	<hr/>
Net funds available for investment	£24,408,669	£12,021,476
	<hr/>	<hr/>
CHANGES IN INVESTMENTS AND NET LIQUID FUNDS		
Listed securities	23,567,823	11,992,331
Cash at bank	840,846	29,145
	<hr/>	<hr/>
	£24,408,669	£12,021,476
	<hr/>	<hr/>

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## ZURICH INTERNATIONAL (UK) LIMITED

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### NOTES TO THE ACCOUNTS

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These notes form an integral part of the Company's Accounts which are prepared in compliance with section 255 of and Schedule 9 to the Companies Act 1985, and in accordance with applicable accounting standards.

These accounts also comply with the Statement of Recommended Practice of Accounting for Insurance Business issued by the Association of British Insurers.

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#### 1. HOLDING COMPANY

The Company is a member of the Zurich Insurance Group, being a wholly owned subsidiary whose ultimate holding company is the Zurich Insurance Company incorporated in Switzerland.

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#### 2. ACCOUNTING POLICIES

##### (a) CONSOLIDATION

The accounts of the subsidiary, ZPC (Construction) Company Limited, have not been consolidated with these accounts because this company is itself a wholly-owned subsidiary.

##### (b) FIRE, ACCIDENT AND MOTOR

The underwriting result is determined on an annual basis of accounting, except for marine business which is accounted for on the three-year basis of accounting.

Unearned premiums are calculated on a time apportionment basis unless a more appropriate method is available. Deductions are made in respect of reinsurance premiums ceded. Appropriate deferred acquisition expenses are also calculated.

Full provision is made for the estimated cost of claims notified but not settled at the date of the balance sheet. A provision is also made for the cost of claims incurred by that date but not reported until after the year-end.

Commission and expenses are charged to revenue as they fall due for payment.

##### (c) INVESTMENTS AND INVESTMENT INCOME

Investments are shown at market value, determined as follows:

Government securities, other quoted fixed interest securities and ordinary shares are based on Stock Exchange middle prices.

Investment income, stated gross of tax credits where applicable, comprises interest and dividends and is net of related expenses.

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ZURICH INTERNATIONAL (UK) LIMITED

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NOTES TO THE ACCOUNTS

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2. ACCOUNTING POLICIES

(c) INVESTMENT AND INVESTMENT INCOME (Continued)

The accruals basis is used for determining all income except for securities which are not quoted ex dividend at the balance sheet date.

Realised gains and losses on investments are taken to the Profit and Loss Account, whereas unrealised investment gains or losses are taken to the Investment Reserve.

(d) DEFERRED TAXATION

Deferred taxation is provided at the anticipated tax rate on differences which arise from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

(e) FOREIGN CURRENCIES

Revenue transactions in foreign currencies are translated to sterling at rates ruling during the year. Assets and liabilities are translated at rates ruling at the year end.

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3. UNEXPIRED RISKS RESERVE

In the opinion of the Directors, no events have occurred during the year which require the provision of an unexpired risks reserve.

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4. DIRECTORS' EMOLUMENTS

	<u>1991</u>	<u>1990</u>
Total emoluments of Directors	£ 950	£1,450
Emoluments of Chairman	£ -	£ 500
Emoluments waived by Directors	£5,067	£5,225
Number of Directors waiving emoluments	6	6
Number of Directors receiving emoluments not exceeding £5,000	7	8

All emoluments are in respect of services as Director.

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ZURICH INTERNATIONAL (UK) LIMITED

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NOTES TO THE ACCOUNTS

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5. GROSS PREMIUMS WRITTEN

Premium income for the year by principal classes of business is as follows:-

	<u>1991</u> £	<u>1990</u> £
Motor vehicles	30,566,726	6,776,317
Property	20,189,110	4,900,754
General Liability	20,526,099	3,907,393
Pecuniary loss	505,882	125,417
Non-Proportional Treaty	11,991	106,860
Proportional Treaty	10,534,556	6,223
Marine	<u>294,451</u>	<u>-</u>
	£82,628,815	£15,822,964
	=====	=====

Premium income by geographic area is as follows:-

	<u>1991</u> £	<u>1990</u> £
United Kingdom	75,555,290	15,776,491
Continental Europe	5,828,304	46,473
Other	<u>1,245,221</u>	<u>-</u>
	£82,628,815	£15,822,964
	=====	=====

---

6. INVESTMENT INCOME

Investment income comprises:

	<u>1991</u> £	<u>1990</u> £
Listed investments	2,269,762	637,364
Unlisted investments	<u>458,997</u>	<u>457,943</u>
	£2,728,759	£1,095,307
	=====	=====

---

7. TAXATION

United Kingdom taxation credited in the Profit and Loss account is made up as follows:-

	<u>1991</u> £	<u>1990</u> £
Group relief receivable 1991	150,039	-
1990	<u>103,652</u>	
	£253,691	£ -
	=====	=====

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ZURICH INTERNATIONAL (UK) LIMITED

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NOTES TO THE ACCOUNTS

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7. TAXATION (Continued)

No provision for deferred taxation is required.

The Company carries forward £3,497 (1990: £3,497) in respect of unrelieved franked investment income.

No provision has been made in these Accounts for any potential liability to corporation tax on chargeable gains or profits which could arise on realisation of investments at market value as at 31 December 1991. On the basis of the valuation of investments at that date the potential liability would be £933,374 (1990: £574,078).

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8. INVESTMENT IN SUBSIDIARY

	<u>Country of Registration</u>	<u>Class of Share Capital Held</u>	<u>Proportion Held</u>	<u>Nature of Business</u>
ZPC (Construction) Company Limited	England	Ordinary	75.01%	Property Investment

This investment is stated at cost.

---

9. DEBTORS

	<u>1991</u> £	<u>1990</u> £
Amounts due from agents	16,008,142	7,451,869
Amounts owed by group companies	5,906,026	489,573
Amounts due from reinsurers	3,991,526	181,694
Other debtors	1,219,807	86,265
	<u>£27,125,501</u>	<u>£8,209,401</u>

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10. INVESTMENTS (AT MARKET VALUE)

	<u>1991</u> £	<u>1990</u> £
UK Government securities	23,856,236	6,962,634
Overseas securities	10,627,531	3,363,831
Ordinary Shares	2,396,126	1,906,198
Short-term deposits	1,889,127	1,784,134
	<u>£38,769,020</u>	<u>£14,016,797</u>

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NOTES TO THE ACCOUNTS

11. CREDITORS: Amounts falling due within one year

	<u>1991</u> <u>£</u>	<u>1990</u> <u>£</u>
Bank overdraft	695,767	70,710
Loan from group company	-	11,562,055
Amounts due to agents	712,724	521,614
Amounts owed to group companies	34,130,711	2,581,892
Amounts due to reinsurers	4,894,628	282,988
Other creditors	320,267	11,500
	<u>£40,754,097</u>	<u>£15,030,759</u>

12. SHARE CAPITAL

	<u>1991</u> <u>£</u>	<u>1990</u> <u>£</u>
Authorised:		
Ordinary shares of £1 each	<u>30,000,000</u>	<u>30,000,000</u>
Issued and fully paid:		
Ordinary shares of £1 each	<u>30,000,000</u>	<u>30,000,000</u>

In June 1990, the Company capitalised reserves of £300,000 in order to make 400,000 ordinary shares of £1 each fully paid.

In order to provide funds for the subsequent expansion of the Company's activities and the purchase of the investment in the subsidiary, the Company made further allotments in 1990 of 9,600,000 ordinary shares of £1 each at a price of £1.35 per share. The difference between the total consideration of £27,000,000 and the total nominal value of £20,000,000 has been credited to the share premium account.

13. CONTINGENT LIABILITY

Under the Policyholders Protection Act the Company is liable to contribute to any general business levies declared by the Policyholders Protection Board.

A provision of £31,627 has been made in these accounts in respect of a levy requested by the Policyholders Protection Board in 1992 based on premium income reported to the Board in 1991.

The additional liability which could arise after the time at which these accounts were prepared cannot exceed £289,408 (1990: £126,509), for which no provision has been made.

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ZURICH INTERNATIONAL (UK) LIMITED

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REPORT OF THE AUDITORS

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We have audited the financial statements on pages 5 to 14 in accordance with Auditing Standards.

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



Grant Thornton  
Registered Auditor  
Chartered Accountants  
Enterprise House  
Isambard Brunel Road  
Portsmouth PO1 2RZ

22 June 1992



**Report & Accounts 1991**



**ZURICH RE (UK) LIMITED**  
GLOBAL SECURITY

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# THE THIRD ANNUAL REPORT AND ACCOUNTS OF ZURICH RE (UK) LIMITED

## BOARD OF DIRECTORS

F Gerber (Chairman)  
R F Hüppi (Deputy Chairman)  
R E Hänggi  
H-P Karlen  
D W White  
K J Dare

## MANAGEMENT

▲ Ken Dare – Chief Executive Officer  
■ John Blackie – Assistant General Manager  
▲ Roy Knight – Assistant General Manager  
▲ Ted Wooldridge – Assistant General Manager  
▲ Ron Williams – Chief Accountant  
▲ Graham Lyons – Company Actuary (appointed May 1992)

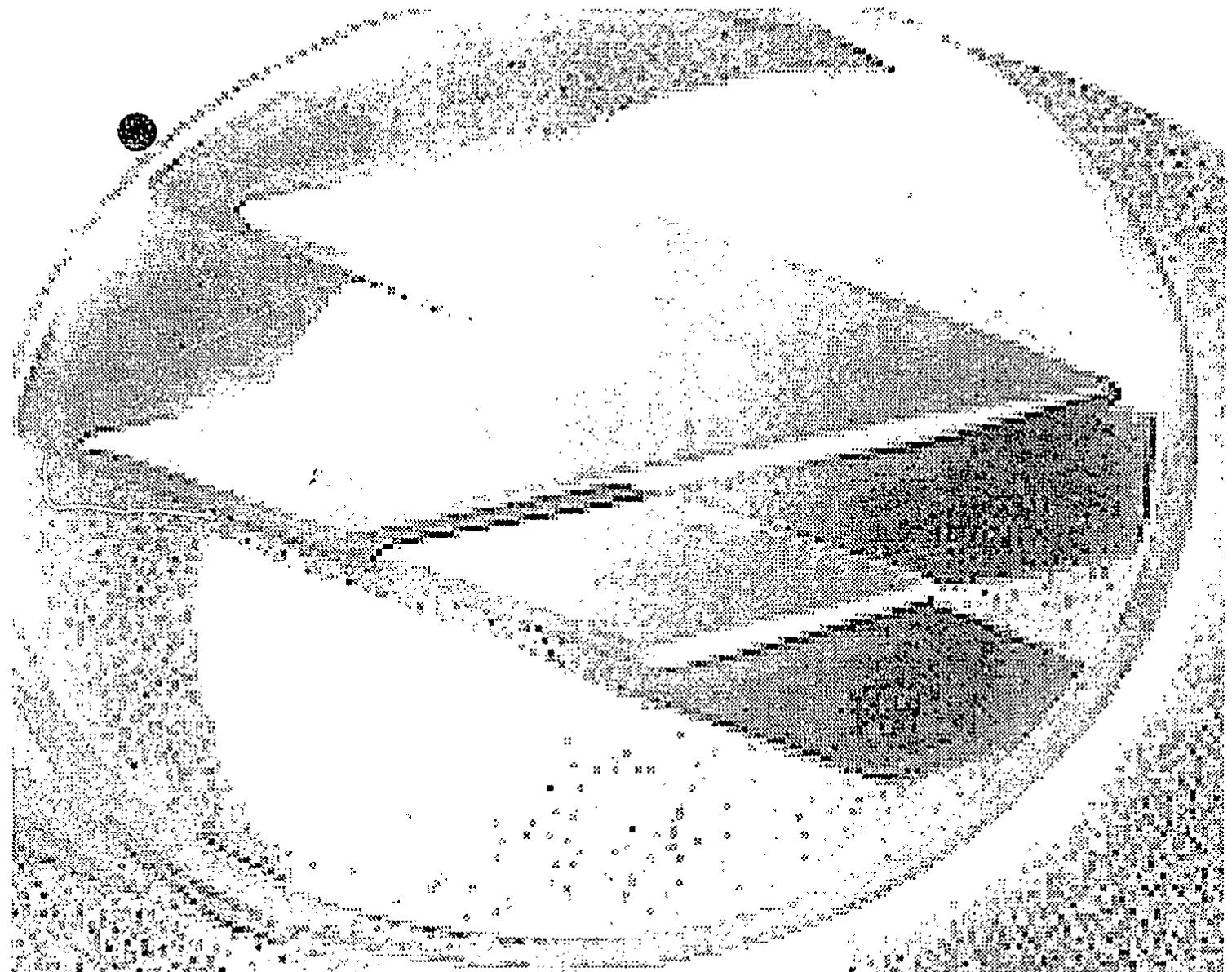
## UNDERWRITING MANAGERS

◆ Glen Burles	– Casualty	– Fac & Direct (W/Wide)
◆ David Thompson	– Property	– Fac & Direct (W/Wide)
		– Treaty (Ex N/America and LMX)
◆ Paul Webb	– Property	– Treaty (N/America and LMX)
	– Casualty	– Treaty (N/America)
★ Ray Norbury	– Marine	} Manager
	– Aviation	
★ Roger Cusdin	– Marine	– All Classes
● Tim Dumenil	– Aviation	– Treaty
	– Personal Accident	– All Classes
● Jeff Weston	– Aviation	– Fac & Direct

*Note: The symbols above relate to office addresses shown on page 24*

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## CHAIRMAN'S STATEMENT

Zurich Re (UK) Limited in its second full year of operation made significant steps towards its objective of becoming a pre-eminent force in the London Market.

Our policy of providing first class financial security, a quality service and underwriting at realistic rates has led Clients and Brokers to approach Zurich Re (UK) with both renewal and new business.

Zurich Re (UK) is a member of the worldwide Zurich Insurance Group and is also an active participant within LIRMA and the ILU. Management and underwriting managers are actively involved in the committees of these Trade Associations and I am pleased to acknowledge the appointment of Mr K J Dare, our Chief Executive Officer, to the position of Deputy Chairman of LIRMA as from 15 January 1992.

We are committed to the London Market which we continue to see as a centre for worldwide insurance and reinsurance. We also see Lloyd's as a major player within this market.

During the year we strengthened our Marine and Aviation operation by the appointment of the Marine and Aviation teams previously employed by Willis Faber (Underwriting Management). The risks that these teams write attach as from 1 January 1992. Our decision to make this commitment underlines our positive approach to the London Market and to Marine and Aviation in particular.

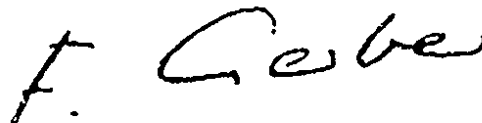
The catastrophes of Lauda Air, the Kuwait conflict and the Californian brushfires, in addition to a worsening in prior year claims were major contributors to the underwriting loss for the year. Effective reinsurance protections minimised the net effect of these events.

Net premiums for the year were £60.9m (1990 £36.1m) which generated an underwriting loss of £1.4m (1990 £2.8m loss), mainly attributable to the losses referred to above. After investment income and realised investment gains the pre-tax profit for the year was £0.5m (1990 £0.2m loss).

Shareholders' funds increased to £59.8m (1990 £54.7m) due to the profit for the year, gains arising from the US and UK Investment Bond Market and the weakening of sterling against overseas currencies.

At this stage of the Company's development the Directors do not recommend the payment of a dividend.

I wish to thank management and staff for their continued hard work and commitment to the success of the Company.



F Gerber  
Chairman

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ZURICH  
RE



**Ken Dare**  
Chief Executive Officer and Director

## CHIEF EXECUTIVE'S REPORT

The second full year of Zurich Re (UK) Limited's operation has seen significant increases in market presence, controlled premium growth, enhanced involvement with Trade Associations and the development of the Company's Strategic Plan to ensure, among other essential factors, quality service to Clients and Brokers.

In October 1991 Zurich Re (UK) announced the strengthening of its Marine and Aviation departments by the appointment of the Marine and Aviation underwriting teams previously employed by Willis Faber (Underwriting Management) Limited. Zurich Re (UK) views this as a positive way of increasing market presence in a key area at the same time augmenting the high levels of service already offered. The risks that these teams write attach as from 1 January 1992. This significant commitment by Zurich Re (UK) to the London Market and in particular to the Marine and Aviation business areas underlines our long term strategy for growth, subject to profit criteria.

Our commitment to LIRMA and the ILU as the effective representative bodies for Insurance/Reinsurance companies within the London Market is shown by senior management's involvement in numerous committees within these organisations. We believe that considerable benefit can be gained by industry driven service initiatives, an example of which is Electronic Placing, and that in addition focused agencies can more effectively represent the industry to governments and regulatory authorities.

The Mission of Zurich Re (UK) embodied in the Strategic Plan is to obtain a position at the forefront of the London Insurance Market, to achieve financial and other performance standards agreed with our shareholders and to provide:-

- Quality customer care
- Financial strength
- Flexibility and innovation
- Highest integrity
- Challenging and rewarding careers for our staff

On the business front it is gratifying to see a hardening of Marine and Aviation rates which is well overdue. The current movements do no more than work towards a rectification of previously uneconomic rates. Whilst a continuation of rate increases is expected for the 1992 renewal season, we believe that this process will need to continue for some time to enable stability to return to the market.

In other areas market conditions have been as expected and we have been pleased by the level of new business offered to us.

Net premiums for the year were £60.9m, a 69% increase over the 1990 level of £36.1m. Excluding exchange rate movements the underlying increase was 64%. All business areas showed significant growth over the previous year due to the continued transfer of acceptable renewal business from Turegum to Zurich Re (UK) and increased market involvement.

After allowance for current year natural catastrophes and the development of prior year claims an underwriting loss of £4.4m was recorded (1990 £2.8m loss).

After investment income and realised investment gains the operating profit for the year was £0.5m (1990 £0.2m loss).

The positive movement on reserves of £4.3m combined with the profit for the year increased shareholders' funds to £59.8m (1990 £54.7m). The movement on reserves arose from unrealised investment gains of £3.8m on mainly US and UK Government Bonds and a £0.5m foreign exchange gain arising from the weakening of sterling against overseas currencies.

### CASUALTY

**Net Premiums: £32.7m Underwriting Result: (£0.1m)**  
The opportunity that Zurich Re (UK) chose to take in 1990 following the loss of an important London lead company has proved in hindsight satisfying. Reflecting back on the dramatic events that took place in 1990 and the difficulties that both Clients and Brokers incurred in placing business of this type, it is now most pleasing to see how far confidence has been restored.

Zurich Re (UK) played an important role in reminding Clients and Brokers how resilient the market can be when forced to respond to an unexpected development. This was emphasised in the current year when a number of overseas customers returned to the London Market. The rationale for their return to London was not necessarily as a result of better terms and conditions, but more as a result of Zurich Re (UK) becoming closer to the customer and developing a partnership philosophy.

In the area of Medical Malpractice Liability, we have introduced increased capacity to the first excess level, thereby offering further stability and confidence to our customers.

Within Professional Indemnity we have continued to see more business move to London despite the very competitive US marketplace. The majority of our business has been with medium to large sized professional firms.

Our strategy will be to continue prudent development of these accounts, subject to terms and conditions which recognise the long term and complex nature of the business.

#### PROPERTY

**Net Premiums: £15.5m Underwriting Result: (£2.9m)**

Within the Property Treaty account the current year has seen further contraction in catastrophe capacity and a continued hardening in rates. The latter reflects the harsh economic truth that stability and continuity will exist only if risk carriers receive a financial return commensurate to the risk accepted. This has not been the case in the recent past.

In the Facultative and Direct account original rating levels are not sufficient to allow for the level of claim frequency and severity that now exists in practically all parts of the world. It appears that capacity is currently being maintained but it is questionable whether this capacity can remain viable in the longer term.

The Property account suffered from a number of natural catastrophes during 1991, including the Oakland California brushfires, Japanese Typhoon 19 and Hurricane Bob.

Our Strategy within the Property account is to strengthen relationships with Brokers and Clients and to encourage submission of a full cross section of business. However, as in other business areas, stringent underwriting will continue to be applied.

#### MARINE AND AVIATION

**Net Premiums: £12.8m Underwriting Result: (£1.4m)**

The expected hardening of Marine and Aviation rates mentioned in my 1990 report began to materialise in 1991 but this trend, coupled with higher retention levels, must continue in order that the unprofitable nature of the account can be reversed.

Energy risks have seen major rate increases as a result of reduced reinsurance capacity but perhaps of greater importance as far as the future prospects of this account are concerned, is the recently introduced exclusion of Non Marine risks in Marine Energy contracts.

Within the Aviation account, Lauda Air generated significant gross losses which were protected down to a relatively low level.

Similarly, our reinsurance protections played an important part in mitigating claims arising from the Kuwait conflict.

Within the Marine account there was a worsening in the cost of Cat 90A.

Our strategy in Marine and Aviation is to underwrite business at realistic rates and to achieve a pre-eminence in the market consistent with our lead line capability.

#### THE YEAR AHEAD

There are some encouraging signs ahead, ironically brought about by a financially painful awareness that capacity was being offered at clearly inadequate rates. We are confident that improved terms and conditions in the reinsurance market, particularly coupled with a notable reduction in capacity in areas of that business, will play a part in improving the stability of our industry.

Within the London Market there are various instances of closer co-operation between the major market entities. We believe that this augurs well for an enhanced level of efficiency to the benefit of all concerned. Our ready and active participation in these initiatives will continue.

The management of change in an ever changing business and social environment is a key factor to success. Our Strategic Plan provides the impetus for continuous application, dedication and the will to succeed.

As a member of the Zurich Insurance Group we shall build upon the Global Security, Continuity and Stability that such membership offers to our Clients and Brokers.

**K J Dare**  
Chief Executive Officer and Director

## DIRECTORS' REPORT

The Directors submit their report together with the audited accounts of the Company for the year ended 31 December 1991.

### ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the Company and its subsidiary undertaking is the transaction of general insurance and reinsurance business. A review of developments affecting the Company and its prospects for the future appears on pages 3 to 5.

### RESULTS

The results for the year are detailed in the Revenue and Profit and Loss Account on page 7.

### DIVIDENDS

The Directors do not recommend the payment of a dividend.

### DIRECTORS

The Directors of the Company at 31 December 1991 are:

F Gerber	Chairman
R F Hüppi	Deputy Chairman
R E Hänggi	
H-P Karlen	
D W White	
K J Dare	Chief Executive Officer

All Directors served throughout the year. None of the Directors had any notifiable interests in the Company's shares.

### AUDITOR

Coopers & Lybrand, having offered themselves for re-appointment as auditor, shall be deemed to be reappointed for the next financial year in accordance with Section 386 of the Companies Act 1985. Until 1 June 1992 the Firm practised in the name of Coopers & Lybrand Deloitte.

### BY ORDER OF THE BOARD

  
D J E Lee  
Secretary

22 June 1992

## REVENUE ACCOUNT

For the year ended 31 December 1991

		1991	1990
	Notes	£'000	£'000
Gross premiums		115,986	63,213
Outward reinsurance		(55,058)	(27,082)
Net premiums		60,928	36,131
Gross claims incurred		116,745	67,561
Outward reinsurance		(66,660)	(37,774)
Net claims incurred		(50,085)	(29,787)
Commission		(11,441)	(6,535)
Expenses	C	(3,755)	(2,656)
Underwriting result	B	(4,353)	(2,847)

## PROFIT AND LOSS ACCOUNT

For the year ended 31 December 1991

		1991	1990
	Notes	£'000	(restated) £'000
Underwriting result	B	(4,353)	(2,847)
Investment income	G	4,678	2,978
Realised investment gains/(losses)	D	157	(307)
Operating profit/(loss) before taxation		482	(176)
Taxation	F,3	298	152
Profit/(Loss) for the year		780	(24)

## MOVEMENT ON RESERVES

For the year ended 31 December 1991

		1991	1990
	Notes	£'000	(restated) £'000
Profit/(Loss) for the year		780	(24)
Unrealised investment gains	D	3,831	573
Foreign exchange gains/(losses) after taxation	E,1	490	(2,566)
Movement in shareholders' funds		5,101	(2,017)
Balance at 1 January		(2,338)	(321)
Balance at 31 December		2,763	(2,338)

The accounting policies on page 10 and notes on pages 11 and 12 form part of these accounts.  
Auditor's report on page 13.

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# BALANCE SHEET

At 31 December 1991

		1991		1990	
	Notes	£'000	£'000	£'000	£'000
<b>SHAREHOLDERS' FUNDS</b>					
Share capital	4		50,000		50,000
Share premium			7,000		7,000
Reserves ;			<u>2,763</u>		<u>(2,338)</u>
			<u>59,763</u>		<u>54,662</u>
<b>REPRESENTED BY:</b>					
Subsidiary undertaking	H,5	38,500		38,500	
Investments	D,6	<u>72,600</u>		<u>43,743</u>	
			111,100		82,243
<b>OTHER ASSETS</b>					
Debtors and sundry assets	7	21,200		14,536	
Group company balances		3,960		422	
Bank balances		<u>585</u>		<u>2,499</u>	
			<u>25,745</u>		<u>17,457</u>
<b>TOTAL ASSETS</b>			<u>136,845</u>		<u>99,700</u>
<b>LESS:</b>					
Insurance funds	8		58,974		24,975
<b>OTHER LIABILITIES</b>					
Creditors and provisions		6,754		9,056	
Group company balances	9	11,169		11,007	
Bank overdrafts		<u>185</u>		<u>-</u>	
			<u>18,108</u>		<u>20,063</u>
			<u>59,763</u>		<u>54,662</u>

Approved by the Board on 22 June 1992

H-P Karlen

Director



The accounting policies on page 10 and notes on pages 11 and 12 form part of these accounts.  
Auditor's report on page 13.

## SOURCE AND APPLICATION OF FUNDS

For the year ended 31 December 1991

	1991 £'000	1990 £'000
<b>SOURCES OF FUNDS</b>		
Operating profit/(loss) before taxation	482	(176)
Adjustments for items not involving the movement of funds:		
Movement in insurance fund	33,999	24,975
Other movements in retained profits and reserves	<u>735</u>	<u>3,389</u>
<b>FUNDS GENERATED BY OPERATIONS</b>	<b>35,216</b>	<b>28,188</b>
<b>FUNDS FROM OTHER SOURCES</b>		
Increase in share capital	—	20,000
Increase in share premium	—	7,000
<b>APPLICATION OF FUNDS</b>		
Increase in debtors less creditors	(9,036)	(4,830)
Movement in group company balances	(3,253)	10,222
Investment in subsidiary undertaking	—	(38,500)
	<u><u>22,927</u></u>	<u><u>22,080</u></u>
<b>CHANGE IN INVESTED FUNDS</b>		
Increase in invested funds at cost	25,026	19,582
(Decrease)/Increase in bank balances	(2,099)	2,498
	<u><u>22,927</u></u>	<u><u>22,080</u></u>

The accounting policies on page 10 and notes on pages 11 and 12 form part of these accounts.  
Auditor's report on page 13.

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# ACCOUNTING POLICIES

## A BASIS OF PREPARATION

These accounts have been prepared in accordance with Section 255 of and Schedule 9 to the Companies Act 1985 and in accordance with applicable Accounting Standards. These accounts also comply with the Statement of Recommended Practice of Accounting for Insurance Business issued by the Association of British Insurers. The accounting policies have been applied consistently except for those covering realised profits and losses on disposal of investments and the treatment of tangible fixed assets.

## B UNDERWRITING RESULTS

Underwriting results are accounted for on a three year funded basis, whereby the accounted net revenue is allocated to each underwriting year, the results of which are determined and reported as at the end of the third year of development, after making provision for outstanding liabilities, including losses incurred but not reported for all years, including open years.

Premiums are recognised on the basis of notifications received and are stated in the revenue account gross and net of reinsurance premiums payable.

Claims incurred comprise claims reported in the year and movements in the insurance fund and are stated in the revenue account gross and net of related reinsurance recoveries.

The insurance fund is determined by use of statistically based projections of the ultimate development of premiums and claims in respect of each underwriting year.

## C EXPENSES

Expenses are charged as incurred to the Revenue Accounts after appropriate management service charges to and from other group companies.

Tangible fixed assets comprising furniture, fittings, office equipment, computers and motor cars are capitalised and depreciated on a straight line basis over 3 years. Previously these were written off on acquisition. Prior year figures have not been restated on the grounds of materiality.

Zurich Re (UK) participates in the Zurich Insurance Company's United Kingdom Pension Fund. The contributions to the Fund are determined by a qualified actuary, on the basis of regular valuations using the projected unit method.

Regular pension costs are calculated in accordance with the advice of the actuary and are accounted for by charging the cost of providing pensions over the period during which the company benefits from the employee's service. Variations from regular cost are spread over the expected average remaining working lifetime of the member of the scheme and interest accrued on any surplus arising is deducted from the regular pensions cost.

## D INVESTMENTS

Investments are shown at mid market value. Unrealised profits and losses are taken to the investment reserve. Realised profits and losses are taken to the Profit and Loss Account; previously these were taken to reserves. Prior year figures have been restated accordingly.

## E EXCHANGE RATES

Assets, liabilities and revenue transactions expressed in foreign currencies have been translated into sterling at the exchange rates ruling at the balance sheet date. Profits and losses arising on exchange translations are taken to reserves.

## F TAXATION

Taxation is provided for by reference to the profits and losses for the year after taking into account group relief. Deferred taxation is provided to the extent that the liability, or relief to tax, is expected to crystallise in the foreseeable future. Provision is not made for the potential tax liability that would arise if the investments of the Company were sold at the values at which they appear in the Balance Sheet as this contingency is considered to be remote.

## G INVESTMENT INCOME

Investment income comprises interest and dividends receivable for the period on an accruals basis, after adding back related tax credits or withholding tax deducted at source, and after deducting related expenses.

## H SUBSIDIARY UNDERTAKING

The value of the subsidiary undertaking is shown at cost. Consolidated accounts have not been prepared as the Company is a wholly owned subsidiary of a company incorporated in Great Britain and registered in England.

# NOTES ON THE ACCOUNTS

## 1. EXCHANGE RATES

Principal rates of exchange used for translation are:

	1991	1990
United States Dollar	1.87	1.93
ECU	1.42	1.43
Canadian Dollar	2.16	2.24

## 2. SEGMENTAL ANALYSIS

(a) Class of business	1991 £'000	1990 £'000
(i) Gross Premiums		
Casualty	57,956	30,851
Property	21,839	13,657
Marine & Aviation	36,191	18,705
	<u>115,986</u>	<u>63,213</u>
(ii) Underwriting Result		
Casualty	(115)	(359)
Property	(2,899)	(2,246)
Marine & Aviation	(1,339)	(242)
	<u>(4,353)</u>	<u>(2,847)</u>

## (b) Geographical Analysis

	1991 £'000	1990 £'000
(i) Gross Premiums		
United Kingdom	69,188	40,382
North America	46,415	22,660
Continental Europe	56	60
Other	327	111
	<u>115,986</u>	<u>63,213</u>

(c) All business is supplied from the United Kingdom

## 3. TAXATION

(a) The tax relief for the period has been arrived at as follows:

	1991 £'000	1990 £'000
Amount payable at 33.25% (1990 34.25%) to group companies in respect of group relief	212	-
Tax credits on Franked Investment Income	3	-
Double tax relief	(3)	-
	<u>212</u>	<u>-</u>
Overseas tax	3	-
Deferred tax	67	(152)
Prior year item	(580)	-
	<u>(298)</u>	<u>(152)</u>

The charge for the year has been affected by the tax treatment of investment income. The prior year item represents amounts payable to Zurich Re (UK) from group companies for group relief surrendered by Zurich Re (UK) in prior years.

## (b) Analysis of provision and potential liability:

	1991 Total Potential Liability £'000	Provision Made £'000	1990 Total Potential Liability £'000	Provision Made £'000
Short term timing differences	67	67	285	285
Unrealised foreign exchange losses	-	-	(815)	-
Unrealised gains on investments	1,431	-	169	-
Trading losses carried forward	-	-	(349)	(285)
	<u>1,498</u>	<u>67</u>	<u>(710)</u>	<u>-</u>

## 4. SHARE CAPITAL

	1991 £'000	1990 £'000
Authorised, issued and fully paid 50,000,000 shares @ £1 each	50,000	50,000

## 5. SUBSIDIARY UNDERTAKING

The Company holds the total share capital of Zurich International (UK) Limited consisting of 30,000,000 ordinary shares of £1 each.

The Directors consider that the value of the investment in the subsidiary undertaking is not less than cost as stated in the Balance Sheet on page 8.

## 6. INVESTMENTS

(a) Investments included within the Balance Sheet on page 8 comprise:

	1991 £'000	1990 £'000
Government and Government guaranteed securities	62,722	36,758
Other listed securities	4,106	769
Other securities	96	96
Bank deposits	5,676	6,120
	<u>72,600</u>	<u>43,743</u>

(b) In the Profit and Loss Account on page 7 the following investment expenses have been deducted from investment income.

	1991 £'000	1990 £'000
	85	69

## NOTES ON THE ACCOUNTS CONT.

### 7. DEBTORS & SUNDRY ASSETS

Debtors and sundry assets included within the Balance Sheet on page 8 comprise:

	1991	1990
	£'000	£'000
Insurance debtors	17,266	12,762
Other receivables	3,658	1,774
Tangible fixed assets	276	—
	<u>21,200</u>	<u>14,536</u>

### 8. INSURANCE FUNDS

Outstanding claims and provisions included within the insurance funds in the Balance Sheet on page 8 comprise:

	1991	1990
	£'000	£'000
Gross outstanding claims	139,913	56,135
Outward reinsurance	<u>(80,939)</u>	<u>(31,160)</u>
	<u>58,974</u>	<u>24,975</u>

### 9. GROUP COMPANIES

Within the group company balances shown within the Balance Sheet on page 8 are the following loans which are unsecured, interest free and subject to a notice period of 12 months by the lender:

	1991	1990
	£'000	£'000
Zurich Insurance Company	1,900	1,900
Turegum Insurance Company	—	363
	<u>1,900</u>	<u>2,263</u>

### 10. DIRECTORS' EMOLUMENTS

The aggregate emoluments of the Directors of the Company, all of which related to management services, amounted to £150,200 (1990 £16,121).

The emoluments of the highest paid Director, excluding pension contributions, amount to £150,200 (1990 £16,121). The emoluments of the remaining Directors were nil (1990 nil).

### 11. PENSIONS

Zurich Re (UK) participates in one pension plan in the UK namely Zurich Insurance Company's United Kingdom Pension Fund. The Fund is a defined benefit arrangement and is operated on a funded basis. The funding policy is to contribute such variable amounts as on the advice of the actuary, will achieve a 100% funding level on a projected salary basis. Actuarial assessments covering expense and contributions are carried out by a qualified actuary, who is an employee of the Zurich Group, with the last such review being carried out at 30 June 1989.

The pension expense in respect of Zurich Re (UK) for the years ended 31 December 1991 and 1990 was nil due to the application of a pension holiday within the Fund.

The projected unit method was adopted for the last valuation of the Fund. Assets were valued by discounting income from a notional portfolio. The main actuarial assumptions used in the valuation for accounting purposes were:

Investment yield	9.5% p.a.
Salary growth	8.0% p.a.
Price inflation	6.0% p.a.
Equity dividend growth	5.0% p.a.
Pension increases	4.0% p.a.

The Fund is assessed to be fully funded on a current funding level basis, based on a market value of assets of £58,986,000 as at 30 June 1989.

The actuarial value of the assets represented 124% of the on-going liabilities of the Fund.

### 12. AUDITOR'S REMUNERATION

Auditor's remuneration amounts to £45,750 (1990 £44,600).

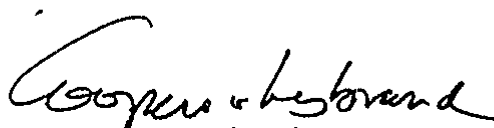
### 13. ULTIMATE PARENT COMPANY

Zurich Insurance Company incorporated in Zurich Switzerland is the ultimate parent company.

## AUDITOR'S REPORT

We have audited the accounts set out on pages 7 to 12 in accordance with Auditing Standards.

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



Coopers & Lybrand

Chartered Accountants & Registered Auditor

London 22 June 1992

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ZURICH  
RE



## REVENUE ACCOUNTS

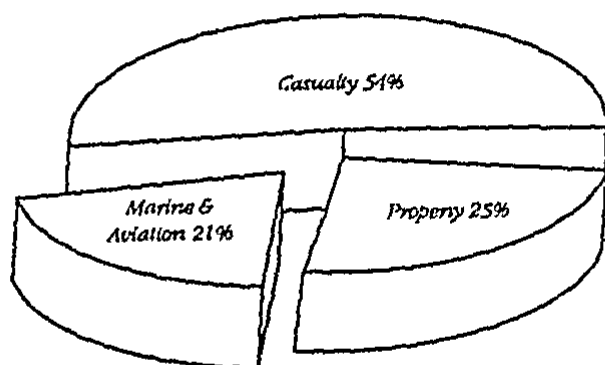
For the year ended 31 December 1991

	Total £'000	Casualty £'000	Property £'000	Marine & Aviation £'000
Net premiums	60,928	32,692	15,482	12,754
Claims incurred	50,085	26,870	13,683	9,532
Commission	11,441	4,760	3,541	3,140
Expenses	3,755	1,177	1,157	1,421
Underwriting result	<u>(4,353)</u>	<u>(115)</u>	<u>(2,899)</u>	<u>(1,339)</u>

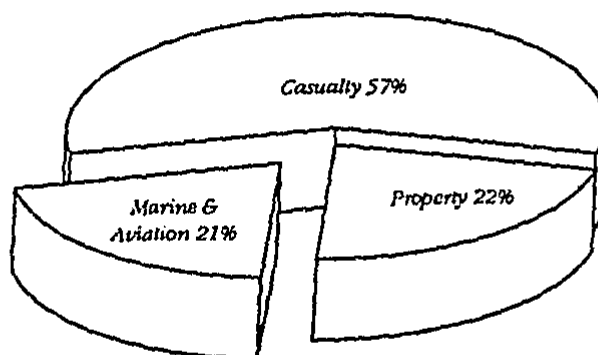
For the year ended 31 December 1990

	Total £'000	Casualty £'000	Property £'000	Marine & Aviation £'000
Net premiums	36,131	20,580	7,785	7,766
Claims incurred	29,787	16,230	7,686	5,871
Commission	6,535	3,163	1,784	1,588
Expenses	2,656	1,546	561	549
Underwriting result	<u>(2,847)</u>	<u>(359)</u>	<u>(2,246)</u>	<u>(242)</u>

## ANALYSIS OF NET PREMIUMS



1991



1990

**FINANCIAL STATEMENTS  
RESTATED IN UNITED STATES  
DOLLARS FOR THE YEAR ENDED  
31 DECEMBER 1991**

A considerable proportion of the Company's business is written in US dollars. In recognition of this, and to assist readers of these accounts, pages 16 & 17 contain the 1991 Revenue, Profit and Loss Account and Balance Sheet expressed in US dollars. The sterling figures in the audited financial statements have been converted into US dollars at the rate of £1 to US \$1.87 (1990 \$1.93) throughout.

## REVENUE ACCOUNT

For the year ended 31 December 1991

	1991		1990	
	\$'000	\$'000	\$'000	\$'000
Gross premiums	216,894		122,000	
Outward reinsurance	(102,958)		(52,267)	
Net premiums		113,936		69,733
Gross claims incurred	218,313		130,393	
Outward reinsurance	(124,654)		(72,904)	
Net claims incurred		(93,659)		(57,489)
Commission		(21,395)		(12,613)
Expenses		(7,022)		(5,126)
Underwriting result		(8,140)		(5,495)

## PROFIT AND LOSS ACCOUNT

For the year ended 31 December 1991

	1991	1990 (restated)
	\$'000	\$'000
Underwriting result	(8,140)	(5,495)
Investment income	8,748	5,748
Realised investment gains/(losses)	294	(593)
Operating profit/(loss) before taxation	902	(340)
Taxation	557	293
Profit/(Loss) for the year	1,459	(47)

## MOVEMENT ON RESERVES

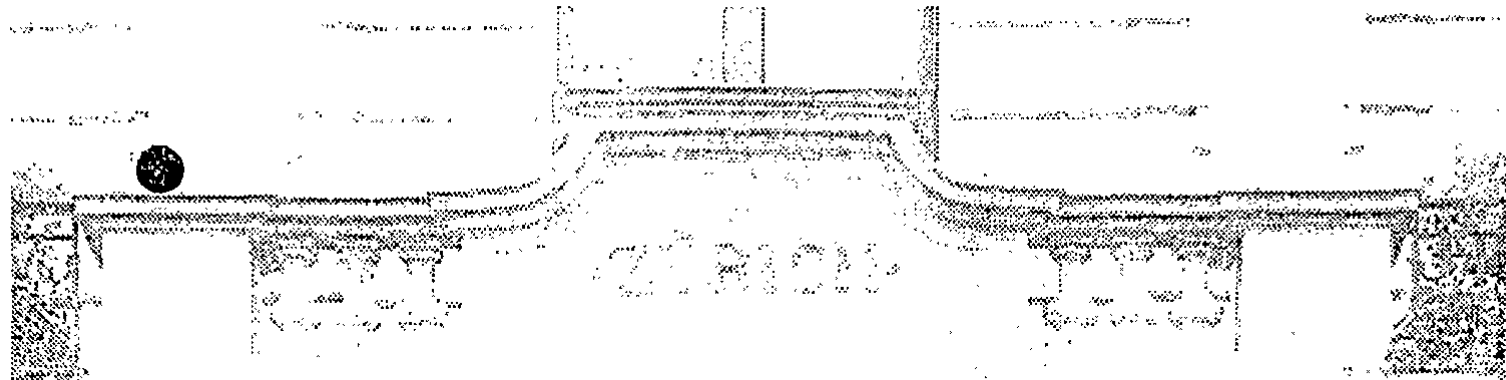
For the year ended 31 December 1991

	1991	1990 (restated)
	\$'000	\$'000
Profit/(Loss) for the year	1,459	(47)
Unrealised investment gains	7,164	1,105
Foreign exchange gains/(losses) after taxation	916	(5,052)
Movement in shareholders' funds	9,539	(3,994)
Balance at 1 January	(4,372)	(518)
Balance at 31 December	5,167	(4,512)

# BALANCE SHEET

At 31 December 1991

	1991		1990	
	\$'000	\$'000	\$'000	\$'000
<b>SHAREHOLDERS' FUNDS</b>				
Share capital		93,500		96,500
Share premium		13,090		13,510
Reserves		<u>5,167</u>		<u>(4,512)</u>
		<u>111,757</u>		<u>105,498</u>
<b>REPRESENTED BY:</b>				
Subsidiary undertaking	71,995		74,305	
Investments	<u>135,762</u>		<u>84,424</u>	
		207,757		158,729
<b>OTHER ASSETS</b>				
Debtors and sundry assets	39,644		28,055	
Group company balances	7,405		814	
Bank balances	<u>1,094</u>		<u>4,823</u>	
		<u>48,143</u>		<u>33,692</u>
<b>TOTAL ASSETS</b>		<u>255,900</u>		<u>192,421</u>
<b>LESS:</b>				
Insurance funds		110,281		48,202
<b>OTHER LIABILITIES</b>				
Creditors and provisions	12,630		17,478	
Group company balances	20,886		21,243	
Bank overdrafts	<u>346</u>		<u>-</u>	
		<u>33,862</u>		<u>38,721</u>
		<u>111,757</u>		<u>105,498</u>



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## THE ZURICH INSURANCE GROUP SUMMARY OF 1991 BUSINESS OPERATIONS

Overall, 1991 was a successful year and we recorded a gratifying increase in profits. The sum total of loss payments, acquisition and administration expenses and policyholders' dividends rose somewhat faster than the increase in premiums. Interest and dividend income from capital investments grew substantially. In addition, realised capital gains exceeded revaluations by a considerable margin. Because of the close connection between the volume of investments and underwriting reserves, this investment income is also important in assessing the results of insurance operations.

As opposed to 1990, the value of most currencies rose against the Swiss franc, and this had a favourable effect on growth rates. Consolidated gross premiums were up 13.2% in Swiss francs, while the increase in terms of local currencies was 9.3%. Most of this improvement was attributable to growth within the organization itself; about one third was due to the expansion of our group through acquisitions.

The insurance industry as a whole felt the effect of the worldwide slackening in economic growth, but the actual impact on individual classes of insurance varied considerably, since business cycle fluctuations affect the various determinants of demand for insurance to differing degrees.

Premium growth was not the only variable affected by the slowdown in the economy. Loss ratios were also influenced through behavioural changes related to economic conditions. The kind of factors involved here include a higher crime rate in times of hardship, as well as the dishonest use of private insurance (e.g. accident, sickness, workers' compensation) and social security payments as a substitute for earned income. In addition, losses were again affected by continued increases in large claims. Although claims related to natural disasters were down on the record figure of 1990, total losses were substantially higher than the long-term average.

Premium rates are still under heavy pressure despite the fact that overall results for the insurance industry are unsatisfactory in a number of countries. Continued advances in information and communication technologies are contributing to the intensity of competition. These technologies are a key factor both in the general trend towards globalization and in the successful marketing of individual insurance markets.

We believe it is extremely important to identify new international developments in good time and make the necessary

organizational adjustments within our group. This enables us to meet the new challenges from a position of strength. In the year under review we carried out further work on our structures in the multinational company sector, where EC deregulation is opening up new market opportunities. In this way we were able to build on our strong market position.

Because of inadequate premium levels a number of our business units pursued cautious business acquisition policies. This applied particularly to our units in the US. Although we aim for reasonable expansion in business volume in the medium to longer term, we are prepared to renounce growth temporarily in market segments where the level of premiums is unsatisfactory.

Further increases in earning power are still our top priority. That is why our branch offices and subsidiaries have stepped up their efforts to create and exploit competitive advantages by focusing activities on target markets and customer segments. Of course the actual directions pursued by individual business units differ. This is because even at a time of increasing regionalization and globalization, insurance markets are still strongly influenced by national determinants, which often differ, even from one market segment to another. The substantial changes we are encountering in political, economic and social conditions demand great entrepreneurial flexibility. In particular, our products, services and marketing channels must be clearly aligned to rapidly changing customer needs.

At group level we are concerned with maintaining a well-balanced business mix. From a risk perspective, we see no urgent need for substantial or rapid changes in either the geographic spread of business or the breakdown by market segment and line of insurance. In the year under review the share of life insurance increased a little, in line with our longer-term intentions, due to our acquisition of Geneva Insurance. At the same time we strengthened our position on the Swiss insurance market through this acquisition.

In January, Zurich Insurance Group and Swiss Bank Corporation decided to found a joint marketing company in order to obtain better access to potential customers through new marketing channels. Each company will be offering its customers in Switzerland the insurance/bank products of the other. In the initial stage, starting in fall 1992, private customers will be offered life insurance and investment fund products.

Our French insurance portfolio in the company sector was substantially strengthened through the acquisition of Saltiel Assurances. We also want to familiarize ourselves with East European markets and their development potential by means of a local presence there, and we augmented our efforts in this direction by establishing two representative offices in Czechoslovakia during the year under review.

In spring 1992 we took over the Australian business of Britain's Guardian Royal Exchange (GRE) insurance group. This represented an expansion in the non-life segment, in particular. With an insurance portfolio mainly geared to private customers and small to medium-sized companies, the newly acquired business complements our existing activities in the company sector very well. In return, GRE received a 25% participation in our Australian organization. Moreover, in 1991 our subsidiary National & General widened its customer base substantially through a marketing agreement with another Australian bank. In Latin America we acquired, in summer 1991, a majority holding in La Chilena Consolidada, a leading Chilean all-lines insurance group.

In the field of reinsurance, where we concentrate on a number of selected market segments, we increased our share in Centre Reinsurance, Bermuda, to a substantial majority. Within just a few years Centre Re has won a leading position in the field of financial reinsurance, selling specialized structured insurance programs.

Zurich Insurance Group intends to remain a leading international seller of insurance and insurance-related products and services, with a strong base in local markets. We want to work together with our customers to identify their risks and provide competent solutions. To this end we are placing particular emphasis on promoting activities in risk analysis, loss prevention and claims handling.

The success of our company in handling these challenging tasks is critically dependent on the hard work, professional knowledge and abilities of all our employees, as well as the management abilities of our senior staff. For this reason we have increased our efforts in the fields of professional training and further education as well as personal development. Our training programs cover key requirements from basic abilities right up to top management skills. In the future Zurich Insurance will be facing increasingly sophisticated customer needs and ever more challenging market conditions: It has the financial strength and employee skills which it will need to master these challenges.

#### NON-LIFE INSURANCE

Non-life insurance – which comprises general insurance and assumed reinsurance – recorded successful results in 1991. Gross premiums rose 12.4% and results before tax climbed 15.8%.

In terms of local currencies, premium revenue was up 8.2%. This percentage figure includes all acquisitions made in the year under review. These acquisitions contributed one percentage point to the rate of premium growth, while business expansion in the rest of the group amounted to seven percent in terms of local currencies – an increase similar to that recorded in the previous year.

Underwriting results varied from one country to another. In a number of European countries – Germany, Italy, Austria and

Belgium – our business units recorded improved overall results, as did our organizations in Canada and Australia. Our Swiss companies also recorded higher profits. In the US the result before tax was comparable to that achieved in the previous year. Countries recording weaker results included the United Kingdom, France and Spain.

Higher income from capital investments contributed to the improvement in overall results. Moreover, realised capital gains were significantly greater than revaluations on capital investments. The underwriting result in relation to earned premiums deteriorated 0.7 percentage points. The loss ratio rose slightly as a result of a number of factors – general cost increases, higher levels of criminality, an increase in large claims, etc. We are paying particular attention to acquisition and administration expenses: In the year under review we carried out considerable investments in the areas of training and information technology, and in aligning our organizational structures more clearly to market and customer segments. Most of these investments were charged to the profit and loss account; they are aimed at raising the overall efficiency of the group, since this is a factor which is becoming ever more important in increasingly competitive markets. Combined with inflation-related cost increases, however, this expenditure resulted in an increase in the expense ratio in the year under review.

An important part of claim expenditure was again accounted for by the increase in loss reserves. In total, underwriting reserves rose 10.6% to Sfr. 25.6 billion, taking them to 191.3% of earned premiums compared with 193.3% in the previous year and 191.1% in the year before that.

#### LIFE INSURANCE

Life insurance is written exclusively by subsidiary companies in Switzerland and abroad, and gross premium revenue in this segment recorded a considerable increase, from Sfr. 4.1 billion to Sfr. 4.7 billion. The rate of growth was 15.8% in Swiss francs and 12.9% in local currencies. Our acquisition of Geneva Insurance and, to a lesser extent, of La Chilena Consolidada too, contributed to this expansion in premium volume. Excluding acquisitions, premium growth in Swiss francs amounted to 7.5%.

The newly acquired companies have been included in the consolidated profit and loss accounts from the time of acquisition, in other words, for seven months in the case of Geneva Insurance, and for five months in the case of La Chilena. Inclusion of these companies had less impact on growth rates in the profit and loss account than in the balance sheet, where the acquisitions are fully reflected in the end-1991 figures. This is one of the reasons why investment income displays a lower rate of growth than capital investments themselves.

In general, life insurance companies in our group recorded gratifying results in the year under review. However, inclusion of

Geneva Insurance in the consolidated accounts for the first time had a negative effect on the overall result before tax, which rose Sfr. 3 million to Sfr. 84.7 million. The impact of the difficulties with Alboran – Geneva's Spanish subsidiary – on the consolidated accounts did not exceed the amount expected at the time of the acquisition.

Investment income recorded gratifying growth. Interest and dividend income increased faster than premium revenue. The situation on the capital markets was more favourable than in the previous year and realized capital gains rose substantially. In addition, revaluations on capital investments were lower than in 1990.

The sum total of insurance benefits and of increase in actuarial reserves, which provide for the future payment of benefits to policyholders, increased faster than premium growth. Fortunately the cost ratio was lower than in the previous year.

Policyholders' dividends rose some 22%. This item comprises sums paid or credited to policyholders, taken mainly from reserves expressly designated for this purpose, and the sums transferred from the gross operating surplus to these reserves to provide for the future payment of dividends.

## CONSOLIDATED KEY FIGURES

TOTAL BUSINESS	1991 Sfr. million	1990 Sfr. million	Change %
(Non-life and life)			
Gross premiums written	19,571.1	17,283.8	+13.2
Net premiums written	17,919.8	15,752.9	+13.8
Investment income	3,699.1	3,202.4	+15.5
Net underwriting expenditure	21,107.3	18,319.9	+15.2
Profit	431.8	386.6	+11.7
Investments	58,953.8	50,041.8	+17.8
Net underwriting reserves	51,393.6	43,343.6	+18.6
Capital and surplus (after application of profit)	6,755.1	5,904.7	+14.4
NON-LIFE INSURANCE	1991 Sfr. million	1990 Sfr. million	Change %
Gross premiums written	14,876.4	13,229.5	+12.4
Net premiums written	13,418.3	11,947.6	+12.3
Net premiums earned	13,374.4	11,966.0	+11.8
Net losses incurred	10,520.1	9,379.9	+12.2
Net acquisition & general administration expenses	4,111.9	3,487.5	+17.9
Underwriting result	(1,507.8)	(1,267.2)	+19.0
Investment income	1,974.6	1,775.6	+11.2
Net underwriting reserves	25,584.9	23,134.7	+10.6
LIFE INSURANCE	1991 Sfr. million	1990 Sfr. million	Change %
Gross premiums written	4,694.7	4,054.3	+15.8
Net premiums written	4,501.5	3,805.3	+18.3
Investment income	1,724.5	1,426.8	+20.9
Net insurance benefits (including change in actuarial reserves)	4,610.3	3,728.0	+23.7
Policyholders' dividends	695.5	568.4	+22.4
Net acquisition & general administration expenses	923.3	814.2	+13.4
Profit before tax	84.7	81.7	+3.7
Investments	28,751.7	22,503.9	+27.8
Net underwriting reserves	25,808.7	20,208.9	+27.7
Business in force (sums insured)	232,289.4	192,908.7	+20.4

# Addresses of Zurich Insurance Group Offices

The activities of the Zurich and of its subsidiary and affiliated companies extend to Europe, Africa, North America, Latin America, Australia and Asia. The most important offices are listed below.

<p><b>EUR</b> Switzerland ▲ Zurich Insurance Company Home Office Mlybenquai 2 8022 Zurich</p> <p>• Zurich Insurance Company General Management Switzerland (Zürich Office) Ambassador House Tulacherstrasse 1 8152 Opfikon-Glattbrugg</p> <p>▲ VITA Life Insurance Company Head Office Austrasse 46 8022 Zurich</p> <p>■ Zurich-VITA Pension Fund Consultants and Investment Management Ltd Austrasse 44 8022 Zurich</p> <p>▲ Alpina Insurance Company Seydlerstrasse 123 8034 Zurich Branch offices in Belgium, Canada, France, Italy, Liechtenstein and in the Netherlands</p> <p>▲ Alisat Insurance Albisriedenstrasse 161 8010 Zurich</p> <p>■ La Genérale Compagnie d'Assurances sur la Vie Avenue Eugène - Pissard 16 1211 Geneva 25</p> <p>■ La Genérale Compagnie générale d'Assurances Avenue Eugène - Pissard 16 1211 Geneva 25</p> <p>▲ Turgum Insurance Company Mlybenquai 2 8022 Zurich</p>	<p>▲ Allianz-Via Place Saint-Martial 16000 Angoulême</p> <p>▲ Allianz-Accident Place Saint-Martial 16000 Angoulême</p> <p>Germany • &lt;&lt;Zürich&gt;&gt; Versicherungs-Gesellschaft Direktion für Deutschland Zürich-Haus am Opernplatz 6000 Frankfurt/Main 1</p> <p>▲ Deutsche Allgemeine Versicherungs-Aktiengesellschaft Zürich-Haus am Opernplatz 6000 Frankfurt/Main 1</p> <p>▲ Zürich International (Deutschland) Versicherungs-Aktiengesellschaft Zürich-Haus am Opernplatz 6000 Frankfurt/Main 1</p> <p>▲ Zürich Kautions- und Kreditversicherungs- Aktiengesellschaft Zürich-Haus am Opernplatz 6000 Frankfurt/Main 1</p> <p>▲ Zurich Rechtschutzversicherungs-Aktiengesellschaft Zürich-Haus am Opernplatz 6000 Frankfurt/Main 1</p> <p>• VITA Lebensversicherung-Gesellschaft Direktion für Deutschland Zürich-Haus am Opernplatz 6000 Frankfurt/Main 1</p> <p>▲ Agniguna Versicherung Aktiengesellschaft Richter Strasse 90 5000 Cologne 1</p> <p>▲ Agniguna Lebensversicherung Aktiengesellschaft Oppenheimerstrasse 14 5000 Cologne 1</p> <p>▲ Agniguna Rechtschutzversicherung AG Wormser Strasse 11-13 5000 Cologne 1</p> <p>▲ Agniguna Rückversicherung Aktiengesellschaft Oppenheimerstrasse 2 5000 Cologne 1</p> <p>▲ Palmis Versicherung Aktiengesellschaft Richter Strasse 90 5000 Cologne 1</p>	<p>▲ Sicurtà 1879 Assicurazioni S.p.A. Via Quadrio 17 20154 Milan</p> <p>■ Zeca Finanza S.p.A. Via Quadrio 17 20154 Milan</p> <p>▲ Società Italiana Assicurazioni e Riassicurazioni S.p.A. (SIAR) Via Veneto 6 00161 Rome</p>
<p>Austria ▲ Zürich Kolonos Versicherungen AG Schwarzenbergplatz 15 1010 Vienna 1</p>	<p>Ireland • Zurich Insurance Company Chief Office for the Republic of Ireland Stephen Court 18/21 St. Stephen's Green Dublin 2</p> <p>■ Zurich International Services (Ireland) Limited Stephen Court 18/21 St. Stephen's Green Dublin 2</p>	<p>Liechtenstein • &lt;&lt;Zürich&gt;&gt; Versicherungs-Gesellschaft Repräsentanz für Liechtenstein Anstettstrasse 80 9490 Vaduz</p>
<p>Belgium • &lt;&lt;Zürich&gt;&gt; Compagnie d'Assurances Direction pour la Belgique Rue de la Loi 76 1010 Brussels</p> <p>■ Zurich International (Belgique) S.A. Rue de la Loi 76 1010 Brussels</p> <p>• VITA Compagnie d'Assurances sur la Vie Direction pour la Belgique Rue de la Loi 76 1010 Brussels</p>	<p>Italy • &lt;&lt;Zürich&gt;&gt; Compagnia di Assicurazioni Rappresentanza Generale per l'Italia Via Sandro Sarni 1 20121 Milan</p> <p>▲ Zurich International (Italia) S.p.A. Via Vittorio Veneto 1 20121 Milan</p> <p>• VITA Compagnia di Assicurazioni sulla Vita Rappresentanza Generale per l'Italia Via Vittorio Veneto 1 20121 Milan</p> <p>▲ Demulder Compagnia di Assicurazioni e Riassicurazioni Generali S.p.A. Viale del Politecnico 149b 00161 Rome</p> <p>▲ Mirama Assicurazioni S.p.A. Via Quadrio 1 20154 Milan</p> <p>▲ Mirama Vita Assicurazioni S.p.A. Via Quadrio 1 20154 Milan</p>	<p>Luxembourg ▲ &lt;&lt;Zürich&gt;&gt; Compagnie d'Assurances Direction pour le Grand-Duché de Luxembourg 48 rue de Bragance 1255 Luxembourg</p> <p>• VITA Compagnie d'Assurances sur la Vie Direction pour le Grand-Duché de Luxembourg 48 rue de Bragance 1255 Luxembourg</p> <p>■ Zurich International Services (Luxembourg) S.A. 48 rue de Bragance 1255 Luxembourg</p>
<p>Denmark • Zurich Forsikring Direktion for Danmark Rådhuspladsen 75 1350 Copenhagen V</p> <p>• VITA Livsforsikring Direktion for Danmark Rådhuspladsen 75 1350 Copenhagen V</p>	<p>Spain • &lt;&lt;Zürich&gt;&gt; Compañía de Seguros Representación General para España Via Auguste 200 08021 Barcelona</p> <p>▲ Zurich International (España) Compañía de Seguros y Reaseguros S.A. Via Auguste 200 08021 Barcelona</p> <p>• VITA Compañía de Seguros sobre la Vida Representación para España Via Auguste 200 08021 Barcelona</p> <p>▲ Caudal S.A. de Seguros y Reaseguros Calle Arapiles 13 28015 Madrid</p> <p>▲ Unión Interamericana Compañía Anónima de Seguros y Reaseguros Francisco Gervás 10 28020 Madrid</p> <p>■ Compañía de Seguros y Reaseguros Alboran S.A. Pradilla 5 28002 Madrid</p>	<p>Netherlands • Zürich Verzekerings Veruur Achterweg 26 2264 SG Landschendam</p> <p>▲ Zürich International (Nederland) N.V. Veruur Achterweg 26 2264 SG Landschendam</p> <p>• VITA Levensverzekering-Maatschappij Kantoor voor Nederland Ravensdijkweg 111 2594 AC The Hague</p>
<p>France • &lt;&lt;Zürich&gt;&gt; Compagnie d'Assurances 14, Boulevard Poissonnière 75126 Paris Cedex 09</p> <p>▲ Zurich International (France) 14, Boulevard Poissonnière 75126 Paris Cedex 09</p> <p>• VITA Compagnie d'Assurances sur la Vie Direction pour la France 14, Boulevard Poissonnière 75126 Paris Cedex 09</p> <p>▲ Zurich Via (France) 14, Boulevard Poissonnière 75126 Paris Cedex 09</p>	<p>Sweden • Zurich Försäkring Zürich-Huset Linnégatan 5 11447 Stockholm 5</p>	<p>Norway • Zurich Forsikring Rustadveien 6 0251 Oslo 2</p>

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<p><b>Czechoslovakia</b></p> <ul style="list-style-type: none"> <li>■ Zurich Pojistovna Zastupitelství Praha Václavské náměstí 47 110 00 Prague 1</li> <li>■ Zurich Pojistovna Zastupitelství Bratislava Drobná cesta 16 811 04</li> </ul> <p><b>AFRICA</b></p> <p><b>Côte d'Ivoire</b></p> <ul style="list-style-type: none"> <li>• &lt;&lt;Zurich&gt;&gt; Compagnie d'Assurances Bureau en Côte d'Ivoire 77 Boulevard Roume Abidjan</li> </ul>	<ul style="list-style-type: none"> <li>▲ African International Insurance (AII) Ltd Coits House Waterside Street Nairobi</li> </ul>	<p><b>Hong Kong</b></p> <ul style="list-style-type: none"> <li>▲ Zurich Insurance Company (Asia) Limited Manager: Suire Insurance Ltd. 1916 Suire House 9 Connaught Road Central Hong Kong</li> <li>• VITA Life Insurance Company Ltd. Branch Office for Hong Kong Windsor House, 36th Floor 311 Gloucester Road, Causeway Bay Hong Kong</li> </ul>
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