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POOL REINSURANCE COMPANY LIMITED

1995

ANNUAL REPORT



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COMPANIES HOUSE 03/06/96

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CHAIRMAN'S STATEMENT

Premium income for the 1995 financial year was £196 million compared to £346 million for the previous year. The reduction in premium income was mainly on account of the changes to the premium arrangements for the 1995 underwriting period and the introduction of a reinsurance commission from July 1995. After allowing for those changes we estimate that in comparison to the 1994 underwriting period we have maintained well over 90% of the annual premium in 1995. This demonstrates the continuing requirement for the Terrorism Cover, and indicates that the flexible deposit premium basis is attractive to original insureds.

In my Chairman's Statement last year I reported on the changes that were introduced for 1995. Original insureds paid a deposit premium of 60% of the annual premium with the balance payable at the expiry of the policy period, but in the event that losses to Pool Re occurring during 1995 did not exceed £50 million the balance of premium would be waived. The 1995 calendar year was claims free to Pool Re and I am pleased that all original insureds that purchased the terrorism cover during 1995 have benefited from the waiver.

I also reported that from the 1 July 1995 our members are entitled to a 5% reinsurance commission as a contribution to the expenses of members and intermediaries. Intermediaries are entitled to deduct a 2.5% commission from terrorism cover premiums payable to our members, and the balance of 2.5% is payable to members after the close of the year.

It is the Company's accounting policy to close each underwriting period, in normal circumstances, at the end of the third year. At the end of 1995, we closed the run-off cover and the 1993 underwriting period. The run-off cover was available to those members who required reinsurance protection for those risks that inceptioned in 1992 but expired after the 1 January 1993. The 1993 underwriting period applied to those risks that inceptioned or renewed during 1993. Both the run-off cover and the 1993 underwriting period sustained claims from the Bishopsgate bomb attack of the 24 April 1993. Before taking account of the retrocession premium the underwriting result for the run-off cover is an underwriting loss of £21 million. By the terms of the reinsurance agreements those members who are reinsured by the run-off cover are required to pay an additional premium of 10% of the premium they paid for the run-off cover. However, I am pleased that the 1993 underwriting period, on a similar basis,

resulted in an underwriting profit of £24 million, and members reinsured for that period are therefore entitled to a return premium calculated in accordance with the terms of their reinsurance agreements.

The Retrocession Agreement with the Secretary of State for Trade and Industry protects the funds of the Company, and the amount and timing of any recovery is not related to any one underwriting period. There has not been any recovery from Government because the Company's funds have remained in surplus.

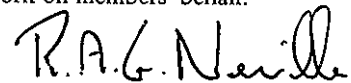
The 1994 underwriting period will be closed at the end of this year, and in the absence of large claims for that period we expect an underwriting profit. Whilst there were no claims to Pool Re during the 1995 calendar year, the 1995 underwriting period will not expire until the end of this year, and at this stage it is too early to comment further on the underwriting result.

With the agreement of the Secretary of State for Trade and Industry the deposit premium arrangement continued for the 1996 underwriting period. The claims threshold to Pool Re, for claims occurring during 1996, that determines whether the balance of premium is payable was increased to £75 million. In addition, the premium rates were discounted by 20%, but on the basis that if the £75 million threshold is exceeded then the discount will be withdrawn. The South Quay bomb is a significant loss to our 1995 and 1996 underwriting periods, and it has still to be determined whether the cost to the Company will exceed £75 million.

The South Quay bomb has regrettably reminded us of the reason why Pool Re was established and the need for the reinsurance protection it provides. We are a mutual reinsurance company, and our members are insurers of property damage and business interruption. We have 248 members (insurance companies and Lloyd's syndicates). Of the 184 company members, 70 are incorporated in some 13 countries outside of the United Kingdom.

After 3 years as Chairman I shall be retiring from the Board following the Annual General Meeting. I would like to take this opportunity to thank my fellow Directors for their support during this period and express my thanks to the staff of Pool Re for their continuing work on members' behalf.

Sir Roger Neville



Chairman

26 April 1996

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 1995.

STATUS OF COMPANY

The Company is a private company limited by guarantee and not having a share capital.

The Company is authorised by the Department of Trade and Industry to carry on in the United Kingdom general insurance business classes 8 (fire and natural forces) and 16 (miscellaneous financial loss), restricted to reinsurance business only.

PRINCIPAL ACTIVITY

During the year under review the principal activity of the Company was reinsurance business conducted on a mutual basis.

RESULTS

The Company made a profit before taxation of £15,842,000 after transferring £22,938,000 to the general business technical account and charging investment expenses, including bank facility charges, of £671,000. Investment income from interest on short-term deposits and Government Securities amounted to £34,366,000. Unrealised investment gains were £3,104,000 and realised investment gains were £1,981,000. Retained profit for the year was £4,502,000.

The taxation charge relates to the United Kingdom corporation tax on investment income less interest paid. There is no taxation of the underwriting result as the business is conducted on a mutual basis.

Under the existing contractual arrangements with members, reinsureds and the Secretary of State for Trade and Industry, any deficit within the insurance fund will be recoverable over time from contracted additional premium contributions from reinsureds and/or payments by the Secretary of State under the terms of the Retrocession Agreement (the recovery of which the Secretary of State is contractually bound to waive in the event that the agreement is terminated with the insurance fund in deficit)

and/or offset against future underwriting profits. The directors have resolved that, so long as these existing contractual arrangements apply, the Company will take credit, when assessing the adequacy of the insurance fund, for anticipated recoveries in respect of any deficit in that fund.

CHANGES IN PRESENTATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with Schedule 1, Part 1 of the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993 ("the Regulations") which amend section 255 and Schedule 9A of the Companies Act 1985 and came into effect for accounting periods commencing after 23 December 1994. The prior year figures have been restated to comply with the changes in presentation of financial statements introduced by the Regulations and draft guidance issued by The Association of British Insurers. The majority of changes to the financial statements relate to additional disclosure, but where changes in accounting policies have been made the effect is explained in note 4 to the financial statements.

DIRECTORS

A list of the directors is shown on page 18.

The following changes affecting the composition of the Board have occurred during the year. On 5 October 1995 P F Foreman resigned as alternate to Sir Roger Neville and A P Latham was appointed in his place.

In accordance with the Articles of Association B V Day and P G Ward retire by rotation and, being eligible, offer themselves for re-appointment.

The directors serve in a non-executive capacity and have no service contracts with the Company.

As permitted by the Companies Act 1985 (as amended), the Company has maintained insurance cover for the directors and officers of the Company against certain liabilities which they may incur in carrying out their duties.

DONATIONS

In the year under review the Company made no donations for political or charitable purposes.

INVESTMENT MANAGEMENT

Royal Insurance Asset Management Limited provides investment management services to the Company. The agreement may be terminated at any time by the Company and on one month's notice by the manager.

In July 1995 Hill Samuel Investment Management Limited were appointed as an additional investment manager to the Company. This agreement may be terminated immediately at any time by the Company and on one months notice by the manager.

ANNUAL GENERAL MEETING

The Notice convening the Annual General Meeting to be held at 11.00 am on Thursday, 30 May 1996 is contained on page 19 of this report.

AUDITORS

A resolution to re-appoint the auditors, Coopers & Lybrand, will be proposed at the Annual General Meeting.

By Order of the Board

M J Watson
Secretary



26 April 1996

PROFIT AND LOSS ACCOUNT

*Technical account - general business
for the year ended 31 December 1995*

		1995	1994
	Note	£'000	(Restated) £'000
Gross premiums written	3(a)	195,807	345,927
Outwards reinsurance premiums	15	(27,199)	(39,717)
Net premiums written		<u>168,608</u>	<u>306,210</u>
Gross claims paid	3(a)	(86,372)	(93,246)
Reinsurers' share		—	—
Net claims paid		<u>(86,372)</u>	<u>(93,246)</u>
Gross change in the provision for claims		(97,448)	(222,665)
Reinsurers' share		—	—
Net change in the provision for claims		<u>(97,448)</u>	<u>(222,665)</u>
Rebates, net of reinsurance		(2,309)	—
Net operating expenses	3(b)	(5,417)	(998)
Balance on the technical Account for general business		<u>(22,938)</u>	<u>(10,699)</u>

The notes on pages 11 to 16 form an integral part of these financial statements.
The auditors' report is on page 17.

PROFIT AND LOSS ACCOUNT

*Non-technical account
for the year ended 31 December 1995*

	Note	1995 £'000	1994 (Restated) £'000
Balance on the general business technical account		(22,938)	(10,699)
Investment income	3(d) and 8	36,347	17,411
Unrealised gains/(losses) on investments		3,104	(269)
Investment expenses and charges	9	(671)	(798)
Profit on ordinary activities before tax		15,842	5,645
Tax on profit on ordinary activities	3(e) and 13	(11,340)	(5,645)
Profit on ordinary activities after tax		4,502	—

The above results all relate to continuing operations.

The Company has no recognised gains or losses other than those included in the profit and loss account above. Therefore, a statement of total recognised gains and losses has not been prepared.

The notes on pages 11 to 16 form an integral part of these financial statements.
The auditors' report is on page 17.

BALANCE SHEET

as at 31 December 1995

	Note	1995 £'000	1994 (Restated) £'000
Assets			
Investments			
Other financial investments	14	611,683	456,205
Debtors			
Debtors arising out of reinsurance operations		25,430	39,303
Other assets			
Cash at bank and in hand		9,640	19,056
Tangible assets		29	25
		9,669	19,081
Prepayments and accrued income			
Accrued interest		7,010	1,800
Other debtors		62	61
		7,072	1,861
Total assets		653,854	516,450
Liabilities			
Capital and Reserves			
Profit and Loss Account	21	4,502	-
		4,502	-
Technical provisions			
Claims outstanding (including insurance fund)	6	530,863	433,415
Provisions for other risks and charges	15	98,466	71,267
		629,329	504,682
Deferred tax	16	2,313	594
Creditors			
Creditors arising out of reinsurance operations		8,976	5,914
Other creditors including taxation		8,734	5,260
		17,710	11,174
Total liabilities		653,854	516,450

Approved by the Board on 26 April 1996

Sir Roger Neville
Chairman

P G Ward
Director

The notes on pages 11 to 16 form an integral part of these financial statements.
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CASH FLOW STATEMENT

for the year ended 31 December 1995

		1995	1994
			(Restated)
	Note	£'000	£'000
Operating activities			
Net cash inflow from operating activities	18	147,152	325,592
Taxation			
Tax paid		(6,140)	(155)
Investing activities			
Purchases of investments, excluding cash equivalents		(409,297)	(96,351)
Sales of investments, excluding cash deposits		230,058	56,053
Net (purchases)/sales of investments		(179,239)	(40,298)
Purchases of tangible fixed assets		(35)	(15)
Net cash outflow from investing activities		(179,274)	(40,313)
(Decrease)/Increase in cash and cash equivalents	19	(38,262)	(285,124)

The notes on pages 11 to 16 form an integral part of these financial statements.
The auditors' report is on page 17.

NOTES TO THE FINANCIAL STATEMENTS

1 INSURANCE BUSINESS

The Company formally admitted its first members during 1993 but, under the terms of reinsurance contracts entered into, cover has been provided in respect of underlying 1993 underwriting year insurance risks which inception prior to the date of admission. In addition 'run-off' cover was provided to some members in respect of the unexpired risk on underlying policies inception prior to 1993. The 'run-off' cover has been accounted for as a separate underwriting year.

Under the terms of the agreements with members and reinsureds, and the Retrocession Agreement with the Secretary of State for Trade and Industry, the Company's financial position is assured. Where an underwriting loss, before taking account of amounts due to or from the Secretary of State under the Retrocession Agreement, arises at the close of an underwriting year of account, additional premiums will be due from the reinsureds up to a limit of 10% of premiums previously paid to the Company in respect of that year of account. To the extent that these additional premiums and any accumulated surplus within the Company are insufficient to recoup the loss and the cash is exhausted, recoveries may be claimed from the Secretary of State under the terms of the Retrocession Agreement.

The premium due to the Secretary of State for providing retrocession cover will not become payable until the balance of the aggregate insurance fund and revenue reserves exceeds £1 billion, and then only to the extent of the excess.

2 ACCOUNTING AND DISCLOSURE REQUIREMENTS

The financial statements of the Company are prepared in accordance with the provisions of Section 255 of, and Schedule 9A to, the Companies Act 1985 as (amended) relating to insurance companies and with guidance issued by the Association of British Insurers ("ABI") in December 1995. The Company also complies with applicable accounting standards in the United Kingdom as considered appropriate for an insurance company.

At 31 December 1995, because of the nature of the agreements referred to in note 1 above, there was no accumulated surplus within the Company and total assets equalled total liabilities.

In accordance with the requirements of the Companies Act 1985 (Insurance Company Accounts) Regulations 1993 ("the Regulations") the Company has changed its accounting policy whereby premiums written are now accounted for on an inception basis rather than recorded when notified to the Company. In order to comply with the guidance issued by the ABI investments are now shown at market value rather than amortised cost. The Company has restated the comparative figures for the year ended 31 December 1994 to reflect the changes in presentation of the financial statements introduced by the Regulations.

These accounts have been prepared in accordance with the historical cost convention modified by the revaluation of certain assets as required by the Regulations.

3 ACCOUNTING POLICIES

(a) Underwriting results

- (i) The technical results are determined using a fund basis of accounting as the company is unable to obtain sufficient and/or timely information in respect of premiums and claims and the directors do not believe the annual basis is appropriate. Under the fund basis premiums and claims are allocated to each underwriting year, the results of which are determined and reported, on closure, as at the end of the third year of development, after making adequate provision for the estimated outstanding liabilities of all years. Losses on open years are provided for as soon as they are anticipated. In assessing the adequacy of the insurance fund to meet outstanding liabilities, including claims handling expenses, account is taken of potential recoveries due from reinsureds in the form of additional premiums and from the Secretary of State under the terms of the Retrocession Agreement.

(ii) Premiums written relate to business incepted during the year, together with any difference between booked premiums for prior years and those previously accrued, and include estimates of premiums due but not yet receivable or notified to the company.

(iii) The insurance funds, which represent the excess of written premiums over claims paid and related expenses, are included within the technical provision for claims outstanding. It is assessed after making full provision for the estimated ultimate costs of all claims, including the related expenses, whether reported or not, in respect of each underwriting year. The level of the insurance fund is based on the amounts which the company expects the ultimate settlement will cost, taking into account the current facts and circumstances.

(b) Expenses

(i) Expenditure on computer equipment and office equipment is capitalised and depreciated by equal instalments over the estimated useful lives of the assets.

Expenditure on computer software is written off as incurred.

(ii) All expenses, other than investment expenses, are charged to the technical account. Expenses for 1995 have been allocated to the 1995 underwriting account.

(c) Investments

Investments are stated at market value, representing stock market values for listed securities.

(d) Investment income

Investment income, which is all included in the non-technical account, is determined on an accruals basis. Realised gains or losses represent the difference between net sales proceeds and the purchase price.

(e) Taxation

Taxation is provided on investment income received, less interest paid, for the period. Deferred taxation is provided for on the liability method on all material timing differences to the extent that the liability, or relief, to tax is expected to arise in the foreseeable future.

4 EFFECT OF CHANGES IN ACCOUNTING PRACTICE

The effect of changing the accounting policy for the valuation of investments, as explained in note 2,

on the results of the current and previous year is as follows:-

	1995 £'000	1994 £'000
Profit before tax prior to changes	13,185	5,645
Investment income	(234)	56
Unrealised investment gains (losses) now recognised in the non-technical account	3,104	(269)
Balance on the general business technical account	(213)	213
Profit before tax	15,842	5,645

There was no effect from these changes on the opening net assets for 1995.

5 UNDERWRITING ACCOUNTS

Under the terms of the agreements with reinsureds additional premiums are due to the Company where there is an underwriting loss before taking account of

amounts due to or from the Secretary of State under the terms of the Retrocession Agreement. The underwriting accounts at the year end were as follows:-

	Run-off Underwriting Account (closed)	1993 Underwriting Account (closed)	1994 Underwriting Account (after 2 years)	1995 Underwriting Account (after 1 year)
	£'000	£'000	£'000	£'000
Premiums	41,535	250,821	345,927	192,088
Outwards reinsurance premiums	(4,819)	(32,258)	(40,653)	(20,736)
Claims paid	(30,434)	(195,368)	(1,375)	—
Expenses	(176)	(997)	(998)	(5,417)
Underwriting loss	25,816	7,907	—	—
Outstanding claims (including insurance fund)	31,922	30,105	302,901	165,935

Premiums in respect of closed years include additional premiums and rebates calculated under the terms of agreements with reinsureds.

Outwards reinsurance premiums, which comprise amounts which may become payable to the Secretary of State for providing retrocession cover for all underwriting years, are not determined by reference to individual

underwriting years but by reference to the cumulative position on all underwriting years.

Claims notified to the Company, but not yet settled, for the 1994 underwriting account were £445,000. At 31 December 1995 no claims had been notified to the Company for the 1995 underwriting account (see note 23).

6 INSURANCE FUND

Under the existing contractual arrangements with the reinsureds and with the Secretary of State, any excess of claims and expenses over available past and future income, including contracted additional premium contributions from reinsureds, will be recoverable from the Secretary of State under the terms of the Retrocession Agreement. As explained

in note 1, recoveries may be claimed from the Secretary of State only when the cash resources of the Company are exhausted. Recoveries on the insurance fund will be obtained either from future surplus funds within the Company or, if cash resources are exhausted, the Secretary of State for Trade and Industry.

7 NET OPERATING EXPENSES

Net operating expenses comprise:-

	1995 £'000	1994 £'000
Acquisition costs	4,670	150
Administration expenses	747	848
Net operating expenses	5,417	998

Commission incurred during the year in respect of reinsurance was £ 4,510,000 (1994 £ Nil).

This was introduced for the first time with effect from 1 July 1995.

8 INVESTMENT INCOME

Investment income comprised:-

	1995 £'000	1994 £'000
Income from other financial investments	34,366	17,140
Gains on realisation of investments	1,981	271
	36,347	17,411

9 INVESTMENT EXPENSES AND CHARGES

Investment expenses and charges comprised:-

	1995 £'000	1994 £'000
Bank facility charges	(255)	(551)
Investment management charges	(416)	(247)
	(671)	(798)

10 EMPLOYEE INFORMATION

The average number of persons employed by the company during the year was 7 (1994-9).

Staff costs for these persons were:-

	1995 £'000	1994 £'000
Wages and salaries	284	349
Social security costs	32	40
	316	389

11 DIRECTORS' EMOLUMENTS

The aggregate emoluments payable to certain directors of the Company as individuals, for their services as directors, for the year was £40,000 (1994 - £35,045). In addition £30,000 (1994 - £34,962) was paid to third parties for making available the services of other persons to act as directors of the Company.

12 PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

Profit on ordinary activities before tax is stated after charging auditors' remuneration in respect of the accounts for the year of £ 24,300 (1994 - £24,175) including irrecoverable VAT. Other fees payable to Coopers & Lybrand in respect of the year amounted to £ 9,450 (1994 - £6,080).

13 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

Taxation on profit on ordinary activities comprises:-

	1995 £'000	1994 £'000
United Kingdom corporation tax at 33%:		
Current tax	(9,621)	(5,084)
Deferred tax	(1,719)	(572)
Adjustment in respect of prior year	—	11
	(11,340)	(5,645)

14 OTHER FINANCIAL INVESTMENTS

Other financial investments comprise:-

	1995 £'000	1994 £'000
Variable yield Government securities	43,607	—
Fixed yield Government securities	123,517	40,300
Deposits with credit institutions	444,559	415,905
	611,683	456,205

With the exception of deposits with credit institutions, all other financial investments are listed. The purchase price of the above Government securities was £164,289,000 (1994 £40,569,000).

15 PROVISIONS FOR OTHER RISKS AND CHARGES

Provisions for other risks and charges comprise:-

	Outwards reinsurance premiums £'000
As at 1 January 1995 (restated)	71,267
Movement in the year	27,199
As at 31 December 1995	98,466

16 DEFERRED TAX

Deferred tax provided in the financial statements is as follows:-

	1995 £'000	1994 £'000
Timing differences on investment income	2,313	594

17 BANK FACILITY

On 30 July 1993 the Company entered into a five year agreement with a consortium of seven banks for the provision of a revolving credit facility of up to £500,000,000. The purpose of this facility is to provide immediate funds to pay claims to reinsureds irrespective of the timing of any recoveries which may be due under the Retrocession Agreement.

The Secretary of State for Trade and Industry executed a guarantee and indemnity agreement on 30 July 1993 guaranteeing to the banks any sum due by the Company under the revolving credit agreement.

18 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1995 £'000	1994 (Restated) £'000
Ordinary activities before tax	15,842	5,645
Profit on sale of investments	(1,981)	(271)
Unrealised (gains)/losses on investments	(3,104)	269
Depreciation charge	31	28
Decrease in debtors	13,873	80,431
Increase in prepayments and accrued income	(5,211)	(1,476)
Increase in claims outstanding	97,448	222,665
Increase/(decrease) in creditors	3,055	(21,416)
Increase in provisions for risks and other charges	27,199	39,717
Net cash inflow from operating activities	147,152	325,592

19 ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

	1995 £'000	1994 £'000
Balance at 1 January	434,961	149,837
Net cash (outflow)/inflow	(38,262)	285,124
Balance at 31 December	396,699	434,961

**20 ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS
AS SHOWN IN THE BALANCE SHEET**

	1995 £'000	1995 Change in the year £'000	1994 £'000	1994 Change in the year £'000	1993 £'000
Cash at bank and in hand	9,640	(9,416)	19,056	5,219	13,837
Other cash equivalents	387,059	(28,846)	415,905	279,905	136,000
Total cash and cash equivalents	396,699	(38,262)	434,961	285,124	149,837

**21 RECONCILIATION OF
MOVEMENTS IN PROFIT
AND LOSS ACCOUNT**

	1995 £'000	1994 £'000
Profit for the financial year	4,502	—
Opening profit and loss account	—	—
Closing profit and loss account	4,502	—

**22 FLOATING CHARGE OVER
THE COMPANY'S ASSETS**

On 7 September 1993 the Company executed a debenture deed granting the Secretary of State for Trade and Industry a floating charge over the Company's assets. The charge restricts the Company from creating further charges without the

consent of the Secretary of State. The floating charge crystallises and takes effect as a fixed charge in the event, inter alia, of default by the Company in meeting certain of its obligations to the Secretary of State, and upon termination of the Retrocession Agreement.

23 POST BALANCE SHEET EVENT

On 9 February 1996 there was a major terrorist incident at South Quay in the Docklands area of East London. The Company has received a number of claims notifications resulting from this incident which will impact both the 1995 and 1996 underwriting periods. Sufficient information to enable these claims to be accurately quantified will not be available for some months and it is impracticable to make an estimate. However, the Company considers that the insurance fund for the 1995 underwriting year will be adequate to meet those claims from this incident which attach to that year.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which comply with the relevant provisions of the Companies Act 1985 in respect of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to select suitable accounting policies and then apply them consistently; make judgements and estimates that are reasonable and prudent; state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS TO THE MEMBERS OF POOL REINSURANCE COMPANY LIMITED

We have audited the financial statements on pages 7 to 16.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to

the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1995 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.

Coopers & Lybrand

Coopers & Lybrand
Chartered Accountants and Registered Auditors

London
26 April 1996

THE BOARD

SIR ROGER NEVILLE

A director and chairman since March 1993. Director of Sun Alliance Group. Former Chairman, Policyholders' Protection Board. Aged 64.

REGINALD E BROWN

A director since December 1993. Lloyd's underwriter. Director of Octavian Syndicate Management Limited. Aged 53.

BERNARD V DAY

A director since March 1993. Managing Director, Ecclesiastical Insurance Group. Aged 63.

ROY A ELMS

A director since March 1993. Group Underwriting Director, Royal Insurance Holdings plc. Aged 63.

MAURICE W HUNT

A director since November 1993. Deputy Director General, Confederation of British Industry. Aged 59.

NORMAN H SMITH

A director since October 1993. Former Deputy Chairman of Courtaulds plc. Aged 70.

PETER G WARD

A director since March 1993. Executive Director, Commercial Union plc. Aged 53.

ALTERNATE DIRECTORS

THOMAS J BROWN

Appointed Alternate Director for Mr R A Elms in April 1993. Managing Director, Royal Insurance (Global) Limited. Aged 47.

JOHN L DODSON

Appointed Alternate Director for Mr R E Brown in December 1993. Insurance consultant/executive, Lloyd's Underwriters Non-Marine Association Limited. Aged 61.

ANTHONY PIERS LATHAM

Appointed Alternate Director for Sir Roger Neville in October 1995. Managing Director, Sun Alliance Insurance International Limited. Aged 46.

CORNELIUS A C M SCHRAUWERS

Appointed Alternate Director for Mr P G Ward in April 1993. General Manager, Non-Life Insurance, UK Division, Commercial Union Assurance Company plc. Aged 49.

ANDREW S YOUNG

Appointed Alternate Director for Mr B V Day in July 1993. Chief Executive, NFU Mutual and Avon Group. Aged 49.

MANAGEMENT

CHIEF EXECUTIVE

Leslie D Lucas, FCII

COMPANY SECRETARY
AND FINANCIAL CONTROLLER

Michael J Watson, FCA

TECHNICAL MANAGER

Lenka S Taylor, ACII

COMPANY

REGISTERED IN

England, United Kingdom

REGISTRATION NUMBER

2798901

REGISTERED OFFICE

51 Gresham Street, London, EC2V 7HQ, United Kingdom

TELEPHONE NUMBER

0171 216 7575 (international 44 71 216 7575)

FACSIMILE NUMBER

0171 696 8980 (international 44 71 696 8980)

NOTICE OF MEETING

The Annual General Meeting of Pool Reinsurance Company Limited will be held at 51 Gresham Street, London EC2 at 11.00 am on Thursday, 30 May 1996 for the following purposes:

- To receive the accounts and the reports of the directors and of the auditors for the year ended 31 December 1995.
- To re-appoint Mr B V Day, who retires by rotation, as a director and to fix his remuneration.
- To re-appoint Mr P G Ward, who retires by rotation, as a director and to fix his remuneration.
- To re-appoint Coopers & Lybrand as auditors and to authorise the directors to fix their remuneration.

A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, to vote instead of that member. A proxy need not be a member of the Company. The instrument appointing a proxy should be deposited at 51 Gresham Street, London EC2V 7HQ, not less than 48 hours before the time of the meeting.

By order of the Board

M J Watson
Secretary

M J Watson

Registered Office;
51 Gresham Street, London EC2V 7HQ

Registered in England No. 2798901

26 April 1996

MEMBERS' PROFILE

as at 26 April 1996

Analysis by type of member	Number of members	Percentage of number of members	Number of votes	Percentage of number of votes
Insurance companies incorporated in				
Belgium	4			
Bermuda	3			
France	7			
Germany	4			
Gibraltar	1			
Guernsey	17			
Hong Kong	1			
Ireland	14			
Isle of Man	12			
Italy	1			
Netherlands	2			
Switzerland	1			
United Kingdom	114			
United States of America	3			
	184	74.2	2,113	97.1
Active Underwriters of Lloyd's Syndicates	64	25.8	62	2.9
	248	100.0	2,175	100.0
<i>Analysis by size of vote</i>				
0	28	11.3	0	0.0
1-050	208	83.9	648	29.8
51-100	9	3.6	649	29.8
150-200	1	0.4	171	7.9
Above 250	2	0.8	707	32.5
	248	100.0	2,175	100.0

Note:

- Under the provisions of Article 27 of the Articles of Association a member has one vote for each £100,000 of premium or part thereof for reinsurance business placed with the Company in the calendar year prior to the poll.
- Of the 114 insurance companies incorporated in the United Kingdom 67 have an ultimate parent company incorporated outside of the United Kingdom.

LIST OF MEMBERS

as at 26 April 1996

Aachener und Munchener Versicherung A G
Acadia International Insurance Limited
AEA Insurance Limited
Aegon Insurance Company (UK) Limited
Aetna National Accounts UK Limited
AGF Insurance Limited
Assurances Generales de France IART
Albion Insurance Company Limited
Allied Colloids Insurance Limited
American Ridge Insurance Company
Amersham International Insurance Services Limited
Ansvar Insurance Company Limited
ARIG Insurance Company Limited
Assicurazioni Generali SpA
Automotive Financial Insurances Limited
Avon Insurance plc
AXA Global Risks (UK) Limited
AXA Insurance Company Limited
AXA Reinsurance (UK) plc
Baltica Insurance Company (UK) Limited
The Baptist Insurance Company plc
Beaufort Insurance Company Limited
Bimeh Iran Insurance Company (UK) Limited
Black Sea and Baltic General Insurance Company Limited
Brecon Insurance Company Limited
British Aerospace (Insurance) Limited
British Reserve Insurance Company Limited
The Builders' Accident Insurance Limited
Cathcart Insurance Limited
Catholic National Mutual Limited (The)
Cedar Insurance Company Limited
Chancel Insurance Limited
CHG Insurance Limited
China Insurance Company (UK) Limited
The Chiyoda Fire & Marine Insurance Company (Europe) Limited
Chubb Insurance Company of Europe S.A.
Church & General Insurance plc
Church of Scotland Insurance Company Limited
CIGNA Insurance Company of Europe SA - NV
The City Fire Insurance Company Limited
CNA International Reinsurance Company Limited
Co-operative Insurance Society Limited
Colonia Insurance Company (UK) Limited
Commercial Union Assurance Company plc
Commercial Union Assurances
Commercial Union Underwriting Limited
Compagnie d'Assurances Maritimes Aeriennes & Terrestres S.A.
Compagnie Européenne d'Assurances Industrielles S A
Congregational & General Insurance plc
Consolidated Mutual Insurance Limited
The Continental Insurance Company (Europe) Limited
Cornhill Insurance plc
Crosskeys Limited
Crucible Insurance Company Limited
Dai-Tokyo Insurance Company (UK) Limited
Dowa Insurance Company (Europe) Limited
Eagle Star Insurance Company Limited
Eagle Star Insurance Company (Ireland) Limited
Eastern Corporate Insurance Limited
Ecclesiastical Insurance Office plc
Economic Insurance Company Limited

LIST OF MEMBERS

as at 26 April 1996

Electra Insurance Limited
Electrical Contractors Insurance Company Limited
Employers Reinsurance Limited
Engineering Insurance Company Limited
European Nichido Insurance Company Limited
Excess Insurance Company Limited
F M Insurance Company Limited
Folgate Insurance Company Limited
Fuji International Insurance Company Limited
Fulmar Insurance Company Limited
GA Bonus plc
GAN Incendie Accidents S A
GAN Insurance Company Limited
General Accident Fire & Life Assurance Corporation plc
Gerling-Konzern Allgemeine Versicherungs-AG
Glaxo Insurance (Bermuda) Limited
Glensure Insurance Company Limited
Glenthorne Insurance Limited
GRE Insurance Limited
Great Lakes Reinsurance (UK) plc
Guardian Insurance Limited
Hallmark Insurance Company Limited
Hansa Industrial Insurance NV
H E Insurance Services Limited
Hedderington Insurance (UK) Limited
Hibernian Insurance Company Limited
High Street Insurance Company Limited
Hyde Park Insurance Limited
IC Insurance Limited
Ichem Insurance Company Limited
Independent Insurance Company Limited
Industrial Insurance Limited
Insurance Company of North America (UK) Limited
The Insurance Corporation of Ireland plc
International Insurance Company of Hannover Limited
Irish National Insurance Company plc
Iron Trades Insurance Company Limited
K S Insurance Limited
Kemper S. A.
Kingfisher Insurance Limited
Kirby Insurance Company Limited
Koa Insurance Company (Europe) Limited
Kyoei Fire & Marine Insurance Company (UK) Limited
La Concorde S A
Legal & General Assurance Society Limited
Legal & General Insurance Limited
LIMMAT Insurance Company for Industry Limited
Lombard General Insurance Limited
London & Edinburgh Insurance Company Limited
Lothbury Insurance Company Limited
Martinsuranc Teoranta
Maxfort Insurance Limited
Methodist Insurance plc
Minnetonka Insurance Company
Moorgate Insurance Company Limited
The National Insurance & Guarantee Corporation plc
National Vulcan Engineering Insurance Group Limited
New Hampshire Insurance Company
The New India Assurance Company Limited
The National Farmers Union Mutual Insurance Society Limited
Nippon Insurance Company of Europe Limited

LIST OF MEMBERS

as at 26 April 1996

Nissan Insurance Company (Europe) Limited
 Norman Insurance Company Limited
 Northern Electric Insurance Services Limited
 Northern Star Insurance Company Limited
 Norwich Union Fire Insurance Society Limited
 P C Insurance Company Limited
 Palatine Insurance Company Limited
 Pearl Assurance plc
 The Pharmacy Mutual Insurance Company Limited
 Porton Underwriting Limited
 Préservatrice Foncière Assurances TIARD S A
 Reliance National Insurance Company (UK) Limited
 River Thames Insurance Company Limited
 Royal Insurance plc
 The Royal London General Insurance Company Limited
 The Salvation Army General Insurance Corporation Limited
 Samsung Insurance Company of Europe Limited
 Scarcroft Insurance Limited
 SCOR UK Company Limited
 Scottish Boiler & General Insurance Company Limited
 Seaboard Insurance Company Limited
 Skandia UK Insurance plc
 Sorema (UK) Reinsurance Limited
 Spear Insurance Company Limited
 Speedbird Insurance Company Limited
 Sphere Drake Insurance plc
 Spruce Insurance Limited
 SR International Business Insurance Company Limited
 St. Paul International Insurance Company Limited
 The Sumitomo Marine & Fire Insurance Company (Europe) Limited
 Sun Alliance and London Insurance plc
 Taisho Marine and Fire Insurance Company (Europe) Limited
 TCS Insurance Company of Ireland Limited
 Terra Nova Insurance Company Limited
 Tesco Insurance Limited
 Tobacco Insurance Company Limited
 The Tokio Marine & Fire Insurance Company (UK) Limited
 Trafalgar Insurance plc
 UAP - Incendie - Accidents S.A.
 UAP Provincial Insurance plc
 UIC Insurance Company Limited
 Uni Europe Assurance S A
 Union Insurance Society of Hong Kong Limited
 United Friendly Insurance plc
 URC Insurance Company Limited
 Verzekeringsmaatschappij Palma NV
 Voyager Insurance Company Limited
 VSEL Insurance Limited
 Waterline Insurance Company Limited
 The Welsh Calvinistic Methodist Assurance Trust Limited
 The Wesleyan Assurance Society
 Winterthur International Insurance Company Limited
 Woodcroft Insurance Company Limited
 The World Marine & General Insurance plc
 WTCD Insurance Corporation Limited
 Württembergische Versicherung A G
 The Yasuda Fire & Marine Insurance Company of Europe Ltd
 Yasuda Kasai Insurance Company of Europe Limited
 Zeneca Insurance Company Limited
 Zurich Insurance Company
 Zurich International (UK) Limited
 Zurich Re (UK) Limited

LIST OF MEMBERS

as at 26 April 1996

Lloyd's Syndicate Number	34	E E Patrick	Lloyd's Syndicate Number	732	J R Clare
Lloyd's Syndicate Number	55	G E Lloyd-Roberts	Lloyd's Syndicate Number	765	P G Butler
Lloyd's Syndicate Number	79	R Youell	Lloyd's Syndicate Number	823	R J R Keeling
Lloyd's Syndicate Number	112	M J White	Lloyd's Syndicate Number	860	G F Pipe
Lloyd's Syndicate Number	144	A F Whitbread	Lloyd's Syndicate Number	866	P M Routledge
Lloyd's Syndicate Number	179	R W S Lark	Lloyd's Syndicate Number	923	M J Harris
Lloyd's Syndicate Number	183	M Ashley	Lloyd's Syndicate Number	947	M J Harris
Lloyd's Syndicate Number	190	J Wetherell	Lloyd's Syndicate Number	958	G Christensen
Lloyd's Syndicate Number	204	R A Field	Lloyd's Syndicate Number	963	N O Cochrane
Lloyd's Syndicate Number	205	C G Jago	Lloyd's Syndicate Number	990	M J Cox
Lloyd's Syndicate Number	218	D R Heath	Lloyd's Syndicate Number	991	A E Grant
Lloyd's Syndicate Number	219	R G M Finn	Lloyd's Syndicate Number	994	B P D Kellett
Lloyd's Syndicate Number	227	M A Gravett	Lloyd's Syndicate Number	1019	J B Nice
Lloyd's Syndicate Number	250	R E Stone	Lloyd's Syndicate Number	1027	M F Newton
Lloyd's Syndicate Number	314	C F Palmer	Lloyd's Syndicate Number	1038	J D Fenn
Lloyd's Syndicate Number	318	M S F Pritchard	Lloyd's Syndicate Number	1051	E J Rayner
Lloyd's Syndicate Number	322	J D P Barnes	Lloyd's Syndicate Number	1069	M E Warrington
Lloyd's Syndicate Number	362	R J Keeling	Lloyd's Syndicate Number	1087	J R N Collyear
Lloyd's Syndicate Number	370	V W Broad	Lloyd's Syndicate Number	1096	D J Newman
Lloyd's Syndicate Number	376	J H Venton	Lloyd's Syndicate Number	1141	J Mumford
Lloyd's Syndicate Number	396	T J Newson	Lloyd's Syndicate Number	1173	D C Maguire
Lloyd's Syndicate Number	457	M C Watkins	Lloyd's Syndicate Number	1175	P E Grove
Lloyd's Syndicate Number	484	B C Dyer	Lloyd's Syndicate Number	1191	N R Boardman
Lloyd's Syndicate Number	490	P Brotherton	Lloyd's Syndicate Number	1234	S Lloyd
Lloyd's Syndicate Number	506	G F Pipe	Lloyd's Syndicate Number	2027	M F Fraser Newton
Lloyd's Syndicate Number	512	R J Jessel	Lloyd's Syndicate Number	2227	M F Fraser Newton
Lloyd's Syndicate Number	529	A M C Underwood	Lloyd's Syndicate Number	2322	J D P Barnes
Lloyd's Syndicate Number	544	A A Pitt	Lloyd's Syndicate Number	2376	J H Venton
Lloyd's Syndicate Number	570	N C Marsh	Lloyd's Syndicate Number	2490	P M Brotherton
Lloyd's Syndicate Number	623	A F Beazley	Lloyd's Syndicate Number	2506	G F Pipe
Lloyd's Syndicate Number	702	R E Brown	Lloyd's Syndicate Number	2923	C Baker
Lloyd's Syndicate Number	727	M J Meacock	Lloyd's Syndicate Number	2947	C Baker