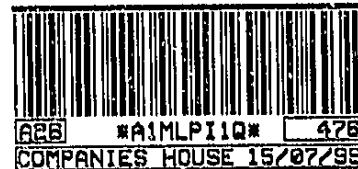


AC 14 59.

THIS IS AN AC COMPANY
DOCUMENT DELIVERED
UNDER THE INSURANCE
ACT 1982

AA Mutual International Insurance Company Limited



Returns to the FSA
For the year ended 31 December 1998

Accounts and Statements pursuant to the Insurance Companies Act 1982
and the Insurance Companies (Accounts and Statements) Regulations 1996

16-7-99
108

Returns under Insurance Companies Legislation

Directors' Certificate required by regulation 28(a) of the Insurance Companies (Accounts and Statements) Regulations 1996

AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED

Global Business

Financial year ended 31 December 1998

1(a) Matters relating to Winchester Fox

- (i) Winchester Fox & Company Limited ('WF') were the company's main underwriting agent and accepted insurance business on its behalf under an underwriting agency agreement dated 10 July 1980. This agreement remained in place until 31 December 1984 when authority to accept insurance business was limited to aviation business only. The agency agreement was terminated with effect from 31 December 1986.

Hampden Insurance Services Limited ('Hampden'), formerly Market Run-off Services Limited continue to act as agent for the run-off of the portfolio of business written for the company by WF.

The directors believe that proper accounting records of the original insurance transactions were not kept by WF and are mindful of the costs of correcting them. Although no insurance business was written after 1986, and all communications from brokers and cedents are being processed by Hampden who are correcting and updating the accounting records of the company, it is impossible to guarantee that all assets and liabilities are accounted for and accordingly that the accounting records are 100% correct. The directors however believe that the records are substantially correct and no material liabilities are unaccounted for.

- (ii) A net debit of £42,516 which arises from adjustments to the WF portfolio of business has been included in Form 24.43.97 as administrative expenses.
- (iii) Insurance debts included in Form 13.75.1 are shown after the release of provisions of £143,252 in respect of amounts due from reinsurers other than AA Mutual Insurance Association Limited.
- (iv) Gross technical provisions for claims outstanding of £2,150,086 included in Form 15.12.1 and the related reinsurers' share of such provisions amounting to £724,112 included in Form 13.61.1 assumes that claims provisions released in earlier years will not be required and that the company will recover all significant amounts which will become due from reinsurers other than those for which provision has been made.
- (v) A credit of £476,783 which relates to the write-back of reinsurance inwards liabilities that have been established as time-barred has been included in Form 24.43.29.

Directors' Certificate required by regulation 28(a) of the Insurance Companies (Accounts and Statements) Regulations 1996

AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED

Global Business

Financial year ended 31 December 1998

1 (b) Other matters

- (i) On 24 June 1986 the short term insurance business of AA Mutual Insurance Association Limited, the company's major reinsurer, was placed in liquidation. When computing the value of claims to be admitted, the liquidators were required under the terms of the judgement of the Supreme Court of South Africa to convert all claims denominated in currencies other than South African Rand at the commercial rates of exchange ruling on 24 June 1986. The liquidators have admitted the company's claims amounting in total to £5,886,395 in respect of which dividends equivalent to 100% have been received, subject to exchange movements. The liquidators have also indicated that they have residual funds available for distribution.

The liquidators went to Court against the South African Receiver of Revenue on 19 April 1999 in order to determine the Receiver's claim that the income accruing during the liquidation was subject to taxation. Judgement was handed down in favour of the liquidators on 7 May 1999 but notice of leave to appeal against the ruling was lodged by the Receiver on the same day. At the date of this certificate, it is not known whether leave to appeal will be granted. If leave to appeal is granted, the matter will be referred to the Appellate Division of the Supreme Court of South Africa, and this could delay the resolution of the case for as much as two years.

On 22 April 1999 the liquidators gave notice of the lodging of their 22nd distribution account. This provided for the payment in early June 1999 of simple interest calculated at 1.6% from the date of the liquidation to the date of payment of the various distribution accounts. The company received its payment of South African Rands 2,346,678, equivalent to £238,088, on 9 June 1999.

With uncertainty still surrounding future distributions, the directors have established from the liquidators' administrators the absolute worst case position, which assumes the payment of income tax on investment income accruing since the date of liquidation. Funds still available for distribution to the company, after taking the 22nd distribution into account, amount to some SA Rands 2,470,000, equivalent to £252,350. Accordingly, these Returns include receivables from the liquidators amounting to £490,438 in respect of the 22nd distribution account and the further funds available.

Notwithstanding the fact that the company received its payment under the 22nd distribution account on 9 June 1999, these Returns include £65,000 on Form 13.78.1 and £425,000 on Form 13.92.1 in respect of these receivables.

- (ii) The directors are preparing an updated run-off plan for the company and have made provision for future claims handling costs, net of anticipated investment income, amounting to £900,000. This has been included in Form 15.12.1. along with the technical provision for claims outstanding.

Returns under Insurance Companies Legislation

Directors' Certificate required by regulation 28(a) of the Insurance Companies (Accounts and Statements) Regulations 1996

AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED

Global Business

Financial year ended 31 December 1998

Subject to the foregoing, we certify:

- 2(a) In relation to the part of the return comprising Forms 9 to 13, 15, 16, 20 to 25, 28, 29, 31, 32 and 34 required by Regulations 19 to 21, 23, 24 and 26 of the Insurance Companies (Accounts and Statements) Regulations 1996 ("the Regulations") that-
- (i) the return has been prepared in accordance with the Regulations as modified by an order dated 9 October 1980 issued under Section 68 of the Insurance Companies Act 1982;
 - (ii) proper accounting records have been maintained and adequate information has been obtained by the company, and
 - (iii) an appropriate system of control has been established and maintained by the company over its transactions and records;
- 2(b) reasonable enquiries have been made by the Company for the purpose of determining whether any person and any body corporate are connected for the purposes of Regulations 19 to 21 above;
- 2(c) in respect of the Company's business which is not excluded by regulation 32 of the Insurance Companies Regulations 1994, the assets held throughout the financial year enabled the company to comply with regulations 27 and 31 (matching and localisation) of those Regulations;
- 2(d) immediately following the end of the financial year the amount of the company's required minimum margin and the amount of the company's available assets and quantifiable contingent liabilities (other than those included in form 15) were as shown in Form 9.

Directors' Certificate required by regulation 28(a) of the Insurance Companies (Accounts and Statements) Regulations 1996

AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED

Global Business

Financial year ended 31 December 1998

2(e) We are satisfied that:

- (i) that the systems of control established and maintained by the Company in respect of its business complied at the end of the financial year with the following published guidance:
- Prudential Guidance Note 1994/6 - 'Systems of control over investments (and counterparty exposures) of insurance companies with particular reference to the use of derivatives'; and
 - Prudential Guidance Note 1996/1 - 'Controls over general business claims provisions',
- and it is reasonable to believe that those systems continued to so comply subsequently and will continue to so comply in the future; and
- (ii) the return has been prepared in accordance with the following published guidance:
- Prudential Guidance Note 1995/1 - 'Guidance for insurance companies and auditors on the Valuation of Asset Regulations (Part VIII of the Insurance Companies Regulations 1994)';
 - Prudential Guidance Note 1995/3 - 'The use of derivatives in insurance funds'; and
 - Prudential Guidance Note 1998/1 - 'The preparation of annual returns to the Insurance Directorate of HM Treasury'.



E J Kok
Director



P J Elliott
Director



K J Shulman
Company Secretary

Returns under Insurance Companies Legislation

Report of the Auditors to the Directors pursuant to regulation 29 of the Insurance Companies (Accounts and Statements) Regulations 1996

AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED

Global Business

Financial year ended 31 December 1998

We have examined the following documents prepared by the company pursuant to Section 17 of the Insurance Companies Act 1982 ('the Act') and the Insurance Companies (Accounts and Statements) Regulations 1996 ('the Regulations'):

- Forms 9 to 13, 15, 16, 20 to 25, 28, 29, 31, 32 and 34 (including the supplementary notes thereto) ('the Forms');
- the statements required by regulations 19 to 21 and 23 ('the statements'); and
- the certificate signed in accordance with regulation 28(a) ('the certificate').

In the case of the certificate, our examination did not extend to paragraph 2(a) in relation to the statements required by regulations 24 and 26 concerning shareholder controllers and general business ceded.

Respective responsibilities of the company and its auditors

The company is responsible for the preparation of an annual return (including the Forms, statements and certificate) under the provisions of the Act and the Regulations. The requirements of the Regulations have been modified by an Order issued under section 68 of the Act on 9 October 1980. Under regulation 5 the Forms and statements are required to be prepared in the manner specified by the Regulations and to state fairly the information provided on the basis required by the Regulations.

It is our responsibility to form an independent opinion as to whether the Forms and statements meet these requirements, and in the case of the certificate whether it was or was not unreasonable for the persons giving the certificates to have made the statements therein, and to report our opinions to you.

Bases of opinions

We conducted our work in accordance with Bulletin 1998/3 'Auditors' Reports on Regulatory Returns made under the Insurance Companies Act 1982' issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms and statements. The evidence included that previously obtained by us relating to the audit of the financial statements of the company for the financial year on which we reported on 30 June 1999. It also included an assessment of the significant estimates and judgements made by the company in the preparation of the Forms and statements.

We planned and performed our work in the knowledge that the company has been in run-off since 4 December 1987 and, as explained in Statement 1(a)(i) of the certificate by the directors that proper accounting records of the original insurance transactions had not been kept by Winchester Fox & Company Limited ('Winchester Fox'), the company's former underwriting agent. Except for the limitation in evidence available to us for these matters, we sought to obtain all other information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Forms and statements are free from material misstatement, whether caused by fraud or other irregularity or error, and comply with regulation 5.

Returns under Insurance Companies Legislation

Report of the Auditors to the Directors pursuant to regulation 29 of the Insurance Companies (Accounts and Statements) Regulations 1996

AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED

Global Business

Financial year ended 31 December 1998

Bases of opinions (continued)

In the case of the certificate, the work performed involved a review of the procedures undertaken by the signatories to enable them to make the statements therein, and did not extend to an evaluation of the effectiveness of the company's internal control systems.

Limitation in scope in respect of matters relating to Winchester Fox

In forming our opinions, we have considered the adequacy of the disclosures made in the returns concerning the run-off of the portfolio of insurance business written for the company by Winchester Fox. Statement 1(a) (i) of the certificate by the directors explains that the company has appointed an agent to run off this portfolio of insurance business and also to update and correct the accounting records in respect of it. The following limitations in scope arise in respect of matters relating to Winchester Fox:

(a) *Debtors and creditors arising out of reinsurance operations and adjustments thereto*

We are unable to obtain independent confirmation of the debtor and creditor balances arising from the portfolio of insurance business written by Winchester Fox. Insurance debtors of £200,000 and insurance creditors of £2,717,067 shown in Forms 13.75.1 and 15.42.1 respectively include £138,196 and £2,715,272 respectively in connection with these insurance balances.

Statement 1 (a) (ii) of the certificate by the directors and note 2209 refer to adjustments arising from the Winchester Fox portfolio of business. Until such time as all insurance balances have been confirmed, we are unable to assess whether the net debit of £42,516 which has been included in net operating expenses on Form 24.43.97, arising from adjustments to debtor and creditor balances arising out of reinsurance operations, is correctly stated.

(b) *Technical provisions*

Statement 1(a) (iv) of the certificate by the directors refers to gross technical provisions for claims outstanding of £2,150,086 included in Form 15.12.1 and the related reinsurers' share of such provisions of £724,112 included in Form 13.61.1. These include, respectively, £2,022,367 and £662,719 in respect of claims arising from business written by Winchester Fox.

We are unable to confirm the adequacy of these amounts since it is not possible to establish whether claims provisions released in prior years will be required or to quantify the extent to which amounts which will become due from reinsurers will be recoverable.

Report of the Auditors to the Directors pursuant to regulation 29 of the Insurance Companies (Accounts and Statements) Regulations 1996

AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED

Global Business

Financial year ended 31 December 1998

Fundamental uncertainties in respect of matters relating to Winchester Fox

In forming our opinions, we have considered the adequacy of the disclosures made in the returns concerning the run-off of the portfolio of insurance business written for the company by Winchester Fox. Statement 1(a)(i) of the certificate by the directors explains that the company has appointed an agent to run off this portfolio of insurance business and also to update and correct the accounting records in respect of it. The following fundamental uncertainties arise in respect of matters relating to Winchester Fox:

(a) *Time-barred reinsurance liabilities*

Statement 1(a) (v) of the certificate by the directors and note 2408 refer to a credit of £476,783 that relates to the write-back of reinsurance inwards liabilities established as being time-barred. Due to the inherent uncertainties in the legal process, it is impossible to confirm whether the release of £476,783 to the technical account is correctly stated unless all the creditors involved have their claims subsequently denied by the courts.

(b) *Provision for doubtful debts*

Statement 1(a)(iii) of the certificate by the directors refers to the release of provisions of £143,252 in respect of amounts due from reinsurers other than AA Mutual Insurance Association Limited. We are unable to assess the adequacy of the residual provision of £1,183,261 since it is not possible to quantify with reasonable certainty the extent to which further provisions may be required.

Other fundamental uncertainties

In forming our opinions, we have also considered the adequacy of disclosures made in the returns regarding other fundamental uncertainties. These are:

(a) *Amount anticipated from AA Mutual Insurance Association Limited*

Statement 1(b)(i) of the certificate by the directors and note 1306 refer to the short term insurance business of AA Mutual Insurance Association Limited, a major reinsurer of the company, which was placed in liquidation on 24 June 1986. The liquidators have admitted the company's claims in respect of which dividends equivalent to 100% have been received subject to exchange movements. The South African Receiver of Revenue has claimed an interest in the residual funds held by the liquidators. Following litigation in April/May 1999 in which the High Court of South Africa ruled in favour of the liquidators, the Receiver of Revenue has sought leave to appeal. These returns include an amount of £490,438 as recoverable from the liquidators, of which £238,088 was received on 9 June 1999. We have received confirmation from the liquidators' office of the South African Rand equivalent of the remaining £252,350 as being attributable to the company on a worst case basis, but are unable to confirm the recoverability of this amount as the liquidators have not confirmed their distribution proposals.

(b) *Provision for future claims handling costs*

Statement 1 (b)(ii) of the certificate by the directors and note 2202 explain that the directors are preparing an updated run-off plan for the company which is carrying a provision of £900,000 for future claims handling costs. Until such time as the directors have completed the run-off plan, we are unable to assess the adequacy of this provision.

Returns under Insurance Companies Legislation

Report of the Auditors to the Directors pursuant to regulation 29 of the Insurance Companies (Accounts and Statements) Regulations 1996

AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED

Global Business

Financial year ended 31 December 1998

Opinions

Subject to the foregoing, in our opinion:

- (a) the Forms and statements fairly state the information provided on the basis required by the Regulations as modified and have been properly prepared in accordance with the provisions of those Regulations; and
- (b) according to the information and explanations received by us:
 - (i) the certificate has been properly prepared in accordance with the provisions of the Regulations; and
 - (ii) it was not unreasonable for the persons giving the certificate to have made the statements therein.

Moore Stephens

MOORE STEPHENS
Chartered Accountants and Registered Auditors

St Paul's House
Warwick Lane
London EC4P 4BN

30 June 1999

Statement of solvency

Name of company **AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED**

Global business

Financial year ended **31st December 1998**

R9	Company registration number	GL/UK/CM	Period ended			Units
			day	month	year	
	1432586	GL	31	12	1998	£000
		As at the end of this financial year	As at the end of the previous year	Source		
				Form	Line	Column
		1	2			

GENERAL BUSINESS**Available assets**

Other than long term business assets allocated towards general business required minimum margin	11	(4360)	(4767)	See instructions 1 and 2
---	----	--------	--------	--------------------------

Required minimum margin

Required minimum margin for general business	12	282	273	12 . 49
Excess (deficiency) of available assets over the required minimum margin (11-12)	13	(4642)	(5040)	

LONG TERM BUSINESS**Available assets**

Long term business admissible assets	21			10 . 11
Other than long term business assets allocated towards long term business required minimum margin	22			See instructions 1 and 3
Total mathematical reserves (after distribution of surplus)	23			See instruction 4
Other insurance and non-insurance liabilities	24			See instruction 5
Available assets for long term business required minimum margin (21+22-23-24)	25			

Implicit items admitted under regulation 23(5) of the Insurance Companies Regulations 1994

Future profits	31			
Zillmerising	32			
Hidden reserves	33			

Total of available assets and implicit items (25+31+32+33)	34			
--	----	--	--	--

Required minimum margin

Required minimum margin for long term business	41			60 . 69
Explicit required minimum margin (1/6 x 41, or minimum guarantee fund if greater)	42			
Excess (deficiency) of available assets over explicit required minimum margin (25-42)	43			
Excess (deficiency) of available assets and implicit items over the required minimum margin (34-41)	44			

CONTINGENT LIABILITIES

Quantifiable contingent liabilities in respect of other than long term business as shown in a supplementary note to Form 15	51			See instruction 6
Quantifiable contingent liabilities in respect of long term business as shown in a supplementary note to Form 14	52			See instruction 6

Covering sheet to Form 9

AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED

Global business

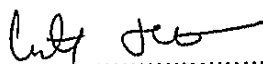
Financial year ended 31 December 1998



.....
E J Kok
Director



.....
P J Elliott
Director



.....
K J Shulman
Company Secretary

Statement of net assets

Name of company **AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED**

Global business

Financial year ended **31st December 1998**Company
registration
number

GL/UK/CM

Period ended
day month year

Units

R10	1432586	GL	31	12	1998	£000
		As at the end of this financial year 1	As at the end of the previous year 2		Source	
					Form	Line
Long term business - admissible assets	11				13	89
Long term business - liabilities and margins	12				14	59

Other than Long term business - admissible assets	21	1585	2372	13	89	1
Other than Long term business - liabilities	22	5945	7139	15	69	1
Net admissible assets (21-22)	23	(4360)	(4767)			
Other assets allowed to be taken into account in covering the required minimum margin	Unpaid amounts (including share premium) on partly paid shares	24				
	Supplementary contributions for a mutual carrying on general business	25				
Liabilities allowed to be left out of account in covering the required minimum margin	Subordinated loan capital	26				
	Cumulative preference share capital	27				
Available assets (23 to 27)	29	(4360)	(4767)			

Represented by:

Paid up share capital (other than cumulative preference share capital)	51	4750	4750			
Amounts included in lines 24 to 27 above	52					
Amounts representing the balance of net assets	56	(9110)	(9517)			
Total (51 to 56) and equal to line 29 above	59	(4360)	(4767)			

Movement of balance of net assets for solvency purposes - as per line 56

Balance brought forward at the beginning of the financial year	61	(9517)	(11135)	10	56	2
Retained profit/(loss) for the financial year	62	(33)	56	16	59	1
Movement in asset valuation differences	63	440	1562	See instruction 2		
Decrease/(increase) in the provision for adverse changes	64			See instruction 3		
Other movements (particulars to be specified by way of supplementary note)	65					
Balance carried forward at the end of the financial year (61 to 65)	69	(9110)	(9517)			

General business : Calculation of required margin of solvency - first methodName of company **AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED**

Global business

Financial year ended **31st December 1998**

		Company registration number	GL/UK/CM	Period ended			Units
				day	month	year	
		R11	1432586	GL	31	12	1998
							£000
				This financial year		Previous year	
				1		2	
Gross premiums receivable		11					
Premium taxes and levies (included in line 11)		12					
Sub-total A (11-12)		13					
Adjusted Sub-total A if financial year is not a 12 month period to produce an annual figure		14					
Division of Sub-total A (or adjusted Sub-total A if appropriate)	Other than health insurance	Up to and including sterling equivalent of 10M ECU x 18/100	15				
		Excess (if any) over 10M ECU x 16/100	16				
	Health insurance	Up to and including sterling equivalent of 10M ECU x 6/100	17				
		Excess (if any) over 10M ECU x 16/300	18				
Sub-total B (15+16+17+18)		19					
Claims paid		21	321			563	
Claims outstanding carried forward at the end of the financial year	For business accounted for on an underwriting year basis	22	2022			2100	
	For business accounted for on an accident year basis	23	128			247	
Claims outstanding brought forward at the beginning of the financial year	For business accounted for on an underwriting year basis	24	2100			2541	
	For business accounted for on an accident year basis	25	247			397	
Sub-total C (21+22+23-(24+25))		29	124			(28)	
Amounts recoverable from reinsurers in respect of claims included in Sub-total C		30	(14)			(188)	
Sub-total D (29-30)		39	138			160	
First result Sub-total B x Sub-total D (or, if ½ is a greater fraction, x ½) Sub-total C		41					

General business : Calculation of required margin of solvency - second method, and statement of required minimum margin

Name of company AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED

Global business

Financial year ended 31st December 1998

		Company registration number	GL/UK/CM	Period ended			Units
				day	month	year	
R12		1435286	GL	31	12	1998	£000
		This financial year	Previous year	Source			
		1	2	Form	Line	Column	
Reference period (No. of financial years) Insert "0" if there is no reference period otherwise insert "3" or "7"		3	11	See instruction 1			
Claims paid in reference period		21	1975	2328			
Claims outstanding carried forward at the end of the reference period	For business accounted for on an underwriting year basis	22	2022	2100			
	For business accounted for on an accident year basis	23	128	247			
Claims outstanding brought forward at the beginning of the reference period	For business accounted for on an underwriting year basis	24	5347	2542			
	For business accounted for on an accident year basis	25	768	742			
Sub-total E (21+22+23-(24+25))		29	(1990)	1391			
Sub-total F - Conversion of Sub-total E to annual figure (Multiply by 12 and divide by number of months in reference period)		31	(663)	464			
Division of Sub-total F	Other than health insurance	Up to and including sterling equivalent of 7M ECU x 26/100	32	121			
		Excess (if any) over 7M ECU x 23/100	33				
	Health insurance	Up to and including sterling equivalent of 7M ECU x 26/300	34				
		Excess (if any) over 7M ECU x 23/300	35				
	Sub-total G (32 to 35)		39		121		
Second result Sub-total G x Sub-total D (or, if 1/4 is a greater fraction, x 1/2)		41		61			
First result		42			11	41	
Required margin of solvency (the higher of lines 41 and 42)		43		61			
Minimum guarantee fund		44	282	273			
Required minimum margin (the higher of lines 43 and 44)		49	282	273			

Returns under Insurance Companies Legislation

Form 13
(Sheet 1)

Analysis of admissible assets

Name of company **AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED**

Global business

Financial year ended **31st December 1998**Category of assets **Total other than long term business assets**

			Company registration number	GL/UK/CM	Period ended			Units	Category of assets
					day	month	year		
R13			1432586	GL	31	12	1998	£000	1
Investments						As at the end of this financial year 1		As at the end of the previous year 2	
Land and buildings						11			
Investments in group undertakings and participating interests	UK insurance dependants	Shares	21						
		Debt securities issued by, and loans to, dependants	22						
	Other insurance dependants	Shares	23						
		Debt securities issued by, and loans to, dependants	24						
	Non-insurance dependants	Shares	25						
		Debt securities issued by, and loans to, dependants	26						
	Other group undertakings and participating interests	Shares	27						
		Debt securities issued by, and loans to, group undertakings	28						
		Participating interests	29						
Debt securities issued by, and loans to, undertakings in which the company has a participating interest		30							
Total sheet 1 (11 to 30)						39			

Analysis of admissible assets

Name of company AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED

Global business

Financial year ended 31st December 1998

Category of assets Total other than long term business assets

			Company registration number	GL/UK/CM	Period ended			Units	Category of assets
					day	month	year		
			R13	1432586	GL	31	12	1998	£000 1
Investments (continued)						As at the end of this financial year 1		As at the end of the previous year 2	
Deposits with ceding undertakings									
Assets held to cover linked liabilities									
Other financial investments	Equity shares				41				
	Other shares and other variable yield securities				42				
	Holdings in collective investment schemes				43				
	Rights under derivative contracts				44				
	Debt securities and other fixed income securities	Fixed interest	Approved securities		45				
			Other		46				
		Variable interest	Approved securities		47				
			Other		48				
	Participation in investment pools				49				
	Loans secured by mortgages				50				
	Other loans	Loans to public or local authorities and nationalised industries or undertakings			51				
		Loans secured by policies of insurance issued by the company			52				
		Other			53				
	Deposits with approved credit institutions and approved financial institutions	Withdrawal subject to a time restriction of one month or less			54	517		911	
		Withdrawal subject to a time restriction of more than one month			55				
	Other				56				
Deposits with ceding undertakings				57					
Assets held to match linked liabilities	Index linked			58					
	Property linked			59					
Reinsurers' share of technical provisions	Provision for unearned premiums			60					
	Claims outstanding			61	724		868		
	Provision for unexpired risks			62					
	Other			63					
Total sheet 2 (41 to 63)				69	1241		1779		

Analysis of admissible assets

Name of company AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED

Global business

Financial year ended 31st December 1998

Category of assets Total other than long term business assets

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R13	1432586	GL	31	12	1998	£000	1
Debtors					As at the end of this financial year 1		As at the end of the previous year 2		
Other assets									
Debtors arising out of direct insurance operations	Policyholders				71				
	Intermediaries				72				
Salvage and subrogation recoveries					73				
Debtors arising out of reinsurance operations	Due from ceding insurers and intermediaries under reinsurance business accepted				74				
	Due from reinsurers and intermediaries under reinsurance contracts ceded				75	200		200	
Other debtors	Due from dependants	Due in 12 months or less after the end of the financial year			76				
		Due more than 12 months after the end of the financial year			77				
	Other	Due in 12 months or less after the end of the financial year			78	79		162	
		Due more than 12 months after the end of the financial year			79				
Tangible assets					80				
Cash at bank and in hand	Deposits not subject to time restriction on withdrawal, with approved credit institutions and approved financial institutions and local authorities				81	59		219	
	Cash in hand				82				
Other assets (particulars to be specified by way of supplementary note)					83				
Prepayments and accrued income	Accrued interest and rent				84	6		12	
	Deferred acquisition costs				85				
	Other prepayments and accrued income				86				
Deductions (under regulations 57(2)(b) and 57(3) of the Insurance Companies Regulations 1994) from the aggregate value of assets					87				
Total sheet 3 (71 to 86 less 87)					88	344		593	
Grand total of admissible assets (39+69+88)					89	1585		2372	

Reconciliation to asset values determined in accordance with the
shareholder accounts rules

Total admissible assets (as per line 89 above)	91	1585	2372
Total assets in excess of the admissibility limits of Schedule 12 of the Insurance Companies Regulations 1994, (as valued in accordance with those Regulations before applying admissibility limits)	92	4818	5258
Solvency margin deduction for insurance dependants	93		
Other differences in the valuation of assets (other than for assets not valued above)	94		
Assets of a type not valued above, (as valued in accordance with the shareholder accounts rules)	95		
Total assets determined in accordance with the shareholder accounts rules (91 to 95)	99	6403	7630

Amounts included in line 89 attributable to debts due from related companies, other than those under contracts of insurance or reinsurance	100		
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Liabilities (other than long term business)

Name of company AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED

Global business

Financial year ended 31st December 1998

		Company registration number	GL/UK/CM	Period ended			Units
				day	month	year	
		R15	1432586	GL	31	12	1998
					£000		
				As at the end of this financial year 1		As at the end of the previous year 2	
Technical provisions (gross amount)	Provision for unearned premiums		11				
	Claims outstanding		12	3050		3547	
	Provision for unexpired risks		13				
	Equalisation provisions	Credit business	14				
		Other than credit business	15				
	Other		16				
	Total (11 to 16)		19	3050		3547	
Provisions for other risks and charges	Taxation		21				
	Other		22				
Deposits received from reinsurers			31				
Creditors	Arising out of insurance operations	Direct business	41				
		Reinsurance accepted	42	2717		3223	
		Reinsurance ceded	43				
	Debenture loans	Secured	44				
		Unsecured	45				
	Amounts owed to credit institutions		46				
	Other creditors	Taxation	47				
		Recommended dividend	48				
		Other	49	178		369	
Accruals and deferred income			51				
Total (19 to 51)			59	5945		7139	
Provision for adverse changes (calculated in accordance with regulation 61 of the Insurance Companies Regulations 1994)			61				
Cumulative preference share capital			62				
Subordinated loan capital			63				
Total (59 to 63)			69	5945		7139	
Amounts included in line 69 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance			71				

Profit and loss account (non-technical account)

Name of company **AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED**

Global business

Financial year ended **31st December 1998**

		Company registration number	GL/UK/CM	Period ended			Units
				day	month	year	
R16		1432586	GL	31	12	1998	£000
			This financial year 1	Previous year 2		Source	
						Form	Line Column
Transfer (to)/from the general business technical account	From Form 20	11	(148)	213		20	59
	Equalisation provisions	12					
Transfer from the long term business revenue account		13				40	26
Investment income	Income	14	284	343			
	Value re-adjustments on investments	15					
	Gains on the realisation of investments	16					
Investment charges	Investment management charges, including interest	17					
	Value re-adjustments on investments	18					
	Loss on the realisation of investments	19					
Allocated investment return transferred to the general business technical account		20				20	51
Other income and charges (particulars to be specified by way of supplementary note)		21	(169)	(500)			
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)		29	(33)	56			
Tax on profit or loss on ordinary activities		31					
Profit or loss on ordinary activities after tax (29-31)		39	(33)	56			
Extraordinary profit or loss (particulars to be specified by way of supplementary note)		41					
Tax on extraordinary profit or loss		42					
Other taxes not shown under the preceding items		43					
Profit or loss for the financial year (39+41-(42+43))		49	(33)	56			
Dividends (paid and proposed)		51					
Profit or loss retained for the financial year (49-51)		59	(33)	56			

General business : Technical account (excluding equalisation provisions)

Name of company AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED

Global business

Financial year ended 31st December 1998

Accounting class Summary

		Company registration number	GL/UK/CM	Period ended			Units	Accounting class/ summary	
		R20	1432586	GL	31	12	1998	£000	99
Items to be shown net of reinsurance				This financial year	Previous year		Source		
				1	2		Form	Line	Column
This year's underwriting (accident year accounting)	Earned premium	11					21 . 19 . 5		
	Claims incurred	12					22 . 17 . 4		
	Claims management costs	13					22 . 18 . 4		
	Adjustment for discounting	14					22 . 52 . 4		
	Increase in provision for unexpired risks	15					22 . 19 . 4		
	Other technical income or charges (particulars to be specified by way of supplementary note)	16							
	Net operating expenses	17				95	22 . 42 . 4		
	Balance of year's underwriting (11-12-13+14-15+16-17)	19				(95)			
Adjustment for prior years' underwriting (accident year accounting)	Earned premium	21					21 . 11 . 5		
	Claims incurred	22		10		46	22 . 13 . 4		
	Claims management costs	23				125	22 . 14 . 4		
	Adjustment for discounting	24					22 . 51 . 4		
	Other technical income or charges (particulars to be specified by way of supplementary note)	25							
	Net operating expenses	26					22 . 41 . 4		
	Balance (21-22-23+24+25-26)	29		(10)		(171)			
Balance from underwriting year accounting	Per Form 24	31		(138)		479	24. 69. 99-99		
	Other technical income and charges (particulars to be specified by way of supplementary note)	32							
	Total	39		(138)		479			
Balance of all years' underwriting (19+29+39)		49		(148)		213			
Allocated investment return		51							
Transfer to non-technical account (49+51)		59		(148)		213			

Returns under Insurance Companies Legislation

Form 20

General business : Technical account (excluding equalisation provisions)

Name of company AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED

Global business

Financial year ended 31st December 1998

Accounting class Accident and Health

		Company registration number	GL/UK/CM	Period ended			Units	Accounting class/ summary
				day	month	year		
		R20	1432586	GL	31	12	1998	£000
								1
Items to be shown net of reinsurance			This financial year	Previous year		Source		
			1	2		Form	Line	Column
This year's underwriting (accident year accounting)	Earned premium	11				21	19	5
	Claims incurred	12				22	17	4
	Claims management costs	13				22	18	4
	Adjustment for discounting	14				22	52	4
	Increase in provision for unexpired risks	15				22	19	4
	Other technical income or charges (particulars to be specified by way of supplementary note)	16						
	Net operating expenses	17				22	42	4
	Balance of year's underwriting (11-12-13+14-15+16-17)	19						
Adjustment for prior years' underwriting (accident year accounting)	Earned premium	21				21	11	5
	Claims incurred	22	20		67	22	13	4
	Claims management costs	23			39	22	14	4
	Adjustment for discounting	24				22	51	4
	Other technical income or charges (particulars to be specified by way of supplementary note)	25						
	Net operating expenses	26				22	41	4
	Balance (21-22-23+24+25-26)	29	(20)		(106)			
Balance from underwriting year accounting	Per Form 24	31			3	24	69	99-99
	Other technical income and charges (particulars to be specified by way of supplementary note)	32						
	Total	39			3			
Balance of all years' underwriting (19+29+39)		49	(20)		(103)			
Allocated investment return		51						
Transfer to non-technical account (49+51)		59	(20)		(103)			

General business : Technical account (excluding equalisation provisions)

Name of company **AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED**

Global business

Financial year ended **31st December 1998**Accounting class **Motor**

		Company registration number	GL/UK/CM	Period ended			Units	Accounting class/ summary
		R20		day	month	year		
		1432586	GL	31	12	1998	£000	2
Items to be shown net of reinsurance			This financial year	Previous year		Source		
			1	2		Form	Line	Column
This year's underwriting (accident year accounting)	Earned premium	11					21 . 19 . 5	
	Claims incurred	12					22 . 17 . 4	
	Claims management costs	13					22 . 18 . 4	
	Adjustment for discounting	14					22 . 52 . 4	
	Increase in provision for unexpired risks	15					22 . 19 . 4	
	Other technical income or charges (particulars to be specified by way of supplementary note)	16						
	Net operating expenses	17					22 . 42 . 4	
	Balance of year's underwriting (11-12-13+14-15+16-17)	19						
Adjustment for prior years' underwriting (accident year accounting)	Earned premium	21					21 . 11 . 5	
	Claims incurred	22					22 . 13 . 4	
	Claims management costs	23					22 . 14 . 4	
	Adjustment for discounting	24					22 . 51 . 4	
	Other technical income or charges (particulars to be specified by way of supplementary note)	25						
	Net operating expenses	26					22 . 41 . 4	
	Balance (21-22-23+24+25-26)	29						
Balance from underwriting year accounting	Per Form 24	31					24. 69. 99-99	
	Other technical income and charges (particulars to be specified by way of supplementary note)	32						
	Total	39						
Balance of all years' underwriting (19+29+39)		49						
Allocated investment return		51						
Transfer to non-technical account (49+51)		59						

General business : Technical account (excluding equalisation provisions)

Name of company AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED

Global business

Financial year ended 31st December 1998

Accounting class Aviation

		Company registration number	GL/UK/CM	Period ended			Units	Accounting class/ summary
		R20		day	month	year		
		1432586	GL	31	12	1998	£000	3
Items to be shown net of reinsurance			This financial year	Previous year		Source		
			1	2		Form	Line	Column
This year's underwriting (accident year accounting)	Earned premium	11				21 . 19 . 5		
	Claims incurred	12				22 . 17 . 4		
	Claims management costs	13				22 . 18 . 4		
	Adjustment for discounting	14				22 . 52 . 4		
	Increase in provision for unexpired risks	15				22 . 19 . 4		
	Other technical income or charges (particulars to be specified by way of supplementary note)	16						
	Net operating expenses	17				22 . 42 . 4		
	Balance of year's underwriting (11-12-13+14-15+16-17)	19						
Adjustment for prior years' underwriting (accident year accounting)	Earned premium	21				21 . 11 . 5		
	Claims incurred	22				22 . 13 . 4		
	Claims management costs	23				22 . 14 . 4		
	Adjustment for discounting	24				22 . 51 . 4		
	Other technical income or charges (particulars to be specified by way of supplementary note)	25						
	Net operating expenses	26				22 . 41 . 4		
	Balance (21-22-23+24+25-26)	29						
Balance from underwriting year accounting	Per Form 24	31		96		24 . 69 . 99-99		
	Other technical income and charges (particulars to be specified by way of supplementary note)	32						
	Total	39		96				
Balance of all years' underwriting (19+29+39)		49		96				
Allocated investment return		51						
Transfer to non-technical account (49+51)		59		96				

General business : Technical account (excluding equalisation provisions)

Name of company **AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED**

Global business

Financial year ended **31st December 1998**Accounting class **Property**

		Company registration number	GL/UK/CM	Period ended			Units	Accounting class/ summary
				day	month	year		
R20		1432586	GL	31	12	1998	£000	6
Items to be shown net of reinsurance			This financial year	Previous year		Source		
			1	2		Form	Line	Column
This year's underwriting (accident year accounting)	Earned premium	11				21	19	5
	Claims incurred	12				22	17	4
	Claims management costs	13				22	18	4
	Adjustment for discounting	14				22	52	4
	Increase in provision for unexpired risks	15				22	19	4
	Other technical income or charges (particulars to be specified by way of supplementary note)	16						
	Net operating expenses	17				22	42	4
	Balance of year's underwriting (11-12-13+14-15+16-17)	19						
Adjustment for prior years' underwriting (accident year accounting)	Earned premium	21				21	11	5
	Claims incurred	22	(12)		17	22	13	4
	Claims management costs	23			26	22	14	4
	Adjustment for discounting	24				22	51	4
	Other technical income or charges (particulars to be specified by way of supplementary note)	25						
	Net operating expenses	26				22	41	4
	Balance (21-22-23+24+25-26)	29	12		(43)			
Balance from underwriting year accounting	Per Form 24	31			3	24	69	99-99
	Other technical income and charges (particulars to be specified by way of supplementary note)	32						
	Total	39			3			
Balance of all years' underwriting (19+29+39)		49	12		(40)			
Allocated investment return		51						
Transfer to non-technical account (49+51)		59	12		(40)			

General business : Technical account (excluding equalisation provisions)Name of company **AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED**

Global business

Financial year ended **31st December 1998**Accounting class **Third party liability**

		Company registration number	GL/UK/CM	Period ended			Units	Accounting class/ summary	
		R20	1432586	GL	31	12	1998	£000	7
Items to be shown net of reinsurance				This financial year		Previous year		Source	
				1		2		Form	Line
This year's underwriting (accident year accounting)	Earned premium	11						21 . 19 . 5	
	Claims incurred	12						22 . 17 . 4	
	Claims management costs	13						22 . 18 . 4	
	Adjustment for discounting	14						22 . 52 . 4	
	Increase in provision for unexpired risks	15						22 . 19 . 4	
	Other technical income or charges (particulars to be specified by way of supplementary note)	16							
	Net operating expenses	17				95		22 . 42 . 4	
	Balance of year's underwriting (11-12-13+14-15+16-17)	19				(95)			
Adjustment for prior years' underwriting (accident year accounting)	Earned premium	21						21 . 11 . 5	
	Claims incurred	22		2		(38)		22 . 13 . 4	
	Claims management costs	23				60		22 . 14 . 4	
	Adjustment for discounting	24						22 . 51 . 4	
	Other technical income or charges (particulars to be specified by way of supplementary note)	25							
	Net operating expenses	26						22 . 41 . 4	
	Balance (21-22-23+24+25-26)	29		(2)		(22)			
Balance from underwriting year accounting	Per Form 24	31						24. 69. 99-99	
	Other technical income and charges (particulars to be specified by way of supplementary note)	32							
	Total	39							
Balance of all years' underwriting (19+29+39)		49		(2)		(117)			
Allocated investment return		51							
Transfer to non-technical account (49+51)		59		(2)		(117)			

General business : Technical account (excluding equalisation provisions)

Name of company AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED

Global business

Financial year ended 31st December 1998

Accounting class Non-proportional treaty

		Company registration number	GL/UKCM	Period ended			Units	Accounting class/ summary
				day	month	year		
R20		1432586	GL	31	12	1998	£000	9
Items to be shown net of reinsurance			This financial year 1	Previous year 2	Source			
					Form	Line	Column	
This year's underwriting (accident year accounting)	Earned premium	11						21 . 19 . 5
	Claims incurred	12						22 . 17 . 4
	Claims management costs	13						22 . 18 . 4
	Adjustment for discounting	14						22 . 52 . 4
	Increase in provision for unexpired risks	15						22 . 19 . 4
	Other technical income or charges (particulars to be specified by way of supplementary note)	16						
	Net operating expenses	17						22 . 42 . 4
	Balance of year's underwriting (11-12-13+14-15+16-17)	19						
Adjustment for prior years' underwriting (accident year accounting)	Earned premium	21						21 . 11 . 5
	Claims incurred	22						22 . 13 . 4
	Claims management costs	23						22 . 14 . 4
	Adjustment for discounting	24						22 . 51 . 4
	Other technical income or charges (particulars to be specified by way of supplementary note)	25						
	Net operating expenses	26						22 . 41 . 4
	Balance (21-22-23+24+25-26)	29						
Balance from underwriting year accounting	Per Form 24	31	(138)	377				24 . 69 . 99-99
	Other technical income and charges (particulars to be specified by way of supplementary note)	32						
	Total	39	(138)	377				
Balance of all years' underwriting (19+29+39)		49	(138)	377				
Allocated investment return		51						
Transfer to non-technical account (49+51)		59	(138)	377				

Returns under Insurance Companies Legislation

Form 21

General business (accident year accounting) : Analysis of premiums

Name of company AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED

Global business

Financial year ended 31st December 1998

Accounting class Accident and health

		Company registration number	GLUKCM	Period ended day month year		Units	Accounting class
		R21	1432586	GL	31 12 1998	£000	1
Premiums receivable during the financial year		Gross premiums written		Reinsurers' share		Net of reinsurance	
		Earned in previous financial years 1	Earned in previous financial years 3	Earned in previous financial years 5			
In respect of risks incepted in previous financial years 11		Earned in this financial year 1	Earned in this financial year 3	Earned in this financial year 5			
In respect of risks incepted in previous financial years 12		Unearned at end of this financial year 2	Unearned at end of this financial year 4	Unearned at end of this financial year 6			
In respect of risks incepted in this financial year	For periods of less than 12 months 13						
	For periods of 12 months 14						
	For periods of more than 12 months 15						
Premiums receivable (less rebates and refunds) in previous financial years not earned in those years and brought forward to the financial year 16							
Total (12 to 16) 19							

General business (accident year accounting) : Analysis of premiums

Name of company
AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED

Global business

Financial year ended 31st December 1998

Accounting class	Motor
1	1
2	2
3	3
4	4
5	5
6	6
7	7
8	8
9	9
10	10
11	11
12	12
13	13
14	14
15	15
16	16
17	17
18	18
19	19
20	20
21	21
22	22
23	23
24	24
25	25
26	26
27	27
28	28
29	29
30	30
31	31
32	32
33	33
34	34
35	35
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70	70
71	71
72	72
73	73
74	74
75	75
76	76
77	77
78	78
79	79
80	80
81	81
82	82
83	83
84	84
85	85
86	86
87	87
88	88
89	89
90	90
91	91
92	92
93	93
94	94
95	95
96	96
97	97
98	98
99	99
100	100

Accounting class	Units	Period ended			GLUKCM	Company registration number	GLUKCM	Period ended			Accounting class
		day	month	year				day	month	year	
R21	1432586	GL	31	12	1998	£000	2				
Premiums receivable during the financial year		Gross premiums written		Reinsurers' share		Net of reinsurance					
In respect of risks incepted in previous financial years		Earned in previous financial years 1		Earned in previous financial years 3		Earned at end of this financial year 5					
		Earned in this financial year 1		Earned in this financial year 3		Earned at end of this financial year 5					
Total (12 to 16)											

		R21	1432586	GL	31	12	1998	£000	6
		Gross premiums written			Reinsurers' share			Net of reinsurance	
		Earned in previous financial years 1			Earned in previous financial years 3		Earned in previous financial years 5		
In respect of risks incepted in previous financial years		11							
			Earned in this financial year 1	2	Earned in this financial year 3		Earned in this financial year 5		Unearned at end of this financial year 6
In respect of risks incepted in previous financial years		12							
In respect of risks incepted in this financial year		13							
		14							
		15							
Premiums receivable (less rebates and refunds) in previous financial years not earned in those years and brought forward to the financial year		16							
Total (12 to 16)		19							

Returns under Insurance Companies Legislation

Form 21

General business (accident year accounting) : Analysis of premiums

Name of company AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED

Global business

Financial year ended 31st December 1998

Accounting class Third party liability

		Company registration number	GL/JUK/CM	Period ended			Units	Accounting class	
				day	month	year			
		R21	1432586	GL	31	12	1998	£000	7
Premiums receivable during the financial year		Gross premiums written		Reinsurers' share					Net of reinsurance
In respect of risks incepted in previous financial years		11	Earned in previous financial years 1	Earned in previous financial years 3	Earned in previous financial years 5				
In respect of risks incepted in previous financial years		12	Earned in this financial year 1	Earned in this financial year 2	Earned in this financial year 3	Earned at end of this financial year 4	Earned in this financial year 5	Unearned at end of this financial year 6	
For periods of less than 12 months		13							
For periods of 12 months		14							
For periods of more than 12 months		15							
Premiums receivable (less rebates and refunds) in previous financial years not earned in those years and brought forward to the financial year		16							
Total (12 to 16)		19							

General business (accident year accounting) : Analysis of claims, expenses and technical provisions

Name of company **AA MUT'UAL INTERNATIONAL INSURANCE COMPANY LIMITED**

Global business

Financial year ended **31st December 1998**Accounting class **Accident and Health**

		Company registration number	GL/JUK/CM	Period ended			Units	Accounting class
				day	month	year		
		R22	1432586	GL	31	12	1998	£000
								1
			Amount brought forward from previous financial year	Amount payable/receivable in this financial year	Amount carried forward to next financial year	Amount attributable to this financial year		
			1	2	3	4		
Claims incurred in respect of incidents occurring prior to this financial year	Gross amount	11	77	46	51	20		
	Reinsurers' share	12	25		25			
	Net (11-12)	13	52	46	26	20		
	Claims management costs	14	39		39			
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15						
	Reinsurers' share	16						
	Net (15-16)	17						
	Claims management costs	18						
Provision for unexpired risks		19						
Net operating expenses	Commissions	21						
	Other acquisition expenses	22						
	Administrative expenses	23						
	Reinsurance commissions and profit participations	24						
	Total (21+22+23-24)	29						
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31						
	Reinsurers' share	32						
	Claims management costs	33						
	Total (31-32+33)	39						
Split of line 29	Prior financial years	41						
	This financial year	42						
Split of line 39	Incidents occurring prior to this financial year	51						
	Incidents occurring in this financial year	52						

General business (accident year accounting) : Analysis of claims, expenses and technical provisions

Name of company **AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED**

Global business

Financial year ended **31st December 1998**Accounting class **Motor**

		Company registration number	GL/UK/CM	Period ended			Units	Accounting class
				day	month	year		
		R22	1432586	GL	31	12	1998	£000
								2
				Amount brought forward from previous financial year	Amount payable/receivable in this financial year	Amount carried forward to next financial year	Amount attributable to this financial year	
				1	2	3	4	
Claims incurred in respect of incidents occurring prior to this financial year	Gross amount	11						
	Reinsurers' share	12						
	Net (11-12)	13						
	Claims management costs	14						
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15						
	Reinsurers' share	16						
	Net (15-16)	17						
	Claims management costs	18						
Provision for unexpired risks		19						
Net operating expenses	Commissions	21						
	Other acquisition expenses	22						
	Administrative expenses	23						
	Reinsurance commissions and profit participations	24						
	Total (21+22+23-24)	29						
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31						
	Reinsurers' share	32						
	Claims management costs	33						
	Total (31-32+33)	39						
Split of line 29	Prior financial years	41						
	This financial year	42						
Split of line 39	Incidents occurring prior to this financial year	51						
	Incidents occurring in this financial year	52						

General business (accident year accounting) : Analysis of claims, expenses and technical provisionsName of company **AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED**

Global business

Financial year ended **31st December 1998**Accounting class **Property**Company
registration
number

GL/UK/CM

Period ended
day month year

Units

Accounting
class

R22	1432586	GL	31	12	1998	£000	6
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			Amount brought forward from previous financial year	Amount payable/receivable in this financial year	Amount carried forward to next financial year	Amount attributable to this financial year
			1	2	3	4
Claims incurred in respect of incidents occurring prior to this financial year	Gross amount	11	52		50	(2)
	Reinsurers' share	12	51	56	5	10
	Net (11-12)	13	1	(56)	45	(12)
	Claims management costs	14	26		26	
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15				
	Reinsurers' share	16				
	Net (15-16)	17				
	Claims management costs	18				
Provision for unexpired risks		19				
Net operating expenses	Commissions	21				
	Other acquisition expenses	22				
	Administrative expenses	23				
	Reinsurance commissions and profit participations	24				
	Total (21+22+23-24)	29				
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31				
	Reinsurers' share	32				
	Claims management costs	33				
	Total (31-32+33)	39				
Split of line 29	Prior financial years	41				
	This financial year	42				
Split of line 39	Incidents occurring prior to this financial year	51				
	Incidents occurring in this financial year	52				

General business (accident year accounting) : Analysis of claims, expenses and technical provisions

Name of company **AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED**

Global business

Financial year ended **31st December 1998**Accounting class **Third party liability**

		Company registration number	GL/UK/CM	Period ended			Units	Accounting class	
		R22	1432586	GL	31	12	1998	£000	7
			Amount brought forward from previous financial year	Amount payable/receivable in this financial year	Amount carried forward to next financial year	Amount attributable to this financial year			
			1	2	3	4			
Claims incurred in respect of incidents occurring prior to this financial year	Gross amount	11	118	93	27	2			
	Reinsurers' share	12	42	10	32				
	Net (11-12)	13	76	83	(5)	2			
	Claims management costs	14	60		60				
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15							
	Reinsurers' share	16							
	Net (15-16)	17							
	Claims management costs	18							
Provision for unexpired risks		19							
Net operating expenses	Commissions	21							
	Other acquisition expenses	22							
	Administrative expenses	23							
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29							
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31							
	Reinsurers' share	32							
	Claims management costs	33							
	Total (31-32+33)	39							
Split of line 29	Prior financial years	41							
	This financial year	42							
Split of line 39	Incidents occurring prior to this financial year	51							
	Incidents occurring in this financial year	52							

General business (accident year accounting) : Analysis of net claims and premiums

Name of company AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED

Global business

Financial year ended 31st December 1998

Accounting class Accident and health

Accounting class		Accident and health										Company registration number	GL/J/KCM	Period ended			Units	Accounting class	
Accounting class		Accident and health		Company registration number		GL/J/KCM		Period ended			Units		Accounting class						
Accounting class		Accident and health		Company registration number		GL/J/KCM		Period ended			Units		Accounting class						
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Name of company **AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED**

Financial year ended 31st December 1998

Accounting class

[illegible]

Global business

Financial year ended	31st December 1998
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Accounting class	Property
Accounting class	Property

R23 1432586 GL 31 12 1998 £000 Claims ratio %																
Accident year ended		Claims paid (net) during the accident year	Claims outstanding (net) as at end of the accident year	Total claims paid (net) since the end of the accident year, but prior to this financial year	Claims paid (net) during this financial year	Claims outstanding forward		Claims outstanding brought forward		Balance on each accident year (4+5+6-7-8)	Deduction for discounting from claims outstanding carried forward (net)	Earned premiums (net)	Deterioration/ (surplus) of original reserve %			
						Reported (net)	Incurred but not reported (net)	Reported (net)	Incurred but not reported (net)							
Month	Year	1	2	3	4	5	6	7	8	9	10	11	12			
12	1998	11														13
12	1997	12														
12	1996	13														
12	1995	14														
12	1994	15														
12	1993	16														
12	1992	17														
12	1991	18														
12	1990	19														
12	1989	20														
Prior accident years		21			(56)	40	5	(4)	5	(12)						
Reconciliation		22														
Total (11 to 22)		29			(56)	40	5	(4)	5	(12)						

General business (accident year accounting) : Analysis of net claims and premiums

Name of company AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED

Global business

Financial year ended 31st December 1998

Accounting class Third party liability

R23 1432586 GL 31 12 1998 £000 7														
Accident year ended		Claims paid (net) during the accident year	Claims outstanding (net) as at end of the accident year	Total claims paid (net) since the end of the accident year, but prior to this financial year	Claims paid (net) during this financial year	Claims outstanding carried forward		Claims outstanding brought forward		Balance on each accident year (4+5+6-7-8)	Deduction for discounting from claims outstanding carried forward (net)	Earned premiums (net)	Deterioration/ (surplus) of original reserve %	Claims ratio %
						Reported (net)	Incurred but not reported (net)	Reported (net)	Incurred but not reported (net)					
Month	Year	1	2	3	4	5	6	7	8	9	10	11	12	13
12	1998													
12	1997													
12	1996													
12	1995													
12	1994													
12	1993													
12	1992													
12	1991													
12	1990													
12	1989													
Prior accident years					83	(20)	15	61	15	2				
Reconciliation														
Total (11 to 22)					83	(20)	15	61	15	2				

General business (underwriting year accounting) : Analysis of premiums, claims and expenses

Name of company	AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED
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Global business

Financial year ended 31st December 1998

Accounting class

[illegible]

General business (underwriting year accounting) : Analysis of premiums, claims and expenses

Name of company	AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED
Global business	

Financial year ended	31st December 1998
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Accounting class

[illegible]

Name of company **AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED**

Financial year ended 31st December 1998

Accounting class	Non-proportional treaty
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[illegible]

Returns under Insurance Companies Legislation

General business (underwriting year accounting) : Analysis of technical provisions

Form 25

Name of company AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED

Global business

Financial year ended 31st December 1998

Accounting class Accident and health

		Company registration number		GLUK/GM		Period ended		Units		Accounting class
		day	month	year	GL	GLUK/GM	day	month	year	
Underwriting year ended		R25	1432586	GL		31	12	1998	£000	1
Reported claims outstanding	Gross amount	11	29	11	29	11	29	11	29	11
	Reinsurers' share	12								
Claims incurred but not reported	Gross amount	13								
	Reinsurers' share	14								
Claims management costs		15	4							11
Adjustment for discounting	Gross amount	16								4
	Reinsurers' share	17								
	Claims management costs	18								
Allocation to/(from) another accounting class of anticipated surplus		19	25							
Balance of the fund		20								25
Claims outstanding (11-12+13-14+15-16+17-18+19+20)		21	40							40
Provision for unearned premiums		22								
Provision for unexpired risks		23								
Deferred acquisition costs		24								
Other technical provisions (particulars to be specified by way of supplementary note)		25								
Total (21+22+23-24+25)		29	40							40

Returns under Insurance Companies Legislation

General business (underwriting year accounting) : Analysis of technical provisions

Name of company AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED

Global business

Financial year ended 31st December 1998

Financial year ended 31st December 1998										Company registration number		GLUK/GCM		Period ended				Units		Accounting class																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																												
Accounting class Aviation										R25		1432586		GL		31		12		1998		£000		3																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																								
Underwriting year ended										Prior undervriting years		MM		YY		MM		YY		MM		YY		Total all previous columns																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																								
Reported claims outstanding	Gross amount									11	290	MM	YY	12	93	12	94	MM	YY	12	95	12	96	MM	YY	12	97	MM	YY	12	98	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM	YY	12	99	MM

Accounting class	Non-proportional treaty
1	1
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99	99
100	100

Accounting class

Currency

Company registration

Period ended

[illegible]

Returns under Insurance Companies Legislation

General business (underwriting year accounting) : Analysis of technical provisions by category for treaty reinsurance

Name of company

AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED

Global business

Accounting class Non-proportional treaty

Currency Sterling

Financial year ended 31st December 1998

Company
registration
number

GL/UK/CM

Period ended
day month year

31 12 1998

Monetary
units

000

Business
category

h

Accounting
class

9

Currency

AA

Category	Miscellaneous and pecuniary loss												Sterling											
	R29		1432586		GL		31		12		1998		000		h		9		AA					
Underwriting year ended																								
Reported claims outstanding	Gross amount		11																					
	Reinsurers' share		12																					
Claims incurred but not reported	Gross amount		13																					
	Reinsurers' share		14																					
Claims management costs		15																						
Adjustment for discounting	Gross amount		16																					
	Reinsurers' share		17																					
	Claims management costs		18																					
Allocation to/(from) another category or accounting class of anticipated surplus		19																						
Balance of the fund		20																						
Claims outstanding (11-12+13-14+15-16+17-18+19+20)		21																						
Provision for unearned premiums		22																						
Provision for unexpired risks		23																						
Deferred acquisition costs		24																						
Other technical provisions (particulars to be specified by way of supplementary note)		25																						
Total (21+22+23+24+25)		29																						

Form 1
(continuation sheet)

General business (accident year accounting) : Analysis of gross claims and premiums by risk group for direct insurance and facultative reinsurance

Name of company AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED

Accounting class Accident and Health
Currency Sterling

Global business

Financial year ended 31st December 1998

Risk group Accident

Company registration number		GL/UK/CM		Period ended		Monetary units		Country		Accounting class	
R31		GL		day month year		1998		AA		1	
Accident year ended		Gross claims outstanding brought forward		Balance for each accident year (4+5+6+7+8)		Gross earned premiums		Claims ratio %			
Month	Year	Gross claims paid		Gross claims outstanding carried forward		Incurred but not reported					
		Closed at some cost during this or previous financial years	Reported claims outstanding	In previous financial years	In this financial year	Reported	Incurred but not reported				
1	2	3	4	5	6	7	8	9	10	11	
12	1998	11									
12	1997	12									
12	1996	13									
12	1995	14									
12	1994	15									
12	1993	16									
12	1992	17									
12	1991	18									
12	1990	19									
12	1989	20									
Prior accident years		21	12		46	72	5	20			
Total (11 to 21)		29	12		46	72	5	20			
Line 29 expressed in sterling		30			46	72	5	20			

General business (accident year accounting) : Analysis of gross claims and premiums by risk group for direct insurance and facultative reinsurance

Name of company AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED

Accounting class Property

Global business

Currency Sterling

Financial year ended 31st December 1998

Company registration number GLUKICM Period ended day month year Monetary units Country Accounting class

Risk group Property Other

Risk group		Property Other																	
Accident year ended		R31		1432586		GL		31		12		1998		000		AA		Claims ratio %	
Month	Year	Number of claims		Gross claims paid		Gross claims outstanding carried forward		Gross claims outstanding brought forward		Balance for each accident year (4+5+6-7-8)		Gross earned premiums		Claims ratio %					
		Closed at some cost during this or previous financial years	Reported claims outstanding	In previous financial years	In this financial year	Reported	Incurred but not reported	Reported	Incurred but not reported	Reported	Incurred but not reported	Reported	Incurred but not reported	Reported	Incurred but not reported				
12	1998	11																	
12	1997	12																	
12	1996	13																	
12	1995	14																	
12	1994	15																	
12	1993	16																	
12	1992	17																	
12	1991	18																	
12	1990	19																	
12	1989	20																	
Prior accident years		21																	
Total (11 to 21)		29																	
Line 29 expressed in sterling		30																	

General business (accident year accounting) : Analysis of gross claims and premiums by risk group for direct insurance and facultative reinsurance

Form 31

Name of company **AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED**

Accounting class **Third party liability**

Global business

Currency **Sterling**Financial year ended **31st December 1998**

Company registration number **1432586** GL/J/K/M **GL** Period ended day **31** month **12** year **1998** Monetary units **000** Country **AA** Accounting class **7**

Risk group **General Third Party**

Accident year ended		Number of claims		Gross claims paid		Gross claims outstanding carried forward		Gross claims outstanding brought forward		Balance for each accident year (4+5+6+7+8)	Gross earned premiums	Claims ratio %
Month	Year	1 Closed at some cost during this or previous financial years	2 Reported claims outstanding	3 In previous financial years	4 In this financial year	5 Reported	6 Incurred but not reported	7 Reported	8 Incurred but not reported	9	10	11
12	1998	11				5	6	7	8	9	10	11
12	1997	12										
12	1996	13										
12	1995	14										
12	1994	15										
12	1993	16										
12	1992	17										
12	1991	18										
12	1990	19										
12	1989	20										
Prior accident years		21	47		93	12	15	103	15	2		
Total (11 to 21)		29	47		93	12	15	103	15	2		
Line 29 expressed in sterling		30			93	12	15	103	15	2		

Returns under Insurance Companies Legislation

General business (accident year accounting) : Analysis of gross claims and premiums by risk group for direct insurance and facultative reinsurance

Accounting class : Third-party liability

Name of company	AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED
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Currency
Sterling

Global business

**Accounting
class**

Financial year ended 31st December 1998

Risk group	General Third Party
High	High
Medium	Medium
Low	Low

[illegible]

Name of company
AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED

Currency
Sterling

Global business

**Company
registration
number**

Country

units

period ended	month	year
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Step

WORKING

**company
registration**

ness

icbal bus

Financial year ended 31st December 1998

Risk group	Black cabs
1	1
2	1
3	1
4	1
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8	1
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99	1
100	1

[illegible]

General business (underwriting year accounting) : Analysis of gross claims and premiums by risk group for direct insurance and facultative reinsurance

Name of company **AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED**Accounting class **Accident and health**

Global business

Currency **Sterling**Financial year ended **31st December 1998**Risk group **Accident**

Financial year ended 31st December 1998																					
Risk group		Accident																			
		Company registration number		GL/UK/GM		Period ended		Monetary units		Country		Accounting class									
		R34		1432586		G		31		12		1998		000		AA		1			
Underwriting year ended		Gross claims paid			Gross claims outstanding carried forward			Gross claims outstanding brought forward			Balance on each underwriting year (2+3+4-5-6)			Gross premiums written			Claims ratio %				
		In previous financial years		In this financial year		Reported		Incurred but not reported		Reported		Incurred but not reported									
Month		Year		1		2		3		4		5		6		7		8		9	
12	1998	11																			
12	1997	12																			
12	1996	13																			
12	1995	14																			
12	1994	15																			
12	1993	16																			
12	1992	17																			
12	1991	18																			
12	1990	19																			
12	1989	20																			
Prior underwriting years		21			3	11				8						6					
Total (11 to 21)		29			3	11				8						6					
Line 29 expressed in sterling		30			3	11				8						6					

Company registration number
1432586GL/UK/GM
GPeriod ended
day month year
31 12 1998Monetary units
000Country
AAAccounting class
1

General business (underwriting year accounting) : Analysis of gross claims and premiums by risk group for direct insurance and facultative reinsurance

Name of company AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED

Accounting class Aviation

Global business

Currency Sterling

Financial year ended 31st December 1998

Risk group Aviation

Financial year ended 31st December 1998																														
Risk group		Aviation		Company registration number		GLUKCM		Period ended		Monetary units		Country		Accounting class																
				R34		1432586		GL		31		12		1998		000		AA		3										
Underwriting year ended					Gross claims outstanding carried forward			Gross claims outstanding brought forward			Balance on each underwriting year (2+3+4-5-6)			Gross premiums written			Claims ratio %													
Month		Year		In previous financial years			In this financial year			Reported			Incurred but not reported			Reported			Incurred but not reported											
				1			2			3			4			5			6			7			8			9		
12		1998	11																											
12		1997	12																											
12		1996	13																											
12		1995	14																											
12		1994	15																											
12		1993	16																											
12		1992	17																											
12		1991	18																											
12		1990	19																											
12		1989	20																											
Prior underwriting years		21					9		290																					
Total (11 to 21)		29					9		290																					
Line 29 expressed in sterling		30					9		290																					

General business (underwriting year accounting) : Analysis of gross claims and premiums by risk group for direct insurance and facultative reinsurance

Name of company **AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED** Accounting class **Property**Global business **Sterling** Currency **Sterling**Financial year ended **31st December 1998**Company registration number **R34** GL/UK/CM **GL** Period ended day **31** month **12** year **1998** Monetary units **000** Country **AA** Accounting class **6**

Risk group		Property Other									
Underwriting year ended	Month	Gross claims paid		Gross claims outstanding carried forward		Gross claims outstanding brought forward		Balance on each underwriting year (2+3+4-5-6)		Gross premiums written	Claims ratio %
		In previous financial years	In this financial year	Reported	In this financial year	Reported	In this financial year	Reported	In this financial year		
12	1998	11									
12	1997	12									
12	1996	13									
12	1995	14									
12	1994	15									
12	1993	16									
12	1992	17									
12	1991	18									
12	1990	19									
12	1989	20									
Prior underwriting years		21		10							
Total (11 to 21)		29		10							
Line 29 expressed in sterling		30		10							

A.A. MUTUAL INTERNATIONAL INSURANCE CO. LIMITED

Returns under Insurance Companies Legislation
Insurance Companies (Accounts and Statements) Regulations 1996 - Regulation 19
Financial Year Ended 31.12.1998

MAJOR REINSURERS REPORT

	Connected Company	Premium Ceded In Financial Year £	Amount of Debt at 31.12.98 £	Deposit £	Anticipated Recovery £
In respect of Proportional Reinsurance Ceded					
	1. Polygon Insurance Co. Ltd Le Riche House 50 High Street St Peter Port GUERNSEY	0.00	0.00		1,263.00
	2. Dai Tokyo Fire & Marine Insurance Company 1-6 Nihonbashi 3-Chome Chou-ku, Tokyo 103 JAPAN	4.09	0.00	186,672.90	1.00
In respect of Non-Proportional Reinsurance Ceded					
	Lloyd's Lime Street London EC3 ENGLAND	46.47	0.00		199,224.00

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A. A. MUTUAL INTERNATIONAL INSURANCE CO. LIMITED

Returns under Insurance Companies Legislation
Insurance Companies (Accounts and Statements) Regulation 1996 - Regulation 20
Financial Year Ended 31.12.1998

MAJOR FACULTATIVE REINSURER REPORT

In respect of	Connected Company	Premium Ceded in Financial Year £	Amount of Debt at 31.12.98 £	Deposit £	Anticipated Recovery £
Facultative Reinsurance Ceded	No	0.00	36,704.90		44,550.46
	Home & Overseas The Grange Bishops Cleeve Cheltenham Glos GL52 4XX				

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A.A. MUTUAL INTERNATIONAL INSURANCE CO. LIMITED

Returns under Insurance Companies Legislation
Insurance Companies (Accounts and Statements) Regulations 1996 - Regulation 21
Financial Year Ended 31.12.1998

MAJOR
CEDANT REPORT

Name & Address of Cedant	Connected Company	Amount £
Lloyd's Lime Street, EC3	No	2,016.61

Returns under Insurance Companies Legislation

Statement required by regulation 23 of the Insurance Companies (Accounts and Statements) Regulations 1996

AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED

GLOBAL BUSINESS

Financial year ended 31 December 1998

Additional information on derivative contracts

The investments guidelines operated by the company prohibit the use of derivative contracts, and accordingly the company has not entered into any such contracts in the year ended 31 December 1998.

Returns under Insurance Companies Legislation

Statement of Shareholder Controllers required by regulation 24 of the Insurance Companies (Accounts and Statements) Regulations 1996

AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED

GLOBAL BUSINESS

Financial year ended 31 December 1998

Statement of Shareholder Controllers

During the whole of the financial year ended 31 December 1998 100% of the share capital of the company was controlled by AAM Holdings Limited.

The controller referred to above, was able to exercise control over all of the share capital of the company at any duly convened general meeting of the Company subject to the restriction of having certain of the company's assets held on deposit with Republic National Bank of New York.

Returns under Insurance Companies Legislation

Notes to the Return

AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED

GLOBAL BUSINESS

Financial year ended 31 December 1998

Supplementary note to Form 10

1001 Reconciliation of net assets

	£'000	£'000
Total assets per Form 13.99.1	6,403	7,630
Total liabilities per line 15.69.1	(5,945)	(7,139)
	<hr/>	<hr/>
	458	491
Other movements	-	-
	<hr/>	<hr/>
Capital and reserves per shareholders accounts	458	491
	<hr/>	<hr/>

Returns under Insurance Companies Legislation

Notes to the Return

AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED

GLOBAL BUSINESS

Financial year ended 31 December 1998

Supplementary notes to Form 13

1304 Debtors arising out of reinsurance operations

The company has made its best endeavours to present debtors arising out of reinsurance operations shown in form 13.74.1 in compliance with FRSS.

1305 Maximum Permitted Counterparty Limit

The Company's assets are held in trust and the trustees' investment policy is to place funds on deposit with credit institutions that have a high quality credit rating. In carrying out this policy no limit is set as how much can be deposited with each institution.

1306 Exposure at Year End to Large Counterparties

The company had the following exposures at 31 December 1998 in excess of 5% of GBA:

- i) On 24 June 1986, the short-term insurance business of AA Mutual Insurance Association Limited ('AAMA'), the Company's major reinsurer, was placed in liquidation. When computing the value of claims to be admitted, the liquidators were required, under the terms of the judgement of the Supreme Court of South Africa, to convert all claims denominated in currencies other than South African Rand at the commercial rates of exchange ruling on 24 June 1986. The liquidators have admitted the company's claims amounting in total to £5,886,395 in respect of which dividends equivalent to 100% have been received, subject to exchange movements. The liquidators have also indicated that they have residual funds available for distribution.

The liquidators went to Court against the South African Receiver of Revenue on 19 April 1999 in order to determine the Receiver's claim that the income accruing during the liquidation was subject to taxation. Judgement was handed down in favour of the liquidators on 7 May 1999 but notice of leave to appeal against the ruling was lodged by the Receiver on the same day. At the date of this certificate, it is not known whether leave to appeal will be granted. If leave to appeal is granted, the matter will be referred to the Appellate Division of the Supreme Court of South Africa, and this could delay the resolution of the case for as much as two years.

On 22 April 1999 the liquidators gave notice of the lodging of their 22nd distribution account. This provided for the payment in early June 1999 of simple interest calculated at 1.6% from the date of the liquidation to the date of payment of the various distribution accounts. The company received its payment of South African Rands 2,346,678, equivalent to £238,088, on 9 June 1999.

With uncertainty still surrounding future distributions, the directors have established from the liquidators' administrators the absolute worst case position, which assumes the payment of income tax on investment income accruing since the date of liquidation. Funds still available for distribution to the company, after taking the 22nd distribution into account, amount to some SA Rands 2,470,000, equivalent to £252,350. Accordingly, these Returns include receivables from the liquidators amounting to £490,438 in respect of the 22nd distribution account and the further funds available.

Notwithstanding the fact that the company received its payment under the 22nd distribution account on 9 June 1999, these Returns include £65,000 on Form 13.78.1 and £425,000 on Form 13.92.1 in respect of these receivables.

- ii) At 31 December 1998 the GBP equivalent of £4,909,936 was placed on deposit with Republic National Bank of New York for a period not exceeding one month. The admissibility of these deposits for the purposes of these returns is limited to 5% of the general business amount. At 31 December 1998 £4,393,000 (1997: £4,467,000) of the total deposit was included as inadmissible assets at form 13.92.1.

Returns under Insurance Companies Legislation

Notes to the Return

AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED

GLOBAL BUSINESS

Financial year ended 31 December 1998

Supplementary notes to Form 15

1501 Provision for Adverse Changes

As explained in note 1701, the company has not entered into any derivative contracts. Accordingly no provision for adverse changes is required.

1504 Creditors arising out of insurance operations

The company has made its best endeavours to present creditors arising out of reinsurance operations shown in form 15.42.1 in compliance with FRS5.

1505 Technical provisions

Technical provisions for claims outstanding includes in form 15.12.1 a provision of £900,000 (1997:£1,200,000) for future claims handling costs.

Returns under Insurance Companies Legislation

Notes to the Return

AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED

GLOBAL BUSINESS

Financial year ended 31 December 1998

Supplementary notes to Form 16

1601 Basis of foreign currency conversion

The general business technical accounts are maintained in three currencies, Sterling, Canadian Dollars and US Dollars.

The opening balances on the United States Dollar and Canadian Dollar general business technical accounts are translated into Sterling at the rates ruling at 31st December 1998. The resulting revaluation adjustment is shown, in the general business technical account, as part of the change in the provision for claims figure for the year. Revenue transactions are translated at the rates ruling at the date of settlement. Unsettled revenue transactions and the related asset and liability balances at 31st December 1998 in currencies other than Sterling, are translated at the appropriate year end rates.

1603 Other income and charges

Amounts shown in form 16.21.1 relate to foreign exchange movements.

Returns under Insurance Companies Legislation

Notes to the Return

AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED

GLOBAL BUSINESS

Financial year ended 31 December 1998

Supplementary note to Form 17

1701 Derivative Contracts

The company has not entered into any derivative transactions during the year under review. As permitted by Prudential Guidance Note 1998/1 "The preparation of annual returns to the Insurance Directorate of HM Treasury" no form 17 has been included in this return, because the company has no transactions which qualify to be reported for the year ended 31st December 1998 or for the previous year.

Returns under Insurance Companies Legislation

Notes to the Return

AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED

GLOBAL BUSINESS

Financial year ended 31 December 1998

Supplementary notes to Form 20

2002 Analysis between UK and Overseas business

For all accounting classes there are no gross premiums written.

2003 Date of last new contract

On 4 December 1987, at the request of the company, the Department of Trade and Industry withdrew the authorisation of the company to effect contracts of insurance. Accordingly no new contracts of insurance have been effected since that date.

2007 Concession

On 9 October 1980, the company was given a concession by the Department of Trade and Industry to account for certain classes of business on a three-year basis.

Under the new regulations, this business is now accounted for on an underwriting year basis. Accordingly, the Company considers the classes of business as being managed together.

Returns under Insurance Companies Legislation

Notes to the Return

AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED

GLOBAL BUSINESS

Financial year ended 31 December 1998

Supplementary notes to Form 22

2202 Provision for future claims handling costs

A provision of £900,000 (1997: £1,200,000) has been made for future claims handling costs, net of anticipated investment income. This provision has been allocated between accident years and underwriting years by reference to the value of outstanding claims. The provision has been included in this return as follows:

	Form 22			Form 25				Total Per Return £'000
	1 £'000	6 £'000	7 £'000	1 £'000	3 £'000	6 £'000	9 £'000	
Provision for future claims handling costs	39	26	60	4	178	5	588	900

2209 Reconciliation of administration and other costs in the return to those in the financial statements

Below is set out a reconciliation of the administration and other costs per the financial statements to those included in the return:

Class:	1 £'000	6 £'000	7 £'000	9 £'000	Total £'000
Form 24.43.98	-	-	-	775	775

Per accounts:

Administrative expenses	674
Items arising from the run off of the WF Portfolio of business	42
Decrease in provision for doubtful debts	(143)
AAMA write-down	202
	<u>775</u>

Returns under Insurance Companies Legislation

Notes to the Return

AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED

GLOBAL BUSINESS

Financial year ended 31 December 1998

Supplementary note to Form 23

2303 *Analysis of net claims*

As reinsurance recoveries are in excess of the claims outstanding for accounting class 6, net claims are shown as negative.

Returns under Insurance Companies Legislation

Notes to the Return

AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED

GLOBAL BUSINESS

Financial year ended 31 December 1998

Supplementary notes to Form 24

2401 Amounts brought forward

Amounts brought forward differ from the amounts carried forward due to exchange movements.

2402 Reporting Basis/Basis of Profit Recognition

Certain classes of business are accounted for on an underwriting year basis because the nature of the business accepted was such that underwriting results could not be established with sufficient accuracy under the annual basis. These classes of business are: accident, aviation, property and excess loss/general treaty.

Under the non annual underwriting basis of accounting, premiums, claims and expenses were carried forward as a provision and profit recognition was deferred until the end of the third year from the start of any underwriting year. Any anticipated underwriting losses were recognised as soon as they were foreseen.

2404 Claims Management Costs

The directors are preparing an updated run-off plan for the company and have made provision for future claims handling costs, net of anticipated investment income. Refer to note 2202 for further details.

2407 Reconciliation of Form 24 to Form 34

Form 34 relates to direct and facultative reinsurance whereas Form 24 includes, direct, facultative and treaty reinsurance. Thus Form 24 does not agree directly with Form 34.

2408 Time-barred creditors

During the year, the directors have assessed the time bar status of all creditors that were outstanding on the reinsurance inwards ledger as at December 1998 with the objective of identifying all time-barred creditors. Time-barred creditors are those that have been outstanding for a sufficient period, with no acknowledgement of liability by the company, that the creditor's debt is no longer actionable.

In carrying out this assessment the reinsurance inwards ledger as at 31 December 1998 was fully analysed and a list of all policies on which there were unpaid creditors identified. The policy files were retrieved from the archives and a review was undertaken by a team of experienced claims technicians to establish the contract jurisdiction country, and in the case of the USA, the state for each policy. In addition the files were also reviewed to establish whether any communications had taken place that would 'stop' the time bar clock in respect of each unpaid creditor.

Having performed this analysis the time-barred reinsurance liabilities were calculated. This calculation was performed in compliance with established case law and written legal opinions obtained by Hampden on behalf of the company, confirming that the approach taken by the directors was reasonable.

Returns under Insurance Companies Legislation

Notes to the Return

AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED

GLOBAL BUSINESS

Financial year ended 31 December 1998

Supplementary notes to Form 24 (continued)

2408 Time-barred creditors (continued)

The above assessment resulted in a write-back of reinsurance inwards liabilities, established as being time-barred, amounting to £476,783 (1997: £3,548,417). This has been allocated between underwriting years by reference to outstanding claims as follows:

Class	Form 24				Total per HMT return £'000
	1 £'000	3 £'000	6 £'000	9 £'000	
Form:					
Form 24.43.29	-	-	-	(477)	(477)

Time bar analysis on remaining liabilities will continue on an ongoing basis.

2409 Reconciliation of administration and other costs

Below is set out a reconciliation of the administration costs per the financial statements to those included in the return.

Class:	1 £'000	6 £'000	7 £'000	9 £'000	Total £'000
Form:					
Form 24.43.98	-	-	-	775	775

Per accounts:

£'000

Administrative expenses

674

Items arising from the run off of the WF Portfolio of business

42

Decrease in provision for doubtful debts

(143)

AAMA write-down

202

775

Returns under Insurance Companies Legislation

Notes to the Return

AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED

GLOBAL BUSINESS

Financial year ended 31 December 1998

Supplementary notes to Form 25

2504 Surplus for offset

On 9 October 1980, the company was given a concession by the Department of Trade and Industry to account for certain classes of business on a three year basis.

Under the new regulations, this business is now accounted for on an underwriting year basis. Accordingly, the company considers the classes of business as being managed together.

2507 Reconciliation of Form 25 to Form 34

Form 34 relates to direct and facultative reinsurance whereas Form 25 includes direct, facultative and reinsurance. Thus Form 25 does not directly agree with Form 34.

2508 Provision for future claims handling costs

As explained in note 2404, a provision of £900,000 has been made for future claims handling costs, net of anticipated investment income. This provision has been allocated between underwriting years and accident years by reference to the value of outstanding claims. The provision has been included in this return as follows:

Class	Form 25				Form 22			Total per return £'000
	1 £'000	3 £'000	6 £'000	9 £'000	1 £'000	6 £'000	7 £'000	
Provision for future claims handling costs	4	178	5	588	39	26	60	900

Returns under Insurance Companies Legislation

Notes to the Return

AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED

GLOBAL BUSINESS

Financial year ended 31 December 1998

Supplementary note to Form 28

2801 Amounts Brought Forward

Amounts brought forward differ from the amounts carried forward due to exchange movements.

Returns under Insurance Companies Legislation

Notes to the Return

AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED

GLOBAL BUSINESS

Financial year ended 31 December 1998

Supplementary note to Form 29

2901 Surplus for offset

On 9 October 1980, the company was given a concession by the Department of Trade and Industry to account for certain classes of business on a three year basis.

Under the new regulations this business is now accounted for on an underwriting year basis. Accordingly, the Company considers the classes of business as being managed together and as such transfers are made, at line 19, between years of account.

Returns under Insurance Companies Legislation

Notes to the Return

AA MUTUAL INTERNATIONAL INSURANCE COMPANY LIMITED

GLOBAL BUSINESS

Financial year ended 31 December 1998

Supplementary note to Form 29

2901 Surplus for offset

On 9 October 1980, the company was given a concession by the Department of Trade and Industry to account for certain classes of business on a three year basis.

Under the new regulations this business is now accounted for on an underwriting year basis. Accordingly, the Company considers the classes of business as being managed together and as such transfers are made, at line 19, between years of account.

AC 1459

MOORE STEPHENS

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UNDER THE INSURANCE
ACT 1982

Registered Number: 1432586



AA MUTUAL INTERNATIONAL INSURANCE
COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS

31st DECEMBER 1998

108
16.7-99

Directors' Report
For the year ended 31st December 1998

Financial Statements

The directors present their report and financial statements for the year ended 31st December 1998.

Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view 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; and
- 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 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.

Principal Activity and Progress with the Run-off

Since 4th December 1987, the Company has been in run-off and accordingly is no longer a going concern. Prior to that date, the Company was authorised to write off all classes of general insurance business.

Hampden Insurance Management Services Limited (previously Market Run-Off Services Limited) continue to act as agent for the run-off of the portfolio of business written for the Company by Winchester Fox & Company Limited. Because of pressure of work Mr. B.A. Stiefel resigned as a director on 8th September 1998, after more than twelve years of dedicated service to the Company. In order to ensure that focussed run-off of the Company continues as efficiently as possible, the directors renegotiated the contract with Hampdens for run-off, management and administration incorporating aspects previously undertaken by the Company's own staff such as company administration, accounting, commutations, etc.

The directors are constantly re-assessing the run-off of the Company in order to ensure that all creditors are treated equitably. To this end claims are reviewed and scrutinised regularly to ensure that only valid liabilities are accepted by the Company. In cases where there is doubt, steps are taken to ensure that the situation is clarified and rectified. As part of this process, the company actively negotiates commutations with interested creditors whereby the cedents are offered a cash settlement based on the cash availability in the Company.

The directors are of the view that by negotiating commutations, the outstanding liabilities of the Company will be reduced to less than their face value giving rise to an improvement in the capital base which should enable the Company to withstand any deterioration in liabilities that may arise in the forthcoming years.

At 31st December 1997 the directors assessed the time-bar status of all claims that remained open as reinsurance inwards creditors. In carrying out this assessment the reinsurance inwards ledger was fully analysed and a list of all policies on which there were unpaid creditors identified. The policy files were retrieved from the archives and a review was undertaken by a team of experienced claims technicians to establish the contract jurisdiction country, and in the case of the USA, the state for each policy. In addition the files were also reviewed to establish whether any communications had taken place that would "stop" the time bar clock in respect of each unpaid creditor. This assessment resulted in a write-back of reinsurance creditors as being time barred at 31st December 1997 amounting to £3,548,417.

Directors' Report**For the year ended 31st December 1998****Principal Activity and Progress with the Run-off (Continued)**

A further assessment was carried out at 31st December 1998 resulting in an accumulative write-back of reinsurance creditors amounting to £4,004,414. Of this amount £3,548,417 was recognised at 31st December 1997 leaving an amount of £476,783 recognised in these accounts. Time-bar analysis on remaining liabilities will continue on an ongoing basis. These assessments were performed in compliance with established case law and written legal opinions, obtained by Hampden on behalf of the company, confirming that the approach taken by the directors was reasonable.

In 1997 the directors also took the decision to write down debtors arising out of reinsurance operations by £1,083,870 to an amount of £200,000. At 31st December 1998 the decision was still considered to be prudent.

As stated earlier in this report, run-off costs have been renegotiated to incorporate previously variable costs of employment relating to company administration, accounting and commutations. This will further assist the directors in controlling overall administration expense in the Company. A proportion of the provision was utilised to settle the outstanding legal expenses in relation to the Elico claim and other litigation. Accordingly, the remaining provision for future run-off expenses at 31st December 1998 amounts to £900,000 (1997: £1,200,000).

The directors are mindful of the cost of correcting the accounting records of the original insurance transactions that were maintained by Winchester Fox. Although no insurance business was written after 1986, and all communications from brokers and cedents are being processed by Hampdens and the accounting records are being updated, it is impossible to guarantee that all assets and liabilities have been accounted for and consequently that the accounting records are 100% correct.

In these circumstances, the directors recognise that it is not cost effective nor would it necessarily achieve anything for the Company's auditors to carry out an insurance debtors and creditors circularisation and certain other audit procedures that they might wish to undertake. Accordingly, they may not have obtained all the information and explanations that they would consider necessary in respect of the portfolio of business written for the Company by Winchester Fox.

AA Mutual Insurance Association Limited

The liquidators of the short-term insurance business of AA Mutual Insurance Association Limited ("AAMA") are endeavouring to finalise the liquidation of AAMA and to pay the remaining funds to creditors. The Company submitted two claims to the liquidators amounting to £396,643 and £5,155,443. In addition, Winchester Fox also submitted a claim of £334,309 on behalf of the Company giving rise to a total amount of £5,886,395. All these claims have been admitted and the liquidators have paid dividends, based on the South African Rand equivalent at the date of the liquidation, amounting to 100%.

The liquidators of the short term business of AAMA went to Court against the South African Receiver of Revenue on 19th April 1999 in order to determine the Receiver's claim that the income accruing during the liquidation was subject to taxation. Judgement was handed down in favour of the liquidators on 7th May 1999 but notice of leave to appeal against the ruling was lodged by the Receiver on the same day. At the date of this report, it is not known whether leave to appeal will be granted. If leave to appeal is granted, the matter will be referred to the Appellate Division of the Supreme Court of South Africa, and this could delay the resolution of the case for as much as two years.

On 22nd April 1999 the liquidators gave notice of the lodging of their 22nd distribution account. In terms of the notice, interest at 1,6% (simple interest) calculated from the date of liquidation to date of payment of the various dividends, was payable to creditors early in June 1999. The company received its payment in the sum of SA Rands 2,346,678 (equivalent to £238,088) on 9th June 1999.

With uncertainty still surrounding future distributions, the directors have established from the liquidators' administrators the absolute worst position, which assumes the payment of income tax on investment income since the date of liquidation. Funds available for distribution to this Company of SA Rands 2,470,000 (equivalent to £252,350) have been computed on this basis, and accordingly a debtor in respect of AAMA of £490,438 has therefore been recorded in these financial statements. While the amount has been adjusted to take account of the sterling/SA Rand exchange rate as at the financial year end, the Company has continued to apply the policy of taking out forward cover contracts in an attempt to hedge against currency fluctuations.

Directors' Report

For the year ended 31st December 1998

Year 2000

The database of reinsurance creditors inwards and outwards is critical to the successful run-off of the Company. This database is administered by Hampden Insurance Management Services Limited and the directors have obtained certification that a project is in place to ensure that Hampdens, its suppliers, systems and date dependent equipment will continue to correctly function after 31st December 1999.

Results and Dividends

The results for the year are shown in the profit and loss account on page 8.

The directors do not recommend the payment of a dividend.

Directors

The names of the directors of the Company during the year were:

Mr. P.J. Elliott	
Mr. E.J. Kok	(Appointed 3rd June 1998)
Mr. B.A. Stiefel	(Resigned 4th September 1998)

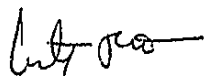
Mr. E.J. Kok retires at the Annual General Meeting and offers himself for re-election.

Auditors

Binder Hamlyn resigned as auditors of the company on 2nd March 1999 and Moore Stephens were appointed to fill the casual vacancy.

Moore Stephens have expressed a willingness to continue in office. A resolution confirming their appointment and authorising the directors to fix their remuneration will be submitted to the forthcoming Annual General Meeting.

This report was approved by the Board on 24th June 1999



K.J. SHULMAN
Secretary

Hampden House
Great Missenden
Buckinghamshire HP16 9RD

**Report of the Auditors to the Members of
AA Mutual International Insurance Company Limited**

We have audited the financial statements on pages 9 to 17 which have been prepared on the basis of the accounting policies set out on page 14. The company is no longer a going concern but has been in run-off since 4th December 1987.

Respective Responsibilities of Directors and Auditors

As described on page 1 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 our audit in the knowledge that the Company has been in run-off since 4th December 1987 and, as explained in note 1, that proper accounting records of the original insurance transactions had not been kept by Winchester Fox & Company Limited ("Winchester Fox"), the company's former underwriting agent. Except for the limitation in evidence available to us for these matters, we sought to obtain all other information and explanations which we considered necessary in order to provide us with sufficient evidence to give a 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 have also evaluated the overall adequacy of the presentation of information in the financial statements.

.... continued on page 5

**Report of the Auditors to the Members of
AA Mutual International Insurance Company Limited (Continued)**

Limitation in Scope in Respect of Matters Relating to Winchester Fox

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the run-off of the portfolio of insurance business written for the Company by Winchester Fox. Note 1 explains that the Company has appointed an agent to run off this portfolio of insurance business and also to update and correct the accounting records in respect of it. The following matters arise on account of the limitation in evidence available to us:

(a) Debtors and creditors arising out of reinsurance operations and adjustments thereto

We are unable to obtain independent confirmation of the debtors and creditor balances arising out of reinsurance operations. Debtors of £200,000 (1997: £200,000) and creditors of £2,717,067 (1997: £3,223,280) shown in the balance sheet as arising out of reinsurance operations include £138,196 (1997: £135,811) and £2,715,272 (1997: £3,221,485) respectively in respect of balances arising from business written by Winchester Fox.

Until such time as all insurance balances have been confirmed we are unable to assess whether the net debit of £42,516 (1997: £276,681) to the profit and loss account arising from adjustments to debtors and creditors arising out of reinsurance operations is correctly stated.

(b) Technical provisions

Gross technical provisions for claims outstanding of £2,150,086 (1997: £2,346,932) and the reinsurers' share of technical provisions of £724,112 (1997: £868,008) include £2,022,367 (1997: £2,099,387) and £662,719 (1997: £749,529) respectively in respect of claims arising from business written by Winchester Fox.

We are unable to confirm the adequacy of these amounts since it is not possible to establish whether provisions for claims released in prior years will be required or to quantify the extent to which amounts which will become due from reinsurers will be recoverable.

.... continued on page 6

**Report of the Auditors to the Members of
AA Mutual International Insurance Company Limited (Continued)**

Fundamental Uncertainties in Respect of Matters Relating to Winchester Fox

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the run-off of the portfolio of insurance business written for the company by Winchester Fox. Note 1 explains that the company has appointed an agent to run off its portfolio of insurance business and also to update and correct the accounting records in respect of it. The following fundamental uncertainties arise in respect of matters relating to Winchester Fox:

(a) Time-barred reinsurance liabilities

As explained in Note 2, the technical account includes a credit of £476,783 (1997: £3,548,417) relating to the write back of reinsurance creditors as being time-barred. Due to the inherent uncertainties in the legal process, it is impossible to confirm whether the release of £476,783 (1997: £3,548,417) to the technical account is correctly stated unless all the creditors involved have their claims subsequently denied by the courts.

(b) Provision for doubtful debts

We are unable to assess the adequacy of a provision of £1,183,261 (1997: £1,340,320) in respect of the possible non-recovery of amounts due from reinsurers since it is not possible to quantify with reasonable certainty the extent to which further provisions may be required.

.... continued on page 7

**Report of the Auditors to the Members of
AA Mutual International Insurance Company Limited (Continued)**

Other Fundamental Uncertainties

In forming our opinion, we have also considered the adequacy of the disclosures made in the financial statements concerning other fundamental uncertainties. These are:

(a) Amounts anticipated from AA Mutual Insurance Association Limited ("AAMA")

As explained in note 4, the short term insurance business of AAMA, a major reinsurer of the company, was placed in liquidation on 24th June 1986. The liquidators have admitted the company's claims in respect of which dividends equivalent to 100% have been received subject to exchange movements. The South African Receiver of Revenue has claimed an interest in the residual funds held by the liquidators. Following litigation in April/May 1999 in which the High Court of South Africa ruled in favour of the liquidators, the Receiver of Revenue has sought leave to appeal. The balance sheet includes an amount of £490,438 (1997: £846,719) as recoverable from the liquidators, of which £238,088 was received on 9th June 1999. We have received confirmation from the liquidators' office of the South African Rand equivalent of the remaining £252,350 as being attributable to the company on a worst case basis, but are unable to confirm the recoverability of this amount as the liquidators have not confirmed their distribution proposals.

(b) Provision for future claims handling costs

As explained in note 3d, the directors are preparing an updated run-off plan. Until such time as this has been completed we are unable to assess the adequacy of the provision of £900,000 (1997: £1,200,000) for future claims handling costs.

.... continued on page 8

**Report of the Auditors to the Members of
AA Mutual International Insurance Company Limited (Continued)**

Opinion: Disclaimer on View given by Financial Statements

Because of the possible effect of the limitation in evidence available to us and in particular until such time as the run-off agent has completed the reconstruction of the insurance accounting records:

- (a) we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of the company's affairs as at 31st December 1998 and of its loss for the year then ended; and
- (b) we are unable to form an opinion as to whether the financial statements have been prepared properly in accordance with the Companies Act 1985.

In respect alone of the limitation on our work relating to the Winchester Fox portfolio of business:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether proper accounting records have been maintained in respect of the Winchester Fox portfolio of business.

Moore Stephens

MOORE STEPHENS

Registered Auditor
Chartered Accountants

St. Paul's House
London, EC4P 4BN

30th June 1999

Profit and Loss Account
For the year ended 31st December 1998

	<u>Note</u>	<u>1998</u>	<u>1997</u>
		£	£
Technical Account - General Business			
Wholly attributable to reinsurance operations			
Adjustment to gross premiums		(4,529)	(14,339)
Adjustments to outward reinsurance premiums		464	4,255
		<hr/>	<hr/>
(Refund of) earned premiums, net of reinsurance		(4,993)	(18,594)
		<hr/>	<hr/>
Gross claims paid or processed		321,193	563,647
Reinsurers' share		(130,068)	(300,002)
		<hr/>	<hr/>
Net claims paid or processed		191,125	263,645
		<hr/>	<hr/>
Gross change in the provision for claims		(190,083)	(624,319)
Reinsurers' share		143,896	488,221
		<hr/>	<hr/>
Net reduction in the provision for claims		(46,187)	(136,098)
		<hr/>	<hr/>
Claims incurred net of reinsurance		144,938	127,547
Administrative expenses	5	674,006	828,742
Items arising from the run-off of the WF portfolio			
.. of business		42,516	276,681
Time-barred reinsurance liabilities	2	(476,783)	(3,548,417)
Provision for future claims handling costs		(300,000)	1,200,000
Increase/(decrease) in provision for doubtful debts		(143,252)	883,870
Write-down of amount anticipated from AAMA		210,558	-
		<hr/>	<hr/>
Total technical charges		142,983	(231,577)
		<hr/>	<hr/>
(Loss)/profit on the technical account		(147,976)	212,983
		<hr/>	<hr/>

Profit and Loss Account
For the year ended 31st December 1998 (Continued)

	<u>Note</u>	<u>1998</u>	<u>1997</u>
		£	£
Non-Technical Account			
(Loss)/profit on the technical account		(147,976)	212,983
Investment income: Bank interest		284,373	343,672
Exchange movements		(169,086)	(35,077)
Loss on disposal of subsidiary undertakings	6	-	(465,525)
		<hr/>	<hr/>
(Loss)/Profit on ordinary activities before taxation		(32,689)	56,053
Tax on ordinary activities		-	-
		<hr/>	<hr/>
(Loss)/Profit on ordinary activities after taxation		(32,689)	56,053
Retained loss brought forward		(4,258,894)	(4,314,947)
		<hr/>	<hr/>
Retained loss carried forward		(4,291,583)	(4,258,894)
		<hr/>	<hr/>

All operating income and expenditure is derived from run-off activities (note 1).

There are no recognised gains or losses other than those reported in the profit and loss account.

Balance Sheet as at 31st December 1998

	<u>Notes</u>	<u>1998</u>	<u>1997</u>
		£	£
Assets			
Investments			
Other financial investments		4,909,638	5,378,165
Reinsurers' share of technical provisions			
Claims outstanding		724,112	868,008
Debtors			
Debtors arising out of reinsurance operations		200,000	200,000
Other debtors		510,291	965,075
		<u>710,291</u>	<u>1,165,075</u>
Other assets			
Cash at bank and in hand		59,364	218,616
Total Assets		<u>6,403,405</u>	<u>7,629,864</u>
Liabilities			
Capital and reserves			
Called up share capital	6	4,750,000	4,750,000
Profit and loss account - retained loss		(4,291,583)	(4,258,894)
Shareholders' funds attributable to equity interests	7	<u>458,417</u>	<u>491,106</u>
Technical provisions			
Claims outstanding: Gross amount		2,150,086	2,346,932
Provision for future claims handling costs		900,000	1,200,000
		<u>3,050,086</u>	<u>3,546,932</u>
Creditors			
Creditors arising out of reinsurance operations		2,717,067	3,223,280
Other creditors including taxation and social security		177,835	368,546
		<u>2,894,902</u>	<u>3,591,826</u>
Total liabilities		<u>6,403,405</u>	<u>7,629,864</u>

The financial statements on pages 7 to 17 were approved by the Board on 30th Sept 1999

P.J. ELLIOTT
Director

Cash Flow Statement

For the year ended 31st December 1998

	<u>Note</u>	<u>1998</u>	<u>1997</u>
		£	£
Net cash (outflow) from operating activities	8	(878,292)	(1,209,623)
Returns on investment and servicing of finance			
Interest received		284,373	343,672
		<u>(593,919)</u>	<u>(865,951)</u>
Taxation			
UK taxation paid		-	-
Management of liquid resources			
Cash withdrawn from deposits		438,231	754,583
Financing		<u>-</u>	<u>-</u>
(Decrease)/Increase in Cash	9	£ <u>(155,688)</u>	£ <u>(111,368)</u>

Notes to the Financial Statements
For the year ended 31st December 1998

1. Progress with run-off

Since 4th December 1987, the Company has been in run-off and accordingly is no longer a going concern. Prior to that date, the Company was authorised to write all classes of general insurance business.

Winchester Fox & Company Limited ("WF") was the Company's main underwriting agent and accepted insurance business on its behalf under a underwriting agency agreement dated 10th July 1980. This agreement remained in place until 31st December 1984 when authority to accept insurance business was limited to aviation business only. The agency agreement was terminated with effect from 31st December 1986.

Hampden Insurance Management Services Limited (previously Market Run-off Services Limited) continue to act as agent for the run-off of the portfolio of business written for the company by WF. The directors believe that proper accounting records of the original insurance transactions were not kept by WF and are mindful of the costs of correcting them. Although no insurance business was written after 1986, and all communications from brokers and cedents are being processed by MRS who are correcting and updating the accounting records of the Company, it is impossible to guarantee that all assets and liabilities have been accounted for and consequently that the accounting records are 100% correct.

In these circumstances the directors recognise that it is not cost effective, nor would it necessarily achieve anything, for the Company's auditors to carry out an insurance debtors and creditors circularisation and certain other audit procedures that they might wish to undertake and accordingly they may not have obtained all the information and explanations that they would consider necessary in respect of the portfolio of business written for the Company by WF.

The directors are constantly reassessing the run-off of the Company in order to ensure that all creditors are treated equitably. To this end claims are reviewed and scrutinised to ensure that only valid liabilities are accepted by the Company. In cases where there is doubt, steps are taken to ensure that the situation is clarified and rectified. As part of this process, the directors are actively negotiating commutations with interested creditors whereby the cedents are offered a cash settlement based on the cash availability in the Company. The directors are of the view that by negotiating communications, the outstanding liabilities of the Company will be reduced to less than their face value giving rise to an improvement in the capital base which should enable the Company to withstand a deterioration in liabilities that may arise in forthcoming years.

As detailed in note 2, the directors have reassessed the time-bar status of all the reinsurance liabilities that remained open on reinsurance inwards ledger as at 31st December 1998.

2. Time-barred reinsurance liabilities

During the year, the directors have reassessed the time bar status of all reinsurance liabilities that were outstanding on the reinsurance inwards ledger as at 31st December 1998 with the objective of identifying all time-barred creditors. Time-barred creditors are those that have been outstanding for a sufficient period, with no acknowledgement of liability by the company, that the creditor's debt is no longer actionable.

In carrying out this assessment, the reinsurance inwards ledger was fully analysed and a list of all policies on which there were unpaid creditors identified. The policy files were retrieved from the archives and a review was undertaken by a team of experienced claims technicians to establish the contract jurisdiction country, and in the case of the USA, the state for each policy. In addition the files were also reviewed to establish whether any communications had taken place that would "stop" the time bar clock in respect of each unpaid creditor.

Having performed this analysis the time-barred reinsurance liabilities were calculated. This calculation was performed in compliance with established case law and written legal opinions obtained by Hampdens on behalf of the company, confirming that the approach taken by the directors was reasonable.

The above assessment resulted in a write-back during the year of reinsurance inwards liabilities, established as being time-barred, amounting to £476,783 (1997: £3,548,417). Time-bar analysis on remaining liabilities will continue on an ongoing basis.

Notes to the Financial Statements
For the year ended 31st December 1998 (Continued)

3. Accounting policies

(a) Accounting convention

The financial statements have been prepared on a run-off basis under the historical cost convention and in accordance with applicable accounting standards.

(b) Disclosure requirements

The financial statements have been prepared in accordance with the provisions of Section 255 of and Schedule 9A to the Companies Act 1985.

(c) Technical provisions

The directors assess the adequacy of the technical provisions on an annual basis by reference to the estimated future cost of each claim notified. As the Company is in its 12th year of run-off the directors believe there is no need for the Company to carry any provision for incurred but not reported claims ("IBNR") in respect of the Winchester Fox portfolio of business.

(d) Provision for future claims handling costs

The directors are preparing an updated run-off plan for the Company and have made provision for future claims handling costs, net of anticipated investment income.

(e) Foreign currencies

Assets and liabilities expressed in currencies other than sterling are translated to sterling at rates of exchange ruling at the year end, whilst revenue transactions are translated to sterling mainly at rates of exchange ruling at the year end.

Realised and unrealised currency gains and losses are included in the non-technical profit and loss account.

(f) Debtors and creditors arising from reinsurance operations

The balance sheet reflects the amounts due to or from the Company in respect of reinsurance operations rather than the net amounts due from or to brokers.

4. AA Mutual Insurance Association Limited

On 24th June 1986, the short-term insurance business of AA Mutual Insurance Association Limited ("AAMA"), the Company's major reinsurer, was placed in liquidation. When computing the value of claims to be admitted, the liquidators were required, under the terms of the judgements of the Supreme Court of South Africa, to convert all claims denominated in currencies other than South African Rand at the commercial rates of exchange ruling on 24th June 1986. The Company has submitted claims amounting in total to £5,886,395 which have been admitted and paid by the liquidators, subject to exchange movements.

The liquidators of the short term business of AAMA went to Court against the South African Receiver of Revenue on 19th April 1999 in order to determine the Receiver's claim that the income arising during the liquidation was subject to taxation. Judgement was handed down in favour of the liquidators on 7th May 1999 but notice of leave to appeal against the ruling was lodged by the Receiver on the same day. It is not yet known whether leave to appeal will be granted. If leave to appeal is granted the matter will be referred to the Appellate Division of the Supreme Court of South Africa which could delay the case for as much as two years.

Notes to the Financial Statements

For the year ended 31st December 1998 (Continued)

4. AA Mutual Insurance Association Limited (Continued)

On 22nd April 1999 the liquidators gave notice of the lodging of their 22nd distribution account. In terms of the notice, interest at 1,6% (simple interest) calculated from the date of liquidation to date of payment of the various dividends, would be paid to creditors early in June 1999. The payment to this Company amounted to SAR2,346,675, equivalent to £238,088 which was received on 9th June 1999.

In the present uncertainty, the directors have therefore deemed it prudent to only anticipate future distributions calculated on the absolute worst position, net of potential taxation in South Africa. The balance sheet therefore includes an amount of £490,438 (1997: £846,719) in respect of the 22nd distribution and a further amount equivalent to £252,350 which has been confirmed by the liquidators' office and which has been calculated on this basis. While the amount has been adjusted to take account of the Sterling/SA Rand exchange rate as at the financial year end, the Company has continued to apply the policy of taking out forward cover contracts in an attempt to hedge against currency fluctuations.

5. Administrative expenses

	<u>1998</u>	<u>1997</u>
	£	£

Administrative expenses include the following items,
including attributable irrecoverable VAT:

Auditors' remuneration:

- in respect of audit services	96,460	51,700
- in respect of non audit services	-	11,273
Fees charged by run-off agent	300,803	419,751

The emoluments of the directors, were as follows:

Fees paid in respect of directors' services	3,527	5,907
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Employees

The average weekly number of persons (including executive directors) employed by the company during the year was 1 (1997: 2). The employment costs were:

	<u>1998</u>	<u>1997</u>
Wages and salaries	53,999	66,903
Social security costs	4,882	6,434
	<u>58,881</u>	<u>73,337</u>

Notes to the Financial Statements (Continued)
31st December 1998

6. Loss on disposal of subsidiary undertakings

On 25th February 1988 AAMI's subsidiary undertakings were disposed of for a consideration of £393,980 of which £375,000 remained outstanding at 31st December 1996, together with an amount of £115,525 due by one of the subsidiary undertakings in respect of group relief. These matters were the subject of litigation which was concluded in June 1998 with a loss to the group of £465,525.

7. Share Capital

	Authorised 1998 and 1997	Called Up 1998 and 1997
	£	£
Ordinary shares of £1 each	5,000,000	4,750,000

8. Reconciliation of movements in shareholders' funds

	1998	1997
	£	£
1st January	491,106	435,053
Retained (loss)/profit for the year	(32,689)	56,053
31st December	458,417	491,106

9. Reconciliation of operating profit to net cash outflow from operating activities

	1998	1997
	£	£
(Loss)/profit on ordinary activities before taxation	(32,689)	56,053
Less bank interest	(284,373)	(343,672)
Increase/(decrease) in net technical provisions	(352,950)	1,096,265
Decrease in creditors	(696,924)	(3,905,510)
Decrease in debtors	454,784	2,076,751
Exchange rate adjustment on cash and investments	33,860	(189,510)
Net cash outflow from operating activities	(878,292)	(1,209,623)

Notes to the Financial Statements (Continued)
31st December 1998

10. Movement in Cash, Portfolio Investments and Financing

	At 1st January <u>1998</u>	<u>Cashflow</u>	Changes to Market Value and Currencies	At 31st December <u>1998</u>
Cash in hand and at bank	218,616	(155,688)	(3,564)	59,364
Cash deposits	5,378,165	(438,231)	(30,296)	4,909,638
	<u>5,596,781</u>	<u>(593,919)</u>	<u>(33,860)</u>	<u>4,969,002</u>

11. Capital commitments

There were no capital commitments at 31st December 1998 or 31st December 1997.

12. Letters of credit

WF provided letters of credit to certain insurers or their agents and treated such transactions as settled claims. The Company's balance sheet includes within debtors arising out of reinsurance operations the cash collateral in respect of letters of credit amounting to £Nil (1997: £24,833). The liabilities in respect of these letters of credit are included within technical provisions.

13. Related parties

Mr. B.A. Stiefel and a trust in which members of his family are beneficiaries have a controlling interest in Meridian Corporate Services Limited, which has provided the Company with office accommodation and secretarial services from 1st April 1991 until this arrangement was terminated on 30th September 1998.

These services have been provided at a cost of £4,406 for the nine months (1997 : £5,875 for the year) including VAT which the directors believe to be on a proper commercial basis.

14. Subsequent Events re AAMA

The liquidators of the short term insurance business of AAMA went to court against the South African Receiver of Revenue on 19th April 1999 to determine the Receiver's claim that the income arising during the liquidation was subject to taxation. Further details of this case and of the liquidators' 22nd distribution account are set out in note 4.

15. Parent Undertakings

The directors regard AAMI Holdings (Pty) Limited, a company incorporated in the Republic of South Africa, as the Company's ultimate parent undertaking.

AAM Holdings Limited, incorporated in England and Wales, is the parent undertaking of the largest and the smallest UK group of which the Company is a member and for which group accounts are drawn up in the UK. Copies of the UK group accounts are available from the Registrar of Companies, Companies Registration Office, Crown Way, Maindy, Cardiff CF4 3UZ.