

RC 310

GENERAL ACCIDENT
FIRE AND LIFE ASSURANCE
CORPORATION P.L.C.
Report & Accounts 1994



a member company of **General Accident**

PRINCIPAL GROUP COMPANIES

<i>Country of incorporation and principal operation</i>	<i>Name</i>	<i>Percentage of Ordinary Share Capital held</i>	
United Kingdom	The Guarantee Society Ltd.*	100	
	Scottish Boiler & General Insurance Co. Ltd.	100	
	Scottish General Insurance Co. Ltd.	100	
	GA Bonus plc	100	
	Scottish Insurance Corporation Ltd.	100	
	The Yorkshire Insurance Co. Ltd.*	100	
	Timberlaine Properties plc*	100	
	GA Property Services Ltd.*	100	†
	General Accident Credit Services Ltd.*	100	
	<i>* registered in England</i>		
United States of America	General Accident Insurance Company of America	99.9	†
	The Camden Fire Insurance Association	100	†
	Hawkeye-Security Insurance Company	99.9	†
	Pennsylvania General Insurance Company	99.9	†
	The Potomac Insurance Company of Illinois	100	†
	Oregon Automobile Insurance Company	100	†
	Silvey Corporation	99.9	†
Australia	NZI Insurance Australia Ltd.	100	†
Belgium	La Brabanconne SA Belge d'Assurances	97.5	
Brazil	General Accident Companhia de Seguros	86.4	†
Canada	The General Accident Assurance Company of Canada	100	†
	Pilot Insurance Company	100	†
Kenya	General Accident Insurance Company Kenya Ltd.	51	
Malaysia	Straits & Island General Insurance Sdn Bhd.	59.7	†
New Zealand	NZI Corporation Ltd.	100	†
	General Accident Asia-Pacific Ltd.	100	†
	NZI Insurance New Zealand Ltd.	100	†
	The New Zealand Insurance Co. Ltd.	100	†
	The New Zealand Insurance Life Ltd.	100	†
	The South British Insurance Co. Ltd.	100	†
Norway	Aktiv Forsikring AS	100	
Puerto Rico	General Accident Insurance Company Puerto Rico Ltd.	88	
	General Accident Life Assurance Company of Puerto Rico Inc	86.5	
South Africa	General Accident Insurance Company South Africa Ltd.	99.9	
Zimbabwe	General Accident Insurance Company (Zimbabwe) Ltd.	74.7	

† Held by subsidiaries.

13 Earnings per Share

The calculation of profit per share is based on a profit of £292.2 million (1993 profit £217.1 million) and the weighted average of 216,769,074 (1993 216,769,074) ordinary shares in issue.

14 Exchange

The principal exchange rates used were USA \$1.56 (1993 \$1.48), Canada \$2.19 (1993 \$1.96) and New Zealand \$2.44 (1993 \$2.65).

15 Outstanding Claims

Provisions for outstanding claims in respect of certain workers' compensation business overseas have been discounted at a rate of 4.75%. The mean term of the liabilities is 30 years. Investment income attributable to the above provisions has been credited to claims incurred but the effect of discounting on the profit and loss account is not significant. Outstanding claims have been reduced by £14.2 million (1993: £13.2 million).

16 Agency and Company Balances

Advantage has been taken of the transitional provision available to insurers as detailed in the amendment to FRS5. This states that insurers need not apply paragraph 29 of FRS5 in respect of balances arising from insurance broking transactions until accounting periods ending after 21st September 1996. Accordingly, certain amounts due to and from the Group arising from insurance broking transactions have continued to be reported on a net basis.

17 Principal Subsidiary Associated and Other Undertakings

Subsidiary companies are engaged in insurance and financial services or other insurance related business. In addition to those listed there are a number of other subsidiary companies which neither contributed significantly to the Group result nor whose assets were material.

Cumulative goodwill written off to reserves in respect of acquisitions in 1993 and prior years amounted to £339.6 million (1992: £339.6 million).

The Corporation has holdings exceeding 10% and in certain cases 20% of the issued share capital of a number of other companies, these holdings are classified as investments and do not materially affect the results or assets of the Group.

18 Ultimate Holding Company

The largest group in which the accounts of the company are consolidated is that headed by General Accident plc, the immediate and ultimate holding company, which is registered in Scotland; the consolidated accounts of this group are available to the public and can be obtained from The Company Secretary, Pitheavlis, Perth PH2 0NH.

19 General

With the approval of the Department of Trade and Industry, the Corporation and certain of its UK subsidiary companies transacting general insurance business have mutually guaranteed the discharge of all liabilities attaching to their respective policies in force.

Directors' Interests in Share Options of the Parent Company

The following executive directors hold options to subscribe for ordinary shares of the parent company under the Executive Share Option and SAYE Schemes.

Date from which exercisable	Expiry Date	Options Price (p)	W N Robertson			B Holder			R A Scott		
			Balance of Options at 01.01.94	Options Granted in Year	Balance of Options at 31.12.94	Balance of Options at 01.01.94	Options Granted in Year	Balance of Options at 31.12.94	Balance of Options at 01.01.94	Options Granted in Year	Balance of Options at 31.12.94
Executive Share Options											
22.08.92	21.08.99	505	—	—	—	20,010	—	20,010	—	—	—
14.08.93	13.08.00	495	64,647	—	64,647	35,352	—	35,352	14,575	—	14,575
19.08.94	18.08.01	554	13,237	—	13,237	13,236	—	13,236	21,092	—	21,092
17.08.95	16.08.02	420	13,761	—	13,761	8,921	—	8,921	27,900	—	27,900
16.08.96	15.08.03	694	22,360	—	22,360	7,185	—	7,185	22,790	—	22,790
15.08.97	14.08.04	571	—	56,592	56,592	—	29,185	29,185	—	19,741	19,741
SAYE Share Options											
01.05.95	31.10.95	412.5	2,180	—	2,180	1,744	—	1,744	—	—	—
01.05.98	31.10.98	440	—	—	—	—	—	—	3,068	—	3,068
01.05.97	31.10.97	355	—	—	—	2,112	—	2,112	2,112	—	2,112
01.05.99	31.10.99	355	2,535	—	2,535	—	—	—	—	—	—
01.05.98	31.10.98	480	377	—	377	755	—	755	—	—	—

None of the directors exercised options during the year and no options lapsed during the year.

The middle market price of a share at 31st December 1994 was 504.5p and the range during the year was from 491p to 757p.

11 Interest and Borrowings

The total amount of interest payable on loans and overdrafts was £14.0 million (1993 £15.9 million) of which £13.0 million (1993 £15.2 million) relates to loans wholly repayable before 31st December 1999.

Group borrowings are made up as follows:

	1994 £m	1993 £m
Parent Corporation:		
7 ³ / ₄ % unsecured loan stock 1992/7	—	7.5
Subsidiary Companies:		
7 ¹ / ₈ % mortgage loan 1996 (secured on an overseas property)	0.7	1.1
7 ³ / ₄ % unsecured loan stock 1992/7	—	(0.5)
Variable interest US secured loans 2003/16	23.1	24.3
8 ¹ / ₄ % unsecured loan notes 1997	95.7	103.8
Variable interest unsecured loans	30.0	105.9
	<u>149.5</u>	<u>242.1</u>
Short term loans and overdrafts	80.1	82.1
	<u>229.6</u>	<u>324.2</u>
<i>Bank loans and overdrafts repayable in:</i>		
Subsidiary Companies:		
one year or less	15.9	13.4
between two and five years	0.7	1.1
	<u>16.6</u>	<u>14.5</u>
<i>Other borrowings repayable in:</i>		
Parent Corporation:		
between two and five years	—	7.5
Subsidiary Companies:		
one year or less	64.2	68.7
between one and two years	30.1	58.0
between two and five years	95.7	151.2
five years or more	23.0	24.3
	<u>213.0</u>	<u>302.2</u>
	<u>229.6</u>	<u>324.2</u>

As a result of the implementation of FRS5 in 1994, reportable borrowings have been increased by £24.6 million (1993 £20.5 million). This amount represents the liability arising from currency hedging in respect of certain borrowings for which the Group has the right to a matching asset. Excluding this adjustment, net group borrowings amount to £205.0 million (1993 £303.7 million).

12 Investments

A summary of the investments appears below:

	General Funds		Parent		Long Term Funds	
	Consolidated					
	1994	1993	1994	1993	1994	1993
	£m	£m	£m	£m	£m	£m
Freehold and Leasehold Properties	448.6	549.4	156.5	146.0	39.0	38.0
Mortgages Loans Reversions and Life Interests	166.2	192.7	86.8	101.5	58.0	47.4
Fixed Interest Securities	3,757.7	4,298.9	927.8	896.5	318.4	357.7
Ordinary Stocks and Shares	2,128.6	2,013.8	658.4	595.1	67.1	60.6
Cash on Deposit	536.9	595.3	145.3	122.7	38.1	10.5
	<u>7,038.0</u>	<u>7,650.1</u>	<u>1,974.8</u>	<u>1,861.8</u>	<u>520.6</u>	<u>514.2</u>

7 Auditors Remuneration

The total remuneration payable by the Group in respect of the audit of these financial statements is shown below together with fees paid to the auditors of the parent company and their associated firms in respect of other work.

	1994 £m	1993 £m
Auditing financial statements	1.7	1.7
Other work—UK	0.2	0.1
Non UK	0.7	0.7
	<u>2.6</u>	<u>2.5</u>

8 Taxation

The charge in the consolidated profit and loss account in respect of UK corporation and income taxes and overseas taxes, computed in accordance with current legislation applicable to insurance companies and based on the results of the year is made up as follows:

	1994 £m	1993 £m
UK corporation tax at 33% (1993 33%)	98.8	36.9
Double tax relief	<u>4.0</u>	<u>0.7</u>
	94.8	36.2
Tax attributable to UK dividends received	6.2	5.7
Overseas taxation	1.0	10.4
Advance corporation tax	(20.0)	(20.2)
Deferred taxation	<u>(1.3)</u>	<u>(5.8)</u>
	80.7	26.3
Taxation attributable to long term business profit	<u>0.2</u>	<u>10.8</u>
	<u>80.9</u>	<u>37.1</u>

The ACT shown is the write back of previously irrecoverable ACT.

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply.

9 Deferred Taxation

Deferred taxation balances of £39.0 million (1993: £42.6 million) are included in creditors in the consolidated balance sheet:

	1994 £m	1993 £m
SSAP 24—Pension provisions	(5.8)	(7.5)
Accumulated bond discount	21.2	24.0
Other short term timing differences	<u>23.6</u>	<u>26.1</u>
	<u>39.0</u>	<u>42.6</u>

Comparative figures for deferred taxation have been amended to reflect a re-allocation of taxation balances payable.

Advance corporation tax recoverable has not been dealt with by deduction from deferred tax but is disclosed separately in the balance sheets.

No provision has been made for taxation which would arise if the investments were sold at the middle market value stated in Note 12, nor has provision been made for taxation which might arise in the event of the distribution of profits retained by overseas subsidiaries, as these events are considered to be remote.

10 Share Capital and Reserves

	1994 £m	1993 £m
Share capital		
Authorised	<u>67.7</u>	<u>67.7</u>
Issued and fully paid		
216,769,074 ordinary shares of 25p each	<u>54.2</u>	<u>54.2</u>
Share premium account	<u>96.3</u>	<u>96.3</u>
Capital reserve	<u>0.3</u>	<u>0.3</u>
Revaluation reserve	<u>1,197.6</u>	<u>1,913.3</u>
Retained earnings		
as at 1st January 1981	253.8	253.8
since 1st January 1981		
Parent Corporation	102.8	(117.8)
Subsidiary companies	<u>46.1</u>	<u>89.5</u>
	<u>402.7</u>	<u>225.5</u>

(c) Directors' Other Interests

No director had a material interest in any contract of significance to the business of the Company or its subsidiaries at any time during the year.

(d) Loans to Other Officers

As at 31st December 1994, 10 officers of the Corporation other than directors, had secured loans outstanding amounting in the aggregate to £502,603 (1993 10 officers £474,388).

5 Pension Benefits

The principal pension schemes operate in the UK and North America. These schemes are of the defined benefit type and their assets are held in separate trustee administered funds. Each of the schemes has been subject to actuarial valuation or review in the last twelve months using the Projected Unit Credit method. The actuarial valuation of the UK defined benefit scheme was carried out by a qualified actuary who is an employee of the Group.

The principal assumptions underlying these valuations were:

	UK	North America
Salary increases	6.9%	5.0%-6.5%
Pension increases	5.0%	—
Investment return	9.0%	4.0%-9.0%

At the date of the last actuarial valuations the market value of the investments of the UK and North American schemes was £978.0 million (1993 £890.5 million). The value of the schemes assets expressed as a percentage of the liability for benefits accruing to date calculated on an actuarial basis was 108% (1993 108%) for the UK scheme and from 110% to 173% (1993 100% to 154%) in respect of North American schemes.

The total pension cost to the Group was £26.2 million (1993 £27.5 million).

At 31st December 1994 a provision of £3.4 million (1993 £16.9 million) was carried in the Group balance sheet. This provision represents the difference between the amounts recognised as cost and the amounts funded or paid directly to the schemes.

6 Other Post Retirement Benefits

Other post retirement benefits provided by the Group relate to the provision of health care in respect of retired employees and their eligible dependents primarily in North America. Approximately 8,000 employees are eligible to receive these benefits. With effect from 1st January 1993 these costs have been accounted for in accordance with Financial Accounting Standard 106 published by the Financial Accounting Standards Board in the USA. The significant schemes, which are of the defined benefit type, have been subject to actuarial valuation in the last twelve months using the Projected Unit Cost method.

The principal assumptions underlying the review of the main scheme which is operated in the USA and is funded, are:

	%	
Return on assets	5.0	
Compensation increases	5.0	
Healthcare cost increases	Under 65	Over 65
—Current	13.0%	9.9%
—Ultimate (in 8 years)	6.0%	6.0%

At the date of the last actuarial valuation the market value of the investment was £1.9 million (1993 £2.0 million). The value of the scheme's assets expressed as a percentage of the liability for benefits accruing to date calculated on an accrued basis was 9.8% (1993 8.2%).

The total cost to the Group of providing post retirement benefits other than pensions was £4.2 million (1993 £3.8 million). At 31st December 1994 a provision of £11.0 million (1993 £7.2 million) was carried in the Group balance sheet. This provision represents the difference between the amounts recognised as a cost and the amounts funded or paid directly.

After taking account of deferred tax relief of £8.6 million (1993 £10.3 million) the estimated liability in respect of post retirement benefit obligations not provided at 31st December 1994 was £15.0 million (1993 £18.2 million). In accordance with Financial Accounting Standard 106, provision is being made for the initial unprovided liability through the revenue account over a 20 year period.

4 Directors and Employees

(a) Emoluments of Directors

Total emoluments of directors of the Corporation including amounts paid to them as directors of subsidiary companies were:

	1994 £	1993 £
Non-executive directors		
Fees	—	—
Pension contributions	—	—
Executive directors		
Salaries and other emoluments including pension	761,371	654,001
Bonuses	133,402	42,363
Pension and other payments to retired executive directors	21,582	21,198
	<u>916,355</u>	<u>717,562</u>

Payments to executive directors are determined by the Compensation Committee of the Board of Directors of General Accident plc the Corporation's parent company.

The bonuses above refer to payments under performance related incentive bonus plans made during the year which relate to performance in the preceding financial year. The incentive plans take into account performance against predetermined group, business unit and personal objectives as appropriate for each participant. The structure of the incentive plans is regularly reviewed by the compensation committee which also approves the payment of any awards. Maximum payments under the incentive plans are limited to 30% of salary.

The Chairman received no emoluments (1993 Nil).

The emoluments of the highest paid director amounted to £442,075 (1993 £348,481), including a payment under the relative incentive bonus plan of £68,750 (1993 £18,300), and pension contributions of £62,194 (1993 £55,600).

UK directors received:

	Number of Directors	
£	1994	1993
0- 5,000	2	3
125,001-130,000	—	1
155,001-160,000	—	1
180,001-185,000	1	—
205,001-210,000	1	—
290,001-295,000	—	1
375,001-380,000	1	—

In addition to the above, UK executive directors are granted options under the parent company's executive share option scheme. The rules of the scheme limit the number of options which an individual can receive to a multiple of salary. The options are normally exercisable over a period of 3 to 10 years from the date of grant and thus link individual reward with the corporate goal of creating long term value for shareholders.

Executive directors participate in the parent company's profit sharing and SAYE share option schemes and the UK pension scheme on the same terms as other eligible employees. Details of directors' interests in share options are given on page 23.

Mr Holder and Mr Scott have service contracts with the Corporation which are terminable by the Corporation on giving not less than two years' notice and by the director on giving not less than one year's notice. Mr Robertson's service contract will terminate on 31st December 1995 upon his reaching normal retirement age.

(b) Loans to Directors

The following loans were granted by the Corporation or its subsidiary companies to executive directors of the Corporation under the staff house purchase scheme on the same terms and conditions as were applicable to all eligible members of staff at annual rate of 5.0%. These loans are secured by mortgages on private residences and policies of assurance maturing at various dates or on the earlier death of the borrower.

*at 1st January 1994 and maximum loan
during the year and at 31st December 1994*

B Holder	£30,000
R A Scott	£30,000

	1994	1993
<i>Segment Net Assets</i>	<i>£m</i>	<i>£m</i>
UK (incl. London Market and internal reinsurance)*	165.6	180.6
USA	954.7	1,329.0
Canada	280.1	459.5
Pacific	507.5	541.5
Europe other than UK	83.1	159.5
Other overseas	132.1	129.4
	<u>2,123.1</u>	<u>2,799.5</u>

* The UK companies own, directly or indirectly, the overseas Segment Net Assets.

Segment Net Assets are stated before the deduction of the following items:

Minority interests	27.4	40.7
Group borrowings	229.6	324.2
Dividends payable and proposed	115.0	145.0
	<u>372.0</u>	<u>509.9</u>
Group net assets	<u>1,751.1</u>	<u>2,289.6</u>

2 Reinsurance

	1994	1993
	<i>£m</i>	<i>£m</i>
Claims Incurred	3,154.1	3,267.5
Recoverable from reinsurers	242.9	247.3
	<u>2,911.2</u>	<u>3,020.2</u>

Amounts recoverable from or prepaid to reinsurers in respect of underwriting provisions:

Unearned Premiums	58.0	56.4
Outstanding Claims	504.1	451.7
	<u>562.1</u>	<u>508.1</u>

Amounts recoverable from reinsurers in respect of outstanding claims include £69.8 million (1993 £69.5 million) for structured settlements. An equivalent amount is carried in gross outstanding claims.

Amounts recoverable from or prepaid to reinsurers in respect of underwriting provisions which were previously deducted from the relevant provisions are now shown as an asset on the balance sheet. Comparative figures have been adjusted accordingly.

3 Long Term Business

The amount credited to consolidated profit and loss account in respect of shareholders profits comprises:

	1994	1993
	<i>£m</i>	<i>£m</i>
Shareholders share of profits before taxation	6.0	34.6
Taxation	0.2	10.8
	<u>5.8</u>	<u>23.8</u>
Comprising:		
General Accident Life Assurance	—	12.9
General Accident Linked Life Assurance	—	4.9
NZI Corporation	—	1.9
General Accident Life (Puerto Rico)	5.2	3.8
Other funds	0.6	0.3
	<u>5.8</u>	<u>23.8</u>

The long term fund of the parent Corporation is represented by:

Investments	0.7	0.7
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NOTES

I Segmental Analysis

(a) Class of Business

	1994 £m	1993 £m
Turnover		
General business premiums		
Property	2,142.6	1,928.3
Accident and liability	784.3	789.0
Motor	1,749.7	1,827.2
	<u>4,676.6</u>	<u>4,544.5</u>
Reinsurance premiums	423.4	362.7
	<u>4,253.2</u>	<u>4,181.8</u>
Long term business premiums	115.9	766.1
Reinsurance	1.3	8.6
	<u>114.6</u>	<u>757.5</u>
Property Services	62.2	59.6
	<u>4,430.0</u>	<u>4,998.9</u>
Profit/(Loss) before Taxation and Interest Payable		
General business		
(incl. investment income)	393.5	246.5
Long term business	5.9	34.6
Property services	(10.0)	(9.5)
	<u>389.4</u>	<u>271.6</u>
Segment Net Assets		
General business	2,024.6	2,698.6
Long term business	62.9	68.5
Property services	35.6	32.4
	<u>2,123.1</u>	<u>2,799.5</u>

(b) Geographical Segments

	1994 £m	1993 £m
Turnover		
UK (incl. London market and internal reinsurance)	1,906.9	2,324.4
USA	1,327.8	1,428.9
Canada	603.3	659.3
Pacific	555.4	506.4
Europe other than UK	223.1	279.1
Other overseas	238.2	172.1
	<u>4,854.7</u>	<u>5,370.2</u>
Reinsurance premiums	424.7	371.3
	<u>4,430.0</u>	<u>4,998.9</u>
Profit/(Loss) before Taxation and Interest Payable		
UK (incl. London market and internal reinsurance)	293.8	154.1
USA	54.4	47.8
Canada	(20.8)	16.2
Pacific	37.3	48.6
Europe other than UK	14.5	(5.8)
Other overseas	10.2	10.7
	<u>389.4</u>	<u>271.6</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31st December 1994

	1994 £m	1993 £m
Profit for the year attributable to shareholders	292.2	217.1
Other recognised gains (losses) for the period not included in profit		
Movement in revaluation reserve	(715.7)	872.3
Total recognised (losses) gains relating to the year	(423.5)	1,089.4

RECONCILIATION OF THE MOVEMENT IN SHAREHOLDERS' FUNDS

for the year ended 31st December 1994

	1994 £m	1993 £m
Total recognised (losses) gains relating to the year	(423.5)	1,089.4
Dividends	(115.0)	(145.0)
Movement in shareholders funds	(538.5)	944.4
Balance as at 1st January	2,289.6	1,345.2
Balance as at 31st December	1,751.1	2,289.6

CONSOLIDATED LONG TERM BUSINESS BALANCE SHEET

as at 31st December 1994

		1994 £m	1993 £m
Investments	See Note 12	520.6	514.2
Current Assets			
Agency and company balances		3.2	3.0
Debtors and accrued interest		12.0	13.0
Cash at bank		0.1	0.1
		<u>15.3</u>	<u>16.1</u>
		535.9	530.3
Less Current Liabilities			
Claims outstanding	2	10.1	9.3
Creditors		10.3	19.3
Deposits from general business	9	53.9	55.5
		<u>74.3</u>	<u>84.1</u>
Net Assets		<u>461.6</u>	<u>446.2</u>
Comprising Funds and Reserves of the following			
NZI Corporation		391.4	363.2
Others		70.2	83.0
		<u>461.6</u>	<u>446.2</u>

CONSOLIDATED LONG TERM BUSINESS REVENUE ACCOUNT

for the year ended 31st December 1994

	1994 £m	1993 £m
Premiums—Life and annuity	92.3	741.1
—Accident and health	23.6	25.0
	115.9	766.1
Reassurance premiums	1.3	8.6
Net premiums—continuing	114.6	137.3
—discontinued	—	620.2
	114.6	757.5
Investment income—continuing	37.3	36.6
—discontinued	—	212.3
	37.3	248.9
	151.9	1,006.4
Claims	73.6	220.9
Surrenders	1.5	112.2
Annuities	6.1	38.5
	81.2	371.6
Reassurance recoveries	0.5	9.8
	80.7	361.8
Commission	16.2	75.2
Expenses	22.7	109.6
Taxation	(3.2)	27.7
—continuing	116.4	139.9
—discontinued	—	434.4
	116.4	574.3
Shareholders' share of profits —continuing <i>see note 3</i>	5.8	6.5
—discontinued	—	17.3
	5.8	23.8
	122.2	598.1
	29.7	408.3
(Decrease) Increase in investment values (including exchange)	(14.3)	50.8
Increase in funds and reserves during the year	15.4	459.1
Funds and reserves at beginning of year	446.2	4,416.6
	461.6	4,875.7
Funds and reserves sold during the year	—	4,429.5
Funds and reserves at end of year	461.6	446.2
Territorial Analysis of Net Premiums		
UK	0.1	552.6
New Zealand	62.7	65.9
France	—	46.4
Puerto Rico	43.8	41.2
Other overseas	8.0	51.4
	114.6	757.5

BALANCE SHEET (PARENT CORPORATION)

as at 31st December 1994

		1994 £m	1993 £m
Investments	See Note 12	1,974.8	1,861.8
Subsidiary Companies			
Shares in subsidiary companies		1,916.6	1,362.4
Due by subsidiary companies		257.8	1,394.5
		2,174.4	2,756.9
Due to subsidiary companies		131.4	123.5
		2,043.0	2,633.4
Other Assets			
Reinsurers share of underwriting provisions		218.7	195.9
Operating equipment		22.9	21.4
Deferred acquisition costs		182.2	167.2
Agency and company balances	16	176.1	161.7
Debtors and accrued interest		73.9	67.5
Advance corporation tax recoverable		—	31.8
		673.8	645.5
		4,691.6	5,140.7
Less Current Liabilities and Provisions			
Claims outstanding	2	1,752.7	1,732.2
Unearned premiums		822.3	780.3
Creditors	9	217.9	173.2
Short term loans and overdrafts	11	10.9	7.7
Due to holding company and fellow subsidiary		136.7	150.2
		2,940.5	2,843.6
		1,751.1	2,297.1
Long Term Business			
Net Assets		0.7	0.7
		1,751.8	2,297.8
Funds and reserves		0.7	0.7
		1,751.1	2,297.1
Borrowings	11	—	7.5
Net Assets		1,751.1	2,289.6
Representing Shareholders' Funds	10		
Share capital		54.2	54.2
Share premium account		96.3	96.3
Reserves		1,600.6	2,139.1
		1,751.1	2,289.6

The financial statements on pages 8 to 24 were approved by the Board of Directors on 22nd March 1995.

W N Robertson, Director

B Holder, Director

CONSOLIDATED BALANCE SHEET

as at 31st December 1994

		1994 £m	1993 £m
Investments	See Note 12	7,038.0	7,650.1
Other Assets			
Operating equipment		113.4	96.9
Deferred acquisition costs		421.9	394.4
Agency and company balances		843.8	808.5
Reinsurers' share of underwriting provisions		562.1	508.1
Debtors and accrued interest		486.7	481.0
Advance corporation tax recoverable		—	31.8
Deposits with long term funds		53.9	55.5
Cash at bank		32.6	28.5
		2,514.4	2,404.7
		9,552.4	10,054.8
Less Current Liabilities and Provisions			
Claims outstanding	2	4,729.4	4,700.2
Unearned premiums		2,072.9	2,002.6
Creditors	9	587.8	542.4
Short term loans and overdrafts	11	80.1	82.1
Due to holding company and fellow subsidiary		154.2	155.1
		7,624.4	7,482.4
		1,928.0	2,572.4
Long Term Business			
Net Assets		461.6	446.2
		2,389.6	3,018.6
Funds and reserves		461.6	446.2
		1,928.0	2,572.4
Minority Interests in the equity of subsidiary undertakings		27.4	40.7
Borrowings	11	149.5	242.1
		176.9	282.8
Net Assets		1,751.1	2,289.6
Representing Shareholders' Funds	10		
Share capital		54.2	54.2
Share premium account		96.3	96.3
General reserve		0.3	0.3
Revaluation reserve		1,197.6	1,913.3
Retained earnings		402.7	225.5
		1,751.1	2,289.6

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31st December 1994

		1994 £m	1993 £m
Investment income		475.5	484.4
General business underwriting result		(82.0)	(237.9)
Long term business profits—continuing	see note 3	5.9	6.5
—discontinued		— 5.9	28.1 34.6
Property services result		(10.0)	(9.5)
		389.4	271.6
Interest on loans		13.5	13.9
Interest on bank loans and overdrafts		0.5	2.0
	11	14.0	15.9
Profit before taxation—continuing		375.4	227.6
—discontinued		— 375.4	28.1 255.7
Taxation	8	80.9	37.1
Profit after taxation		294.5	218.6
Minority interests		2.3	1.5
Profit for the year attributable to shareholders		292.2	217.1
Balance brought from previous year		225.5	153.4
		517.7	370.5
Proposed dividend		115.0	145.0
Balance carried forward		402.7	225.5
Earnings per ordinary share	13	134.8p	100.2p

There is no material difference between the results for the current year and the previous year as described in the profit and loss account and the results on an unmodified historical cost basis. Accordingly a note of the historical cost profits and losses for the year is not given.

CONSOLIDATED GENERAL BUSINESS REVENUE ACCOUNT

for the year ended 31st December 1994

		1994 £m	1993 £m
Premiums written	see note 1	4,253.2	4,181.8
Increase in unearned premiums		113.8	102.0
Premiums earned		4,139.4	4,079.8
Claims incurred	2	2,911.2	3,020.2
Commission		770.8	740.1
Expenses		579.3	574.4
Transfer to deferred acquisition costs		(39.9)	(17.0)
		4,221.4	4,317.7
Underwriting result		(82.0)	(237.9)

Underwriting Provisions and Reserves as per Consolidated Balance Sheet

Provision for unearned premiums			
At beginning of year – before reinsurance		2,002.6	1,903.4
– reinsurance		56.4	52.7
		1,946.2	1,850.7
Portfolio adjustments – including acquisitions		(0.4)	(6.2)
Exchange adjustment		(44.7)	(0.3)
Increase during the year		113.8	102.0
At end of the year – before reinsurance		2,072.9	2,002.6
– reinsurance		58.0	56.4
		2,014.9	1,946.2
Provision for outstanding claims			
At end of year – before reinsurance		4,729.4	4,700.2
– reinsurance		504.1	451.7
		4,225.3	4,248.5

Long Term Business

Claims arising from death or maturity are charged against revenue when the insured event is notified or becomes due, surrenders are charged when payment is made and annuities in the period in which each payment becomes due.

Pensions and Other Post Retirement Benefits

Employers' contributions to defined benefit pension schemes are charged to revenue on a basis which spreads the costs over the service lives of the members. Contributions to defined contribution schemes are charged to revenue when incurred. The cost of providing other post retirement benefits is charged to revenue based on the service life of the members.

Long Term Business

Long term business profits are determined annually on actuarial valuation with the exception of profits from business in the Americas which is determined in accordance with local generally accepted accounting principles. The transfer of shareholders' profit included in the Profit and Loss Account is stated gross of estimated UK and overseas taxation applicable.

Deferred Taxation

Deferred taxation has been provided at the rates expected to apply when the liabilities crystallise on all timing differences other than those considered likely to continue in the foreseeable future.

Exchange Rates

The assets, liabilities and revenue transactions in currencies other than sterling have been translated at the approximate rates of exchange ruling at the year end. Currency underwriting provisions as at 1st January 1994 have been revalued at exchange rates ruling at 31st December 1994. Differences on exchange have been dealt with through revaluation reserve.

Investment Income

Investment income includes interest accrued to 31st December on fixed interest securities, mortgages, loans and deposits. No credit is taken for dividends other than those received in the year of account. Investment income has been shown as the sum of the dividends received and the related tax credit.

Investments

Listed securities are included in the balance sheets at their middle market value. Properties which are held as investments are revalued annually at open market value as determined by the Group's professionally qualified internal valuers and by external valuers for a proportion of these properties. Properties which are wholly or partially occupied by group companies are included as investments and do not form a material proportion of total assets.

The aggregate surplus or deficit arising from this valuation is dealt with in revaluation reserve. Profits and losses on the realisation of investments, after adjusting for tax, and unrealised appreciation of investments are dealt with as follows:

- (i) Long term business – in the revenue account and included in long term funds and reserves.
- (ii) Other than long term business – within revaluation reserve.

Depreciation

Equipment, machinery and motor cars, are written off on a straight line basis over their estimated useful lives, which range from three to ten years.

In accordance with SSAP19, no provision is made for depreciation or amortisation of freehold properties and leasehold properties with over 20 years to run, as these properties are held for investment and not consumption. No depreciation is provided in respect of self-occupied property since it does not form a material proportion of total assets.

It is the Group practice to ensure all properties are maintained in a sound state of repair and, accordingly, the directors consider that the lives of these assets are so long and residual values, based on the latest valuation, are so high that depreciation is insignificant. Any permanent diminution in the value of properties is charged to revaluation reserve.

ACCOUNTING POLICIES

Changes in Presentation	<p>As a result of the implementation of Financial Reporting Standard 5 (FRS5) certain related assets and liabilities which had been dealt with on a net basis, are now carried as separate assets and liabilities on the face of the balance sheet. Comparative figures have been adjusted accordingly, see notes 2 and 11.</p>
Disclosure Requirements	<p>The accounts are prepared in accordance with section 255A of, and Schedule 9A to, the Companies Act 1985 and with the requirements of those accounting standards as considered appropriate to insurance groups. Additional information has been disclosed in accordance with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers. These requirements do not override the specific statutory exemptions presently available to insurance groups.</p> <p>As permitted by section 230 of the Companies Act 1985, no profit and loss account of the parent company is presented.</p>
Consolidation Basis	<p>The results of all subsidiary companies are included in the consolidated accounts and the whole of the consolidated profit of the year excluding the proportion attributable to outside shareholders has been dealt with in the accounts of the Corporation.</p> <p>The results of subsidiary companies acquired during the year are brought into the accounts from the date of purchase and any goodwill arising is written off against inner reserves in the consolidated accounts. In the consolidated balance sheet, inner reserves are included within revaluation reserve.</p> <p>The accounts of certain overseas subsidiary companies do not conform with the group's accounting policies because of local statutory requirements. Adjustments are made on consolidation in order to present the accounts on a uniform basis. In the parent Corporation's balance sheet shares in subsidiary companies have been stated at net asset value and the resulting adjustment has been dealt with through reserves.</p>
Associated Undertakings	<p>The results of certain companies which might be deemed to be associated undertakings have been omitted from the accounts, except to the extent of dividends received, the directors being of the opinion that the amounts involved are insignificant.</p>
Premiums	<p>General Business</p> <p>General business premiums written are accounted for in the year in which the risk commences. The provisions for unearned premiums have been calculated on the monthly pro rata fraction (24ths) or on a more accurate method with proper provision for long term contracts where appropriate. Acquisition expenses relating to unearned premiums are deferred.</p> <p>Long Term Business</p> <p>Premiums in respect of investment linked policies are accounted for in the period in which the liability is established. Other premiums are accounted for as they fall due for payment.</p>
Claims	<p>General Business</p> <p>Provisions for notified claims as at 31st December each year are determined on an individual case basis after taking into account handling costs, anticipated inflation and trends in settlements. Provision is also made in respect of claims incurred but not reported at 31st December based on statistical methods.</p> <p>In accordance with local industry practice provisions for certain workers compensation claims in overseas territories are reported after taking into account estimated future investment earnings related to these provisions.</p> <p>Any differences between original claims provisions and subsequent re estimates or settlements are reflected in the underwriting results of the year in which claims are re-estimated or settled.</p> <p>After taking account of investment income, provision is made as necessary for estimated future general business losses relating to unexpired risks.</p>

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The following statement, which should be read in conjunction with the auditors' statement set out below, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the financial statements.

Company law requires the directors to prepare for each financial year financial statements which comply with the provisions of the Companies Act 1985 applicable to insurance companies.

The directors consider that in preparing the financial statements on pages 8 to 24, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and that all accounting standards which they consider to be applicable have been followed. The directors are required to use a going concern basis in preparing the financial statements unless this is inappropriate.

The directors are responsible for ensuring that the Corporation keeps proper accounting records which disclose with reasonable accuracy the financial position of the Corporation and which enable them to ensure that the financial statements comply with the Companies Act 1985. They also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Corporation and to prevent and detect fraud and other irregularities.

The directors, having prepared the financial statements on pages 8 to 24, have requested the auditors to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit opinion below.

REPORT OF THE AUDITORS TO THE MEMBERS OF GENERAL ACCIDENT FIRE AND LIFE ASSURANCE CORPORATION P.L.C.

Respective responsibilities of Directors and Auditors

We have audited the financial statements on pages 8 to 24.

As described above the Corporation'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 Group's circumstances, consistently applied and adequately disclosed.

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

Opinion

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

KPMG
Chartered Accountants
Registered Auditors

24 Blythswood Square, Glasgow G2 4QS

15th June 1995.

Auditors

On 6th February 1995 our auditors changed the name under which they practise to KPMG and, accordingly, have signed their report in their new name. In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the Corporation is to be proposed at the forthcoming annual general meeting.

By order of the Board

R A Whitaker, *Secretary*
22nd March 1995

Long Term Business

The premium income after reinsurance of the Group during 1994 amounted to £114.6 million of which £114.5 million was in respect of overseas business compared with £757.5 million in 1993 of which £204.9 million was overseas.

The reduction in premium income reflects the transfer of ownership of the principal long term business to the parent company as detailed in last years report.

Profit and Loss Account

The 1994 net profit attributable to shareholders amounted to £292.2 million as compared with a profit of £217.1 million in 1993.

This profit has been added to the balance brought forward from 1993 of £225.5 million, which leaves a total available for appropriation of £517.7 million. No interim dividend has been declared and it is proposed to pay a final dividend for 1994 of 53.1p per share amounting in total to £115.0 million.

Directors

The present members of the Board are shown on Page 2.

The directors retiring at the forthcoming annual general meeting in accordance with the articles of association are Mr W N Robertson and Mr R A Scott, who, being eligible, offer themselves for re-appointment.

Both of the directors seeking re appointment have service contracts with the Corporation. (See note 4 on page 19.)

Directors' Share Interests

All directors are also directors of the holding company, General Accident plc, and accordingly the interests held by each director in the capital of the holding company are disclosed in the annual report and accounts of that company.

Employees

The Corporation's employment policies worldwide are designed to allow each business unit the flexibility to meet local conditions and practices in each country of operation. The Group maintains health and safety arrangements as required by law. It is also Group policy and practice to offer employment opportunities which are free from all forms of unfair discrimination. Both in the treatment of existing employees and in recruitment the Group adopts policies to ensure that people are treated equally, regardless of gender, race, colour or physical ability.

During the year staff and, where applicable, their representatives were consulted on a wide range of matters affecting their interests. Staff are kept informed of the affairs of the Group or their business unit through a variety of communication media, including team meetings, video presentations, electronic mail and special issues of the staff newspaper advising them of the financial progress of the Group on a quarterly basis. In addition, many employees receive the annual report and accounts as shareholders.

In furtherance of General Accident's concern for staff welfare, eligible insurance employees continue to take part in a comprehensive health education and screening programme.

As part of its commitment to improving the standard of customer care General Accident has continued to enhance the capability of its staff through training and development programmes, including investment in technology based training. Remuneration for insurance staff is determined according to individual performance within a merit pay system. Further involvement by staff in the performance of the Group has been encouraged through participation, where eligible, in employee profit sharing and the SAYE share option schemes.

In 1995 an appropriation of 1994 profits amounting to £11.4 million (1993: £8.9 million) in aggregate was made to the trustees of the profit sharing schemes in the UK and Ireland. This is equivalent to 10% and 8.6%, respectively of their annual salaries, but limited to the relevant statutory maximum amount.

DIRECTORS' REPORT

The directors submit their annual report and accounts for the year ended 31st December 1994.

Annual General Meeting

The notice of the annual general meeting is contained on Page 25.

Principal Activities

The principal activities of General Accident Fire and Life Assurance Corporation p.l.c. and its subsidiaries are the transaction of insurance business of all classes, other than industrial life business, and the provision of financial services in the United Kingdom and overseas.

Share Capital

Details of the share capital at 31st December 1994 are given in Note 10 on Page 21.

No shares were issued by the Corporation during the year.

The register maintained by the Corporation in accordance with the provisions of section 211 of the Companies Act 1985 shows that, at 22nd March 1995, General Accident plc had an interest in 216,769,074 ordinary shares, representing the entire issued share capital of the Corporation.

Operations

General Business

Net written premiums were £4,253.2 million (1993 £4,181.8 million). The claims ratio (to earned premiums) was 70.3% (1993 74.0%) and the combined commission and expense ratio (to written premiums) was 31.7% (1993 31.4%).

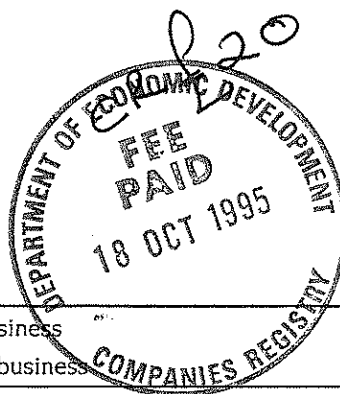
The underwriting loss for the year amounted to £82.0 million representing 1.9% of premiums written as compared with a loss in 1993 of £237.9 million, being 5.7% of premiums written.

Although 1994 was a year of significant progress for General Accident, strong worldwide operating results reported by the United Kingdom insurance companies have further increased the already high levels of competition experienced in recent years, particularly for business of good quality. These results reflect exceptionally favourable underwriting experience in the United Kingdom market, due to the relative absence of catastrophe losses, specifically those arising from weather-related events.

However, the United Kingdom market was recording unprecedented underwriting losses no more than three years ago. Taking into account the impact of these losses on the industry's longer-term performance, the difficult operating conditions prevailing elsewhere and the uncertainties in major investment markets, it is to be hoped that the more disciplined underwriting approach which restored the necessary stability to the market will not now give way to the indiscriminate pursuit of market share.

General Accident will continue to maintain tight controls over underwriting and pricing and whilst we remain a competitive insurer, we will not underwrite risks at inadequate premiums.

FINANCIAL HIGHLIGHTS



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PREMIUM INCOME

	1994 £m	1993 £m
General business	4,253.2	4,181.8
Long term business	114.6	757.5
	4,367.8	4,939.3

PROFIT AND LOSS

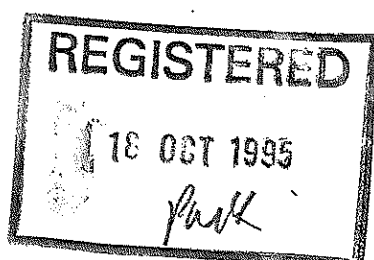
Investment income	475.5	484.4
General business underwriting result	(82.0)	(237.9)
Long term business profits	5.9	34.6
Property services result	(10.0)	(9.5)
	389.4	271.6
Interest on loans	14.0	15.9
Profit before taxation	375.4	255.7
Taxation	80.9	37.1
Profit after taxation	294.5	218.6
Minority interests	2.3	1.5
Profit attributable shareholders	292.2	217.1
Ordinary dividends	115.0	145.0
Earnings per share	134.8p	100.2p

SHAREHOLDERS' FUNDS

Total capital and surplus	1,751.1	2,289.6
Net asset value per share	807.8p	1,056p

TERRITORIAL ANALYSIS

General business	1994		1993	
	Premium Income £m	Under- writing Result £m	Premium Income £m	Under- writing Result £m
UK	1,520.5	189.7	1,379.1	50.8
USA	1,249.0	(111.9)	1,342.1	(140.4)
Canada	584.3	(73.6)	627.7	(44.1)
Asia-Pacific	422.5	(11.7)	358.2	(2.9)
Europe other than UK	200.3	(16.1)	212.2	(41.1)
Other overseas	152.3	(12.1)	107.1	(18.4)
London market business incl. internal reinsurance	124.3	(46.3)	155.4	(41.8)
	4,253.2	(82.0)	4,181.8	(237.9)



DIRECTORS AND MANAGEMENT

CHAIRMAN

The Rt Hon The Earl of Airlie, KT GCVO PC

DEPUTY CHAIRMAN

The Rt Hon The Lord Nickson, KBE DL

DIRECTORS

B Holder, FCCA

W N Robertson, MA FCII

R A Scott

CHIEF EXECUTIVE

W N Robertson, MA FCII

EXECUTIVE

W E Farnam

B Holder, FCCA

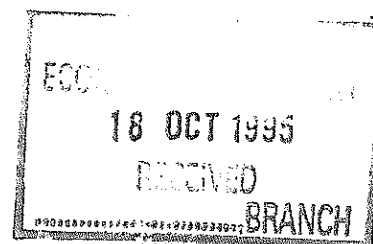
R A Scott

SECRETARY

R A Whitaker, LLB DMS FCII

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General Accident