

**GA BONUS PLC**

**REPORT AND ACCOUNTS 1997**

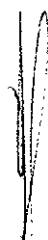
**Directors**

R Newton, BSc, FIA  
R A Whitaker, LLB, DMS, FCII, (Appointed 1/1/98)  
D G MacDonald, B.Comm, CA

**Secretary**

PM White, FCIS

Registered Office: Pitheavlis, Perth, Scotland PH2 ONH  
Registered in Scotland: No. 8140



## **DIRECTORS' REPORT**

The directors submit their annual report and accounts of GA Bonus plc for the year ended 31st December 1997.

### **Principal Activities**

The principal activity of the company is conducting general insurance business in the United Kingdom.

### **Share Capital**

Details of the share capital at 31st December 1997 are given in Note 11 on Page 17. General Accident plc, incorporated in Great Britain and registered in Scotland, is regarded by the directors as being the company's ultimate holding company.

### **Results**

The Company result for the year is shown in the profit and loss account: non technical account on page 9. Further details of the Company's general insurance business are contained in the technical account on page 8.

### **Business Review**

Despite continuing competitive pressure, the Company remains the acknowledged market leader in the provision of "on-line" facilities for placing of small commercial lines business by professional intermediaries. New customer acquisitions have been largely curtailed as the Company's existing customer mix has afforded the desired level of geographical saturation. Marketing resource has continued to be developed as focus has been applied to joint business development, particularly with our major customers.

The extremely soft market conditions of the previous 2 years have continued unabated, with traditional composites, as well as emerging players seeking to protect and build market share, particularly with the major International Brokers following well-publicised mergers and acquisitions. A major restaurant fire in Manchester (£5M net) and an inability to achieve adequate average premium levels has contributed to a disappointing underwriting result. Liability reserve movements also had a major impact, particularly on the EL and growing Commercial Motor Accounts.

Our "BONUS 2000" Project to provide replacement to the GA BONUS "Polisy" system was completed prior to year end with the conversion of existing business running through to mid 1998. A project is underway to ensure "Year 2000" compliance of hardware communications and the system itself is planned to be fully compliant by mid 1998.

The "BONUS model" continues to be rolled out globally and we continue to be significantly involved through direct management support on the ground in the U.S.A., South Africa and Europe, as well as hosting many delegates at our Head Office in Southend.

## **Profit and Loss Account**

The 1997 loss after taxation attributable to shareholders amounted to £4,408,000 (1996: Profit £8,057,000). No dividend is proposed for 1997 (1996:Nil).

## **Directors and their Interests**

The names of the present directors are shown on page 1. On 31st December, 1997 Mr N G Lister resigned from the board, having reached his service retirement age, with Mr R A Whitaker appointed on 1st January, 1998.

The interests of the directors in the ordinary shares of General Accident plc including shares allocated under the provisions of the UK Employee Profit Sharing Scheme are shown below.

<b><u>Ordinary Shares</u></b>			
	<u>1st January 1997</u>	<u>31st December 1997</u>	
	(or date of appointment, if later)		
N G Lister	15,200	16,724	
R Newton	9,429	11,912	
D G MacDonald	3,722	6,543	

<b><u>Options</u></b>			
	<u>1st January 1997</u>	<u>Options granted</u>	<u>Options exercised</u>
	(or date of appointment, if later)	<u>during the year</u>	<u>during the year</u>
			<u>31st December 1997</u>
N G Lister	80,693	nil	71,634
R Newton	77,379	10,914	3,130
D G MacDonald	33,404	1,765	10,072

On appointment, Mr R A Whitaker had an interest in 30,916 ordinary shares and 39,378 options.


## **Creditor payment policy and payment practice**

The purchase of goods and services for the Company is performed as a centralised function of the General Accident UK Group.

Whenever possible, purchase orders are placed on the basis of General Accident's standard terms and conditions which are incorporated into the order documentation. These include specific terms for payment to suppliers. General Accident believes it is important that all correctly rendered accounts are paid in accordance with these terms and processes are in place to achieve this.

Where specific terms and conditions have been agreed which vary from the Company's standard payment terms, it accepts responsibility to suppliers to comply with these.

The amounts due to trade creditors at 31st December 1997 represented approximately 24 days of average daily purchases throughout the year.

  
By Order of the Board  
P M White, Secretary

26 February 1998

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The following statement, which should be read in conjunction with the auditors' report set out on page 5, 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 financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year and which comply with the provisions of the Companies Act 1985.

The directors consider that in preparing the financial statements on pages 6 to 19, the Company 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 Company keeps proper accounting records which disclose with reasonable accuracy at all times the financial position of the Company 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 Company and to prevent and detect fraud and other irregularities.

The directors, having prepared the financial statements on pages 6 to 19, have requested the auditors to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to form an audit opinion.

# **REPORT OF THE AUDITORS TO THE MEMBERS OF GA BONUS plc**

We have audited the financial statements on pages 6 to 19.

## **Respective responsibilities of Directors and Auditors**

As described on page 4 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

## **Basis of Opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements.

It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, 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.

## **Equalisation Reserves**

Our evaluation of the presentation of information in the financial statements has had regard to the statutory requirements for insurance companies to maintain equalisation reserves. The nature of equalisation reserves, the amounts set aside at 31st December 1997, and the effect of the movement in those reserves during the year on the general business technical result and profit before tax, are disclosed on page 7.

## **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31st December 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

KPMG Audit Plc  
Chartered Accountants, Registered Auditor

24 Blythswood Square  
Glasgow, G2 4QS

26 February 1998

## **Accounting Policies**

### Basis of Preparation

The financial statements are prepared in accordance with Section 255, and Schedule 9A to the Companies Act 1985 and with the requirements of applicable accounting standards.

### Premiums

Premiums written, which are stated gross of commission and are exclusive of taxes and duties levied therewith, are accounted for in the year in which the risk commences or, if earlier, the date on which the premium is due.

The provisions for unearned premiums have been calculated on a monthly pro-rata fraction.

### Deferred Acquisition Costs

Acquisition costs comprise all direct and indirect costs arising from the conclusion of insurance contracts. Deferred acquisition costs comprise the costs of acquiring insurance policies which are incurred during a financial year but which relate to a subsequent financial year. This deferral is commensurate with the unearned premium provision.

### Claims

Provisions for notified claims as at 31st December each year are based on case estimates after taking into account handling costs, salvage and subrogation recoveries, 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.

Provisions for claims are based upon information available at the balance sheet date. Subsequent information and events may show that the ultimate liability is less than, or in excess of, the amount provided. The methods used and estimates made are continually reviewed and resulting adjustments are reflected in the underwriting result in the financial year in which they are made.

### Provision for Unexpired Risks

Provision is made for unexpired risks where the cost of claims arising after the end of the financial year from contracts concluded before that date is expected to exceed the unearned premiums and premiums receivable. Investment income is taken into account in calculating this provision. Provisions are made on the basis of claims notified and other information available at 31st December and any resulting surpluses or deficits arising on products which are considered to be managed together are offset.

### Equalisation Reserve

Equalisation provisions are calculated in accordance with the requirements of the Insurance Companies (Reserves) Regulations 1996.

### Investment Income, Expenses and Charges

Investment income is recognised on an accruals basis. Realised gains and losses on the disposal of investment represent sale proceeds less cost.

### Deferred Taxation

Deferred taxation is 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.

### Investments

All investments are stated at their current value.

Listed securities are included in the balance sheet at their middle market value.

Unrealised gains and losses arising on revaluation of land and buildings and other financial investments are dealt with in revaluation reserve. The change in unrealised gains and losses on investments recognised in the year includes adjustments in respect of unrealised gains and losses recorded in prior years that were realised in the current year, and are reported as realised gains.

### Tangible Assets

Expenditure on office equipment, office furniture, capital improvement and computers is capitalised and depreciated on a straight line basis over the estimated useful lives of the assets, which range from three to five years, and after taking into account residual values.

### Leases

Assets acquired under finance leases are capitalised in the balance sheet and are depreciated over their useful lives or over the lease term, whichever is shorter. The interest element of the rental obligation is charged against profits.

**Profit and loss account: technical account  
for the year ended 31 December 1997**

	Note	1997 £000	1996 £000
<b>Earned premiums, net of reinsurance</b>			
Gross premiums written	1	190,692	189,667
Outward reinsurance premiums		<u>11,354</u>	<u>11,608</u>
		179,338	178,059
Change in the gross provision for unearned premiums	(323)		7,649
Change in the provision for unearned premiums, reinsurers' share	<u>(1,390)</u>		<u>1,312</u>
		<u>1,067</u>	<u>6,337</u>
		<u>178,271</u>	<u>171,722</u>
<b>Claims incurred, net of reinsurance</b>			
Claims paid			
Gross amount	96,746	96,794	
Reinsurers' share	<u>2,980</u>	<u>2,034</u>	
	93,766	94,760	
Change in the provision for claims			
Gross amount	35,452	41,852	
Reinsurers' share	<u>(7,666)</u>	<u>3,400</u>	
	43,118	38,452	133,212
<b>Claims Equalisation Reserve Movement</b>		3,317	3,398
<b>Other Charges</b>			
Net operating expenses	2	<u>69,560</u>	<u>61,515</u>
		<u>209,761</u>	<u>198,125</u>
<b>Sub Total</b> (balance on the technical account for general business) transferred to the non-technical account -			
General business underwriting result before equalisation reserve	(28,173)	(23,005)	
Change in equalisation provision	<u>(3,317)</u>	<u>(3,398)</u>	
		<u>(31,490)</u>	<u>(26,403)</u>



**Profit and loss account: non-technical account  
for the year ended 31 December 1997**

	Note	1997	1996
		£000	£000
<b>Profit/(loss) from continuing operations</b>			
Balance on the general business technical account		(31,490)	(26,403)
Investment income	3	25,681	38,143
Investment expenses and charges	4	<u>125</u>	<u>102</u>
		<u>25,556</u>	<u>38,041</u>
<b>Profit/(loss) on ordinary activities before tax comprising</b>			
Operating profit/(loss)		(3,703)	(5,830)
Realised gains/(losses) on investments		1,086	20,866
Change in equalisation provision		<u>(3,317)</u>	<u>(3,398)</u>
		(5,934)	11,638
Tax on profit/(loss) on ordinary activities	7	<u>(1,526)</u>	<u>3,581</u>
<b>Profit/(loss) on ordinary activities after tax and for the financial year</b>		(4,408)	8,057
Dividends paid		<u>-</u>	<u>-</u>
<b>Retained profit/(loss) for the financial year</b>		<u>(4,408)</u>	<u>8,057</u>

There are no discontinued operations or acquisitions which require disclosure under the terms of FRS3.

There is no material difference between the results of 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.

**GA BONUS plc****Statement of total recognised gains and losses  
for the year ended 31 December 1997**

	Note	1997	1996
		£000	£000
<b>Profit/(loss) for the financial year</b>		(4,408)	8,057
Increase/(decrease) in revaluation reserve		<u>1,914</u>	<u>(16,601)</u>
<b>Total recognised gains/(losses) relating to the year</b>		<u>(2,494)</u>	<u>(8,544)</u>

**Reconciliation of movements in shareholders' funds  
for the year ended 31 December 1997**

	Note	1997	1996
		£000	£000
<b>Profit/(loss) for the financial year</b>		(4,408)	8,057
Dividends paid		<u>-</u>	<u>-</u>
		(4,408)	8,057
Net proceeds from the issue of shares	11	43,000	-
Increase/(decrease) in revaluation reserve		<u>1,914</u>	<u>(16,601)</u>
Movement in shareholders' funds		40,506	(8,544)
Opening shareholders funds		<u>36,118</u>	<u>44,662</u>
<b>Closing shareholders' funds</b>		<u>76,624</u>	<u>36,118</u>

**Balance Sheet  
as at 31 December 1997**

	Note	1997	1996
		£000	£000
<b>ASSETS</b>			
<b>Investments</b>			
Other financial investments	8	307,261	239,425
<b>Reinsurers' share of technical provisions</b>			
Provision for unearned premiums		1,452	2,842
Claims outstanding		<u>4,222</u>	<u>11,888</u>
		5,674	14,730
<b>Debtors</b>			
Debtors arising out of direct insurance operations	9	69,725	71,939
Debtors arising out of reinsurance operations		1,860	-
Other debtors including taxation		<u>2,548</u>	<u>6,663</u>
		74,133	78,602
<b>Other assets</b>			
Tangible assets	10	2,176	3,076
Cash at bank and in hand		<u>3,461</u>	<u>16,208</u>
		5,637	19,284
<b>Prepayments and accrued income</b>			
Accrued interest		5,480	4,720
Deferred acquisition costs		17,656	17,383
Other prepayments and accrued income		<u>80</u>	<u>11</u>
		23,216	22,114
<b>Total assets</b>		<u>415,921</u>	<u>374,155</u>

**Balance Sheet (continued)  
as at 31 December 1997**

	Note	1997		1996	
		£000	£000	£000	£000
<b>LIABILITIES</b>					
<b>Capital and reserves</b>					
Called up share capital	11		77,000		34,000
Revaluation reserve	12		72		(1,842)
Profit and loss account	12		<u>(448)</u>		<u>3,960</u>
Shareholders' funds attributable to equity interests			76,624		36,118
<b>Technical provisions</b>					
Provision for unearned premiums		92,779		93,101	
Claims outstanding		230,285		194,833	
Claims Equalisation Reserve		<u>6,715</u>		<u>3,398</u>	
			329,779		291,332
<b>Provisions for other risks and charges</b>	13		-		67
<b>Creditors: amounts due within one year</b>					
Amounts owed to affiliated undertaking		2,541		33,461	
Creditors arising out of direct insurance operations	14	3,142		9,175	
Creditors arising out of reinsurance operations	15	131		815	
Other creditors including taxation and social security	16	<u>3,443</u>		<u>2,521</u>	
			9,257		45,972
<b>Creditors: amounts due after more than one year</b>					
Obligations under finance leases	17		261		666
<b>Total Liabilities</b>			<u>415,921</u>		<u>374,155</u>

The financial statements on pages 6 to 19 were approved by the board of directors on 26th February 1998.  
Signed on behalf of the board by:



R Newton  
Director

## 1. Segmental Analysis

a. Analysis of direct insurance and reinsurance acceptances

	1997 £000	1996 £000
Premiums written - UK	<u>190,692</u>	<u>189,667</u>

b. Analysis of gross premiums written, gross premiums earned, gross claims incurred, gross operating expenses and the reinsurance balance

	1997 Gross premiums written £000	1997 Gross premiums earned £000	1997 Gross claims incurred £000	1997 Gross operating expenses £000	1997 Reinsurance balance £000
Direct Insurance:-					
Fire & other damage to property	107,607	108,503	59,733	40,395	13,814
Third party liability	23,799	23,750	15,576	9,131	528
Workers Compensation	21,637	21,712	26,896	8,132	376
Motor other	20,665	19,175	21,186	6,105	146
Miscellaneous	<u>16,984</u>	<u>17,875</u>	<u>8,807</u>	<u>6,114</u>	<u>2,249</u>
	<u>190,692</u>	<u>191,015</u>	<u>132,198</u>	<u>69,877</u>	<u>17,113</u>

	1996 Gross premiums written £000	1996 Gross premiums earned £000	1996 Gross claims incurred £000	1996 Gross operating expenses £000	1996 Reinsurance balance £000
Fire & other damage to property	110,595	109,292	73,184	34,265	3,288
Third party liability	23,354	22,650	18,002	7,566	(24)
Workers Compensation	21,497	20,334	24,090	7,134	98
Motor other	16,503	12,590	13,050	3,890	49
Miscellaneous	<u>17,718</u>	<u>17,152</u>	<u>10,320</u>	<u>8,817</u>	<u>1,294</u>
	<u>189,667</u>	<u>182,018</u>	<u>138,646</u>	<u>61,672</u>	<u>4,705</u>

## 2. Net Operating Expenses

### Technical Account

	1997 £000	1996 £000
Acquisition costs		
Gross commission	42,644	40,548
Others	<u>17,237</u>	<u>16,382</u>
	59,881	56,930
Change in deferred acquisition costs	(273)	(1,118)
Administrative expenses	10,269	5,860
Reinsurance commission and profit participation	<u>(317)</u>	<u>(157)</u>
	<u>69,560</u>	<u>61,515</u>

## 3. Investment Income

### Non-Technical Account

	1997 £000	1996 £000
Income from Investments		
Listed investments	24,284	17,148
Other financial investments	311	129
Gains on the realisation of investments	<u>1,086</u>	<u>20,866</u>
	<u>25,681</u>	<u>38,143</u>

## 4. Investment expenses and charges

	1997 £000	1996 £000
Investment management expenses	<u>125</u>	<u>102</u>

## 5. Directors' Emoluments

None of the Directors received emoluments from the Company during 1997 (1996 - Nil).

## 6. Auditors' Remuneration (excluding VAT)

	1997 £000	1996 £000
Auditing financial statements	57	26
Other	3	-
	<u>60</u>	<u>26</u>

## 7. Taxation

The charges in respect of UK corporation tax, income taxes and overseas taxes, and based on the results of the year, are made up as follows:

	1997 £000	1996 £000
UK Corporation Tax at 31.49% (1996: 33%)	(2,052)	(3,591)
Tax on gains on equities transferred to GAFLAC	-	6,903
Tax on FII	47	794
Deferred Taxation	<u>(67)</u>	<u>(537)</u>
	(2,072)	3,569
Adjustments in respect of prior years	<u>546</u>	<u>12</u>
Per profit and loss account	<u>(1,526)</u>	<u>3,581</u>

The tax charge / (credit) on unrealised gains on gilts and bonds has been charged to the revaluation reserve and is disclosed in the statement of recognised gains and losses. The potential liability for deferred taxation on the unrealised appreciation of investments is nil, (1996: £0.6 million).

## 8. Investments and Investment Returns

### a. Investments by Principal Category:

	1997 £000	1996 £000
At market value		
<b>Other Financial Investments (i)</b>		
Shares and other variable-yield securities and units in unit trusts	-	102
Debt securities and other fixed income securities	290,261	229,323
Deposits with credit institutions	<u>17,000</u>	<u>10,000</u>
	<u>307,261</u>	<u>239,425</u>
Listed investments	<u>307,261</u>	<u>239,425</u>

(i) The purchase price of other financial investments was £306.6 million (1996: £241.1 million).

## **b. Return on Investments**

During the year under review the return on investments was made up as follows:

	1997 £000	1996 £000
Investments (including cash at bank and on hand) at start of period	<u>255,633</u>	<u>209,005</u>
Investment income	24,595	17,277
Investment management charges including interest	<u>125</u>	<u>102</u>
	24,470	17,175
Gains less losses on realisation of investments	1,086	20,866
Movement in unrealised investments gains less losses	<u>2,946</u>	<u>(16,539)</u>
Net investment return	<u>28,502</u>	<u>21,502</u>

The investment return has been dealt with in the financial statements as follows:

Profit and Loss Account		
Non-technical account	25,556	38,041
Revaluation reserve	<u>2,946</u>	<u>(16,539)</u>
	<u>28,502</u>	<u>21,502</u>

## **9. Debtors arising out of Direct Insurance Operations**

	1997 £000	1996 £000
Amounts owed by intermediaries	<u>69,725</u>	<u>71,939</u>



## 10. Tangible Assets

The net book value of office equipment, office furniture, capital improvement and computers is made up as follows:

	£000's
<b>Cost</b>	
At 1st January 1997	6,867
Additions	1,384
Disposals	(1,075)
At 31st December 1997	<u>7,176</u>
<b>Depreciation</b>	
At 1st January 1997	3,791
Charge for the year	1,932
Disposals	(723)
At 31st December 1997	<u>5,000</u>
<b>Net Book Value</b>	
At 31st December 1997	<u>2,176</u>
At 31st December 1996	<u>3,076</u>

## 11. Share Capital

	1997 £000	1996 £000
Authorised:		
77,000,000 (1996: 43,000,000) ordinary shares of £1.00 each	<u>77,000</u>	<u>43,000</u>
Allotted, issued and fully paid:		
77,000,000 (1996: 34,000,000) ordinary shares of £1.00 each	<u>77,000</u>	<u>34,000</u>

During the year, the Authorised Share Capital was increased by 34,000,000 to 77,000,000 Ordinary Shares of £1 each. Subsequently, £43,000,000 of ordinary shares were allotted and issued at par to the immediate parent company, General Accident Fire and Life Assurance Corporation plc.

## 12. Reserves

	Revaluation Reserve £000	Profit & Loss Account £000	Total £000
At beginning of year	(1,842)	3,960	2,118
Revaluations and realisations	2,500		2,500
Tax on unrealised gains	(586)		(586)
Transfer from profit and loss account: non-technical account	-	(4,408)	(4,408)
	<u>72</u>	<u>(448)</u>	<u>(376)</u>

## 13. Provision for Other Risks and Charges

	At 1.1.97 £000	Other Movements £000	Charge Profit & Loss Account £000	At 31.12.97 £000
Deferred Taxation	<u>67</u>	<u>-</u>	<u>(67)</u>	<u>-</u>

The provision for deferred taxation has been calculated using the partial provision basis and is made up as follows:-

	1997 £000	1996 £000
Other short term timing differences	<u>-</u>	<u>67</u>

## 14. Creditors arising out of Direct Insurance Operations

	1997 £000	1996 £000
Amounts owed to intermediaries	<u>3,142</u>	<u>9,175</u>

## 15. Creditors arising out of Reinsurance Operations

	1997 £000	1996 £000
Amounts owed to other companies under internal arrangements	<u>131</u>	<u>815</u>

**16. Other creditors including Taxation and Social Security**

	1997 £000	1996 £000
Other sundry creditors	<u>3,443</u>	<u>2,521</u>

**17. Creditors due after more than one year**

	1997 £000	1996 £000
Oligations under finance leases	<u>261</u>	<u>666</u>

Finance leases are repayable by instalments as follows:

	1997 £000	1996 £000
Within one year	496	696
One to two years	254	490
Two to five years	<u>7</u>	<u>176</u>

**18. Cash Flow Statement**

Under Financial Reporting Standard 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking.

**19. Related Parties**

Under Financial Reporting Standard 8, the Company is exempt from disclosure of transactions with group companies as voting rights are controlled wholly within the group and the Company is included in the consolidated financial statements which are publicly available.

**20. Ultimate Holding Company**

The largest group in which the results of the company are consolidated is that headed by General Accident plc, the ultimate holding company incorporated in Great Britain and registered in Scotland. The smallest group in which they are consolidated is that headed by General Accident Fire and Life Assurance Corporation plc, incorporated in Great Britain and registered in Scotland.

The consolidated accounts of these groups are available to the public and may be obtained from Pitheavlis, Perth, Scotland, PH2 ONH.

**21. Mutual Guarantee**

With the approval of the Department of Trade and Industry, General Accident Fire and Life Assurance Corporation p.l.c. and each of its UK insurance subsidiaries transacting general insurance business, of which GA Bonus plc is one, have mutually guaranteed to discharge all liabilities attaching to their respective policies.