

AC1150

Welsh Hospitals and Health Services Association

(a company limited by guarantee with no share capital)

for the Year ended 31 December 2003

Annual Return to the Financial Services Authority pursuant to the Interim Prudential Sourcebook for Insurers ("the Rules") made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000.

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Welsh Hospitals and Health Services Association

(a company limited by guarantee with no share capital)

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Welsh Hospitals and Health Services Association

(a company limited by guarantee with no share capital)

Returns under Accounts and Statements Rules

Covering Sheet to Form 9

Welsh Hospitals and Health Services Association


Global business

Financial Year Ended 31 December 2003

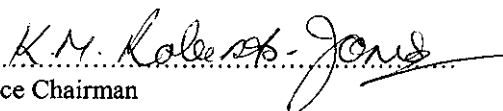
For and on behalf of Welsh Hospitals and Health Services Association


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Chairman


.....

Chief Executive


.....

Vice Chairman

Date: 5th March 2004

Statement of solvency

Name of insurer Welsh Hospitals and Health Services Association

Global business

Financial year ended 31 December 2003

Company registration number	GL/UK/CM	Period ended			Units	
		day	month	year		
R9	515135	GL	31	12	2003	£000

	As at the end of this financial year 1	As at the end of the previous year 2	Source		
			Form	Line	Column

GENERAL INSURANCE BUSINESS**Available assets**

Other than long term insurance business assets allocated towards general insurance business required minimum margin	11	7,105	6,755	See instructions 1 and 2	
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Required minimum margin

Required minimum margin for general insurance business	12	879	860	12	49
Excess (deficiency) of available assets over the required minimum margin (11-12)	13	6,226	5,895		

LONG TERM INSURANCE BUSINESS**Available assets**

Long term insurance business admissible assets	21			10	11
Other than long term insurance business assets allocated towards long term insurance business required minimum margin	22			See instruction 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 insurance business required minimum margin (21+22-23-24)	25				

Implicit items admitted under rule 2.10(5) as modified

Future profits	31				
Zillmerising	32				
Hidden reserves	33				

Total of available assets and implicit items (25+31+32+33)	34				
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Required minimum margin

Required minimum margin for long term insurance 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 (34-42)	44				

CONTINGENT LIABILITIES

Quantifiable contingent liabilities in respect of other than long term insurance business as shown in a supplementary note to Form 15	51	74	74	See instruction 6	
Quantifiable contingent liabilities in respect of long term insurance business as shown in a supplementary note to Form 15	52			See instruction 6	

Statement of net assets

Name of insurer Welsh Hospitals and Health Services Association

Global business

Financial year ended 31 December 2003

Company registration number	GL/UK/CM	Period ended			Units	
		day	month	year		
R10	515135	GL	31	12	2003	£000

		As at the end of this financial year 1	As at the end of the previous year 2	Source		
				Form	Line	Column
Long term insurance business – admissible assets	11			13	89	1
Long term insurance business – liabilities and margins	12			14	59	1
Other than Long term insurance business – admissible assets	21	7,800	7,477	13	89	1
Other than Long term insurance business – liabilities	22	695	722	15	69	1
Net admissible assets (21-22)	23	7,105	6,755			
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 insurance 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	7,105	6,755			

Represented by:

Paid up share capital (other than cumulative preference share capital)	51					
Amounts included in lines 24 to 27 above	52					
Amounts representing the balance of net assets	56	7,105	6,755			
Total (51 to 56) and equal to line 29 above	59	7,105	6,755			

Movement of balance of net asset for solvency purposes – as per line 56

Balance brought forward at the beginning of the financial year	61	6,755	6,338	10	56	2
Retained profit/(loss) for the financial year	62	1,064	147	16	59	1
Movement in asset valuation differences	63	(714)	366	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		(96)			
Balances carried forward at the end of the financial year (61 to 65)	69	7,105	6,755			

General Insurance Business – Calculation of required margin of solvency – first method

Name of insurer Welsh Hospitals and Health Services Association

Global business

Financial year ended 31 December 2003

Company registration number	GL/UK/CM	Period ended			Units	
		day	month	year		
R11	515135	GL	31	12	2003	£000

			This financial year 1	Previous year 2
Gross premiums receivable	11		4,592	4,617
Premium taxes and levies (included in line 11)	12			
Sub-total A (11-12)	13		4,592	4,617
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 EURO x 18/100	827	831
		Excess (if any) over 10M EURO x 16/100		
	Health insurance	UP to and including sterling equivalent of 10M EURO x 6/100		
		Excess (if any) over 10M EURO x 16/300		
Sub-total B (15+16+17+18)	19		827	831
Claims paid	21		3,336	3,341
Claims outstanding carried forward at the end of the financial year	For insurance business accounted for on an underwriting year basis		22	
	For insurance business accounted for on an accident year basis		23	296
Claims outstanding brought forward at the beginning of the financial year	For insurance business account for on an underwriting year basis		24	
	For insurance business account for on an accident year basis		25	275
Sub-total C (21+22+23-(24+25))	29		3,327	3,362
Amounts recoverable from reinsurers in respect of claims included in Sub-total C	30			
Sub-total D (29-30)	39		3,327	3,362
First result Sub-total B x <u>Sub-total D</u> (or, if ½ is a greater fraction, x ½) Sub-total C	41		827	831

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

Name of insurer Welsh Hospitals and Health Services Association

Global business

Financial year ended 31 December 2003

Company registration number	GL/UK/CM	Period ended			Units	
		day	month	year		
R12	515135	GL	31	12	2003	£000

			As at the end of this financial year 1		As at the end of the previous year 2		Source		
							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	10,137	9,887				
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis		22						
	For insurance business accounted for on an accident year basis		23	287	296				
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis		24						
	For insurance business accounted for on an accident year basis		25	285	257				
Sub-total E (21+22+23-(24+25))			29	10,139	9,926				
Sub-total F – Conversion of Sub-total E to annual figure (Multiply by 12 and divide by number of months in reference period)			31	3,380	3,309				
Division of Sub-total F	Other than health insurance	Up to and including sterling equivalent of 7M EURO x 26/100	32	879	860				
		Excess (if any) over 7M EURO x 23/100	33						
	Health insurance	Up to and including sterling equivalent of 7M EURO x 26/300	34						
		Excess (if any) over 7M EURO x 23/300	35						
Sub-total G (32 to 35)			39	879	860				
Second result Sub-total G x Sub-total D (or, if ½ if greater fraction, x ½) Sub-total C			41	879	860				

First result	42	827	831	11	41	
Required margin of solvency (the higher of lines 41 and 42)	43	879	860			

Minimum guarantee fund	44	154	142			
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Required minimum margin (the higher of lines 43 and 44)	49	879	860			
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Analysis of admissible assets

Name of insurer Welsh Hospitals and Health Services Association

Global business

Financial year ended 31 December 2003

Category of assets

Company registration number	GL/UK/CM	Period ended			Units	Category of assets
		day	month	Year		
R13	515135	GL	31	12	2003	£000

Investments				As at the end of this financial year 1	As at the end of the previous year 2
Land and buildings			11	390	348
Investments or group undertakings and participating interests	UK Insurance business 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 insurer has a participating interest		30			
Total sheet 1 (11 to 30)			39	390	348

Analysis of admissible assets

Name of insurer Welsh Hospitals and Health Services Association

Global business

Financial year ended 31 December 2003

Category of assets

Company registration number	GL/UK/CM	Period ended			Units	Category of assets
		day	month	Year		
R13	515135	GL	31	12	2003	£000

Investments (continued)				As at the end of this financial		As at the end of the previous	
Deposits with ceding undertakings				year		year	
Assets held to cover linked liabilities				1		2	
Other financial investments	Equity shares			41	1,227	887	
	Other shares and other variable yield securities			42			
	Holdings in collective investment schemes			43	626	546	
	Rights under derivative contracts			44			
	Debt securities and other fixed income securities	Fixed interest	Approved securities	45	833	784	
			Other	46	177	205	
		Variable interest	Approved securities	47			
			Other	48	130	175	
	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 insurer		52			
		Other		53			
	Deposits with approved credit institutions and approved financial institutions	Withdrawal subject to a time restriction of one month or less		54	116	211	
		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 of unearned premiums		60			
		Claims outstanding		61			
		Provision for unexpired risks		62			
		Other		63			
Total sheet 2 (41 to 63)				69	3,109	2,808	

Analysis of admissible assets

Name of insurer Welsh Hospitals and Health Services Association

Global business

Financial year ended 31 December 2003

Category of assets

Company registration number	GL/UK/CM	Period ended			Units	Category of assets
		day	month	Year		
R13	515135	GL	31	12	2003	£000

Debtors Other assets			As at the end of this financial year 1	As at the end of the previous year 2	
Debtors arising out of direct insurance operations	Policyholders		71	281	285
	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		
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		
		Due more than 12 months after the end of the financial year	79		
Tangible assets			80	9	20
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	4,000	4,000
	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		
	Deferred acquisition costs		85		
	Other prepayments and accrued income		86	11	16
Deductions (under rules 4.14(2)(b) and 4.14(3)[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	4,301	4,321
Grand total of admissible assets (39+69+88)			89	7,800	7,477

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

Total admissible assets (as per line 89 above)	91	7,800	7,477
Total assets in excess of the admissibility of Appendix 4.2 [Schedule 12 of the Insurance Companies Regulations 1994] (as valued in accordance with those Rules before applying admissibility assets)	92	1,627	918
Solvency margin deduction for insurance dependants	93		
Other differences in valuation of assets (other than for assets not valued above)	94	36	32
Assets of a type not valued above, (as valued in accordance with the shareholder accounts rules)	95	8	7
Total assets determined in accordance with the shareholder accounts rules (91 to 95)	99	9,471	8,434
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	100		

Liabilities (other than long term insurance business)

Name of insurer Welsh Hospitals and Health Services Association

Global business

Financial year ended 31 December 2003

Company registration number	GL/UK/CM	Period ended			Units	
		day	month	Year		
R15	515135	GL	31	12	2003	£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	295
	Provision for unexpired risks		13	
	Equalisation provisions	Credit business	14	
		Other than credit business	15	
	Other		16	
	Total (11 to 16)		19	295
Provisions for other risks and charges	Taxation		21	116
	Other		22	64
Deposits received from reinsurers			31	
Creditors	Arising out of insurance operations	Direct insurance business	41	132
		Reinsurance accepted	42	
		Reinsurance ceded	43	
	Debenture loans	Secured	44	
		Unsecured	45	
	Amounts owed to credit institutions		46	
	Other creditors	Taxation	47	98
		Recommended dividend	48	
		Other	49	54
Accruals and deferred income			51	
Total (19 to 51)			59	695
Provision for adverse changes calculated in accordance with Rule 5.3 [regulation 61 of the Insurance Companies Regulation 1994]			61	
Cumulative preference share capital			62	
Subordinated loan capital			63	
Total (59 to 63)			69	695
Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance			71	

Profit and loss account (non-technical account)

Name of insurer Welsh Hospitals and Health Services Association

Global business

Financial year ended 31 December 2003

Company registration
number

GL/UK/CM

Period ended

Units

day month year

R16	515135	GL	31	12	2003	£000
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			This financial year 1	Previous year 2	Source		
					Form	Line	Column
Transfer (to)/from the general insurance business technical account	From Form 20	11	324	315	20	59	
	Equalisation provisions	12					
Transfer from the long term insurance business revenue account		13			40	26	
Investment income	Income	14	188	125			
	Value re-adjustments on investments	15	516				
	Gains on the realisation of investments	16					
Investment charges	Investment management charges, including interest	17	12	12			
	Value re-adjustment on investments	18		361			
	Loss on the realisation of investments	19	8				
Allocated investment return transferred to the general insurance business technical account		20	0	0	20	51	
Other income and charges (particulars to be specified by way of the supplementary note)		21	81	73			
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)		29	1,089	140			
Tax on profit or loss on ordinary activities		31	25	(7)			
Profit or loss on ordinary activities after tax (29 – 31)		39	1,064	147			
Extraordinary profit and 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	1,064	147			
Dividends (paid and proposed)		51					
Profit or loss retained for the financial year (49 – 51)		59	1,064	147			

General Insurance Business: Technical accounting (excluding equalisation provisions)

Name of insurer Welsh Hospitals and Health Services Association

Global business

Financial year ended 31 December 2003

Company registration number	GL/UK/CM	Period ended			Units	Accounting Class/summary
		day	month	Year		
R20	515135	GL	31	12	2003	£000

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	4,592	4,617	21	19	5
	Claims incurred	12	3,324	3,354	22	17	4
	Claims management costs	13	109	112	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	832	827	22	42	4
	Balance of year's underwriting (11-12-13+14-15+16-17)	19	327	324			
Adjustment for prior years' underwriting (accident year accounting)	Earned premium	21			21	11	5
	Claims incurred	22	3	9	22	13	4
	Claims management costs	23			22	14	4
	Adjustment for discounting	24			22	51	4
	Other technical income to 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	(3)	(9)			
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 year's underwriting (19+29+39)		49	324	315			
Allocated investment return		51					
Transfer to non-technical account (49+51)		59	324	315			

Welsh Hospitals and Health Services Association

(a company limited by guarantee with no share capital)

Supplementary Notes: Form 9

Note

Code

Modification to the Return

0901

This return has been prepared in accordance with the Interim Prudential Sourcebook for Insurers ("the Rules") made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000 ("FSMA") as modified by a concession issued under s68 of the Insurance Companies Act 1982 carried forward at commencement of FSMA under transitional provisions set out in the supervision manual. The modifications provided by that concession are as follows:-

(807) The form(s) [20-36 apart from the form 20 summary form] and their accompanying supplementary notes are not required to be prepared or submitted with the return.

The number of members at 31 December 2003 was 39,101 (2002: 40,367).

Welsh Hospitals and Health Services Association

(a company limited by guarantee with no share capital)

Supplementary Notes: Form 10

Note Code

1001 Reconciliation to capital and reserves in accounts

	2003 £'000	2002 £'000
Form 13 Line 99	9,471	8,434
Form 15 Line 59	(695)	(722)
	<hr/>	<hr/>
Total per capital and reserves in accounts	8,776	7,712
	<hr/>	<hr/>

Welsh Hospitals and Health Services Association

(a company limited by guarantee with no share capital)

Supplementary Notes: Form 13

Note Code

1305 The Association's investment portfolio is managed on a discretionary basis by BWD Rensburg and consists of treasury stock, blue chip equities, fixed interest securities, bonds and unit trusts/mutual funds.

An investment limit of £150,000 has been set on any single investment, excluding gilts. Each investment is subject to detailed scrutiny by the Association's management in relation to counterparty exposure and to ensure it is in line with the moderate to low risk policy in relation to investments.

During the period individual investments in equities and unit trusts/mutual funds have not exceeded £110k each whilst individual treasury stock investments have not exceeded £160k each.

The counterparty exposure with NatWest Bank and Alliance and Leicester Commercial Bank (formerly Girobank) has existed throughout the year, with the approval of the Executive Council. The Financial Services Authority has been pre-notified of the Company's intention to use each of these banks for application of the bank deposit admissibility rules in relation to the placing of £2 million or more with a designated bank.

1306	Large counterparty exposure at period end	2003 £'000	2002 £'000
	National Westminster Bank		
	- Monthly deposit	3,000	2,450
	- Bank balance	290	363
		<u>3,290</u>	<u>2,813</u>
	Giro Bank		
	- Bank balance	<u>2,178</u>	<u>2,106</u>

Welsh Hospitals and Health Services Association

(a company limited by guarantee with no share capital)

Supplementary Notes: Form 15

Note Code

- 1501 No provision for adverse changes is considered necessary due to the fact the company does not have any derivative contracts.
- 1502 (i) There are no charges over the company's assets.
(ii) There are no unprovided potential capital gains tax liabilities.
(iii) As an authorised insurance company in the United Kingdom, the Association is subject to levies from time to time from the Financial Services Compensation Scheme. The Scheme can raise a levy of up to 0.8% of relevant net premium income. No levies based on the net premium income for 2002 and/or 2003 have been announced. There is presently a contingent liability equivalent to 0.8% of relevant premium income for 2002 and 2003. The total amount not provided for is shown on form 9, line 51.
(iv) There were no guarantees, indemnities or other contractual commitments effected other than in the ordinary course of insurance business.
(v) There is no other fundamental uncertainty.

Welsh Hospitals and Health Services Association

(a company limited by guarantee with no share capital)

Supplementary Notes: Form 16

Note
Code

1603	Other income and charges comprise the following	2003 £'000	2002 £'000
	Other income		
	- Deposit account interest	81	73
		<hr/>	<hr/>
		81	73
		<hr/>	<hr/>

Welsh Hospitals and Health Services Association

(a company limited by guarantee with no share capital)

Supplementary Notes: Form 17

Note

Code

1700 **Analysis of derivative contracts**

Welsh Hospitals and Health Services Association has not entered into any derivative contracts in this or the previous year and as such no Form 17 and supplementary notes are submitted.

Welsh Hospitals and Health Services Association

(a company limited by guarantee with no share capital)

Supplementary Notes: Form 20

Note Code	
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2002	Gross premiums written relate entirely to UK business.
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2004	Financial insurance/reinsurance No contracts of insurance have been excluded from Schedule 2 (form 20) as a result of FRS5.
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Welsh Hospitals and Health Services Association

(a company limited by guarantee with no share capital)

Rules 9.25 To 9.27, 9.29, 9.30 And 9.32 Of The Interim Prudential Sourcebook For Insurers ("Ipru (Ins)")

- | | |
|-----------|--|
| Rule 9.25 | The company has no major treaty reinsurer. |
| Rule 9.26 | The company has no major facultative reinsurer. |
| Rule 9.27 | The company has no general business reinsurance cedents. |
| Rule 9.29 | The company has not entered into any derivative contracts. |
| Rule 9.30 | The company does not have any issued share capital and therefore has no shareholder controllers. |
| Rule 9.32 | The company has not ceded any business. |

Welsh Hospitals and Health Services Association

(a company limited by guarantee with no share capital)

Certificate by the Executive Council Members required by Rule 9.34(a).

Financial year ended 31 December 2003

We certify that in our opinion:

(a) in relation to the part of this return comprising forms 9 to 13, 15, 16 and 20, including the supplementary notes thereto, and the statements required by Rules 9.25 to 9.27, 9.29, 9.30 and 9.32 of the Interim Prudential Sourcebook for Insurers ('IPRU(INS)') that:

- (i) the return has been prepared in accordance with the Accounts and Statements Rules as modified by a concession issued under s68 of the Insurance Companies Act 1982 carried forward at commencement of Financial Services and Markets Act 2000 under transitional provisions set out in the supervision manual;
- (ii) proper accounting records have been maintained and adequate information has been obtained by the insurer; and
- (iii) appropriate systems and controls have been established and maintained by the insurer over its transactions and records;

(b) that reasonable enquiries have been made by the insurer for the purpose of determining whether any person and any body corporate are connected for the purposes of rules 9.25, 9.26 and 9.27;

(bb) that reasonable enquiries have been made by the insurer for the purposes of identifying material connected party transactions;

(c) in respect of the insurer's business which is not excluded by rule 7.6, the assets held throughout the financial year in question enabled the insurer to comply with rules 7.1 to 7.5 (matching and localisation);

(d) the insurer has maintained the required margin of solvency throughout the financial year in question; and

(e) we are satisfied that;

- (i) the systems and controls established and maintained by the insurer in respect of its business complied, at the end of the financial year in question and it is reasonable to believe that those systems and controls continued to so comply subsequently and will continue to so comply in future, with ;

Guidance Note P1 "Systems and controls over the investments (and counterparty exposure) of insurers with particular reference to the use of derivatives "; and

Guidance Note P2 "Systems and controls over general business claims provisions".

Welsh Hospitals and Health Services Association

(a company limited by guarantee with no share capital)

Certificate by the Executive Council Members required by Rule 9.34(a).

- (ii) the return has been prepared in accordance with the following published guidance:

Guidance Note 4.1 "Guidance for insurers and auditors on the Valuation of Assets Rules"

Guidance Note 4.2 "The use of derivative contracts in insurance funds";
and

Guidance Note 9.1 "The preparation of returns".

Alan F Davies)

K.M. Roberts-Jones)

Executive Council Members

A. Corbett)

Chief Executive

5 March 2004

Welsh Hospitals and Health Services Association

(a company limited by guarantee with no share capital)

Report of the auditors to the directors pursuant to rule IPRU (INS) 9.35 and IPRU (INS) Appendix 9.6.

Welsh Hospitals and Health Services Association

Global business

Financial year ended 31 December 2003

We have examined the following documents prepared by the company pursuant to the Accounts and Statements Rules set out in part I, chapter 9 to the Interim Prudential Sourcebook for Insurers ("the Rules") made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000 ("FSMA").

- Forms 9 to 13, 15, 16 and 20 (including the supplementary notes) ("the Forms");
- the statements required by rules 9.25, 9.26, 9.27 and 9.29 on page 20 ("the statements"); and
- the certificate signed in accordance with rule 9.34(a) on pages 21 and 22 ("the certificate").

In the case of the certificate, our examination did not extend to paragraph (a) in relation to the statements required by rules 9.30 and 9.32 concerning 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 Rules. The requirements of the Regulations have been modified by a concession issued under s68 of the Insurance Companies Act 1982 carried forward at commencement of FSMA under transitional provisions set out in the supervision manual. Under rule 9.11 the Forms and statements are required to be prepared in the manner set out in the Rules and to state fairly the information provided on the basis required by the Rules.

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 certificate to have made the statements therein, and to report our opinions to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance. This report has been prepared for the Executive Members of Welsh Hospitals and Health Services Association to comply with their obligations under rule 9.35 and for no other purpose. We do not, in providing this report, accept or assume responsibility for any other purpose save where expressly agreed by our prior consent in writing.

Bases of opinions

We conducted our work in accordance with Practice Note 20 "The audit of insurers in the United Kingdom" 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. It also included an assessment of the significant estimates and judgements made by the company in the preparation of the Forms and statements.

Welsh Hospitals and Health Services Association

(a company limited by guarantee with no share capital)

Report of the auditors to the directors pursuant to rule 9.35


We planned and performed our work 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 Forms and statements are free from material misstatement, whether caused by fraud or other irregularity or error, and comply with rule 9.11.

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 does not extend to an evaluation of the effectiveness of the company's internal control systems.

Opinions

In our opinion:

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



PricewaterhouseCoopers LLP
Registered Auditors
Bristol

5 March 2004