

Welsh Hospitals and Health Services Association

(a company limited by guarantee with no share capital)

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THE ASSURANCE COMPANY
DOCUMENT DELIVERED
UNDER THE INSURANCE
ACT 1982



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23/11/99

Statement of solvency

Name of company Welsh Hospitals and Health Services Association

Global business ~~XX BRANCH BUSINESS~~ ~~EEA BRANCH BUSINESS~~

Financial year ended 31 December 1998

Company
registration
number

GLUK/CM

Period ended

day month year

Units

R9

515135

GL

31

12

98

£000

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

GENERAL BUSINESS

Available assets

Other than long term business assets allocated towards general business required minimum margin	11	1,485	1,382	See instructions 1 and 2	
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Required minimum margin

Required minimum margin for general business	12	428	414	12	45
Excess (deficiency) of available assets over the required minimum margin (11-12)	13	1,057	968		

LONG TERM BUSINESS

Available assets

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

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

Future profits	31				
Reinsuring	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 business	41			60	65
Explicit required minimum margin (1/6 x 41, or minimum guarantee fund if greater)	42				
Excess (deficiency) of available assets over explicit required minimum margin (25-42)	43				
Excess (deficiency) of available assets and implicit items over the required minimum margin (34-41)	44				

CONTINGENT LIABILITIES

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

N.P. Johns

John Williams

H. Coche

Statement of net assets

Name of company Welsh Hospitals and Health Services Association

Global business ~~UK branch business~~ ~~EEA branch business~~

Financial year ended 31 December 1998

Financial year ended 31 December 1998	Company registration number	GL/UK/CM	Period ended			Units	
			day	month	year		
	R10	515135	GL	31	12	98	£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 business - admissible assets	11			13	89	1
Long term business - liabilities and margins	12			14	59	1

Other than Long term business - admissible assets	21	2,075	1,955	13	89	1
Other than Long term business - liabilities	22	590	573	15	69	1
Net admissible assets (21-22)	23	1,485	1,382			
Other assets allowed to be taken into account in covering the required minimum margin	Unpaid amounts (including share premium) on partly paid shares	24				
	Supplementary contributions for a mutual carrying on general business	25				
Liabilities allowed to be left out of account in covering the required minimum margin	Subordinated loan capital	26				
	Cumulative preference share capital	27				
Available assets (23 to 27)	29					

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	1,485	1,382			
Total (51 to 56) and equal to line 29 above	59	1,485	1,382			

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

Balance brought forward at the beginning of the financial year	61	1,382	3,010	10	56	2
Retained profit/(loss) for the financial year	62	766	435	16	59	1
Movement in asset valuation differences	63	(663)	(15)	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		(2,048)			
Balance carried forward at the end of the financial year (61 to 65)	69	1,485	1,382			

General business : Calculation of required margin of solvency - first method

Name of company Welsh Hospitals and Health Services Association

Global business/~~UK FINANCIAL BUSINESS/SEA/GRAND BUSINESS~~

Financial year ended 31 December 1998

Company registration number	GL/UK/CM	Period ended			Units	
		day	month	year		
R11	515135	GL	31	12	98	£000

			This financial year	Previous year	
			1	2	
Gross premiums receivable			11	4,701	4,360
Premium taxes and levies (included in line 11)			12	183	162
Sub-total A (11-12)			13	4,518	4,198
Adjusted Sub-total A if financial year is not a 12 month period to produce an annual figure			14		
Division of Sub-total A (or adjusted Sub-total A if appropriate)	Other than health insurance	Up to and including sterling equivalent of 10M ECU x 18/100	15		
		Excess (if any) over 10M ECU x 16/100	16		
	Health insurance	Up to and including sterling equivalent of 10M ECU x 8/100	17	423	409
		Excess (if any) over 10M ECU x 16/300	18		
Sub-total B (15+16+17+18)			19	423	409
Claims paid			21	3,379	3,441
Claims outstanding carried forward at the end of the financial year	For business accounted for on an underwriting year basis		22		
	For business accounted for on an accident year basis		23	299	305
Claims outstanding brought forward at the beginning of the financial year	For business accounted for on an underwriting year basis		24		
	For business accounted for on an accident year basis		25	305	332
Sub-total C (21+22+23-(24+25))			29	3,373	3,414
Amounts recoverable from reinsurers in respect of claims included in Sub-total C			30		
Sub-total D (29-30)			39	3,373	3,414
First result Sub-total B x Sub-total D (or, if 1/2 is a greater fraction, x 1/2) Sub-total C			41	423	409

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

Name of company Welsh Hospitals and Health Services Association

Global business ~~UK branch business~~ ~~EEA branch business~~

Financial year ended 31 December 1998

		Company registration number	GLUK/CM	Period ended			Units
				day	month	year	
		R12	515135	GL	31	12	98 £000
		This financial year	Previous year	Source			
		1	2	Form	Line	Column	
Reference period (No. of financial years) Insert "0" if there is no reference period otherwise insert "3" or "7"	3	11		See instruction 1			
Claims paid in reference period	21	10,034	9,736				
Claims outstanding carried forward at the end of the reference period	22						
For business accounted for on an underwriting year basis	23	299	305				
Claims outstanding brought forward at the beginning of the reference period	24						
For business accounted for on an underwriting year basis	25	305	332				
For business accounted for on an accident year basis							
Sub-total E (21+22+23-(24+25))	29	10,028	9,709				
Sub-total F - Conversion of Sub-total E to annual figure (Multiply by 12 and divide by number of months in reference period)	31	3,343	3,236				
Division of Sub-total F	32						
Other than health insurance	33						
Up to and including sterling equivalent of 7M ECU x 26/100	34	428	414				
Excess (if any) over 7M ECU x 23/100	35						
Health insurance							
Up to and including sterling equivalent of 7M ECU x 26/300							
Excess (if any) over 7M ECU x 23/300							
Sub-total G (32 to 35)	39	428	414				
Second result Sub-total G x Sub-total D (or, if 1/2 is a greater fraction, x 1/2)	41	428	414				

First result	42	423	409	11	41
Required margin of solvency (the higher of lines 41 and 42)	43	428	414		

Minimum guarantee fund	44	159	154		
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Required minimum margin (the higher of lines 43 and 44)	49	428	414		
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Analysis of admissible assets

Name of company Welsh Hospitals and Health Services Association

Global business/~~UK branch business~~/~~EEA branch business~~

Financial year ended 31 December 1998

Category of assets Total other than long term business assets

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
				day	month	year			
		R13	515135	GL	31	12	98	£000	1
Investments					As at the end of this financial year 1		As at the end of the previous year 2		
Land and buildings					11	77	72		
Investments in group undertakings and participating interests	UK insurance dependants	Shares	21						
		Debt securities issued by, and loans to, dependants	22						
	Other insurance dependants	Shares	23						
		Debt securities issued by, and loans to, dependants	24						
	Non-insurance dependants	Shares	25						
		Debt securities issued by, and loans to, dependants	26						
	Other group undertakings and participating interests	Shares	27						
		Debt securities issued by, and loans to, group undertakings	28						
		Participating interests	29						
		Debt securities issued by, and loans to, undertakings in which the company has a participating interest	30						
Total sheet 1 (11 to 30)					39	77	72		

Analysis of admissible assets

Name of company Welsh Hospitals and Health Services Association

Global business/~~UK branch business~~/~~EEA branch business~~

Financial year ended 31 December 1998

Category of assets Total other than long term business assets

Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		day	month	year			
R13	515135	GL	31	12	98	£000	1

Investments (continued)				As at the end of this financial year 1	As at the end of the previous year 2	
Deposits with ceding undertakings						
Assets held to cover linked liabilities						
Other financial investments	Equity shares			41	588	505
	Other shares and other variable yield securities			42		
	Holdings in collective investment schemes			43	286	323
	Rights under derivative contracts			44		
	Debt securities and other fixed income securities	Fixed interest	Approved securities	45	303	347
			Other	46		
		Variable interest	Approved securities	47		
			Other	48		
	Participation in investment pools			49		
	Loans secured by mortgages			50		
	Other loans	Loans to public or local authorities and nationalised industries or undertakings		51		
		Loans secured by policies of insurance issued by the company		52		
		Other		53		
	Deposits with approved credit institutions and approved financial institutions	Withdrawal subject to a time restriction of one month or less		54		
		Withdrawal subject to a time restriction of more than one month		55		
	Other			56	123	40
Deposits with ceding undertakings				57		
Assets held to match linked liabilities	Index linked		58			
	Property linked		59			
Reinsurers' share of technical provisions	Provision for unearned premiums		60			
	Claims outstanding		61			
	Provision for unexpired risks		62			
	Other		63			
Total sheet 2 (41 to 63)				69	1,300	1,215

Analysis of admissible assets

Name of company Welsh Hospitals and Health Services Association

Global business/XXXXXXXXXXXXXXXXXXXXXXXXXXXX

Financial year ended 31 December 1998

Category of assets Total other than
long term businessCompany
registration
number

GL/UK/CM

Period ended
day month year

Units

Category
of
assets

R13

515135

GL

31

12

98

£000

1

Debtors			As at the end of this financial year 1	As at the end of the previous year 2	
Other assets					
Debtors arising out of direct insurance operations	Policyholders		71	350	309
	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	25	47
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	306	289
	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	17	23
Deductions under regulations 57(2)(b) and 57(3) of the Insurance Companies Regulations 1994 from the aggregate value of assets			87		
Total sheet 3 (71 to 86 less 87)			88	698	668
Grand total of admissible assets (39+69+88)			89	2,075	1,955

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

Total admissible assets (as per line 89 above)	91	2,075	1,955
Total assets in excess of the admissibility limits of Schedule 12 of the Insurance Companies Regulations 1994 (as valued in accordance with those Regulations before applying admissibility limits)	92	3,018	2,355
Solvency margin deduction for insurance dependants	93		
Other differences in the valuation of assets (other than for assets not valued above)	94		
Assets of a type not valued above (as valued in accordance with the shareholder accounts rules)	95		
Total assets determined in accordance with the shareholder accounts rules (91 to 95)	99	5,093	4,310
Assets included in line 89 attributable to debts due from related companies (other than those under contracts of insurance or reinsurance)	100		

Liabilities (other than long term business)

Name of company Welsh Hospitals and Health Services Association

Global business/~~UK branch business/FAVORABLE BUSINESS~~

Financial year ended 31 December 1998

		Company registration number	GL/UK/CM	Period ended			Units
				day	month	year	
		R15	515135	GL	31	12	98
							£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	299		305	
	Provision for unexpired risks		13				
	Equalisation provisions	Credit business	14				
		Other than credit business	15				
	Other		16				
Total (11 to 16)		19	299		305		
Provisions for other risks and charges	Taxation		21				
	Other		22				
Deposits received from reinsurers			31				
Creditors	Arising out of insurance operations	Direct business	41	132		121	
		Reinsurance accepted	42				
		Reinsurance ceded	43				
	Debenture loans	Secured	44				
		Unsecured	45				
	Amounts owed to credit institutions		46				
	Other creditors	Taxation	47	91		64	
		Recommended dividend	48				
		Other	49	68		83	
Accruals and deferred income			51				
Total (19 to 51)			59	590		573	
Provision for adverse changes (calculated in accordance with regulation 61 of the Insurance Companies Regulations 1994)			61				
Cumulative preference share capital			62				
Subordinated loan capital			63				
Total (59 to 63)			69	590		573	
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance			71				

Profit and loss account (non-technical account)

Name of company Welsh Hospitals and Health Services Association

Global business ~~UK branch business/EEA branch business~~

Financial year ended 31 December 1998

		Company registration number	GL/UK/CM	Period ended			Units	
				day	month	year		
		R16	515135	GL	31	12	98	£000
			This financial year	Previous year	Source			
			1	2	Form	Line	Column	
Transfer (to)/from the general business technical account	From Form 20	11	497	174	20	59		
	Equalisation provisions	12						
Transfer from the long term business revenue account		13			40	26		
Investment income	Income	14	259	182				
	Value re-adjustments on investments	15	27	76				
	Gains on the realisation of investments	16						
Investment charges	Investment management charges, including interest	17	8	9				
	Value re-adjustments on investments	18						
	Loss on the realisation of investments	19						
Allocated investment return transferred to the general business technical account		20			20	51		
Other income and charges (particulars to be specified by way of supplementary note)		21	33	33				
Profit or loss on ordinary activities before tax (11-12-13-14-15-16-17-18-19-20-21)		29	808	456				
Tax on profit or loss on ordinary activities		31	42	21				
Profit or loss on ordinary activities after tax (29-31)		39	766	435				
Extraordinary profit or loss (particulars to be specified by way of supplementary note)		41						
Tax on extraordinary profit or loss		42						
Other taxes not shown under the preceding items		43						
Profit or loss for the financial year (39+41-(42+43))		49	766	435				
Dividends (paid and proposed)		51						
Profit or loss retained for the financial year (49-51)		59	766	435				

General business : Technical account (excluding equalisation provisions)

Name of company Welsh Hospitals and Health Services Association

Global business ~~XXX Branch Business / FSA Branch Business~~

Financial year ended 31 December 1998

		Company registration number	GL/UK/CM	Period ended			Units	Accounting class/ summary
				day	month	year		
		R20	515135	GL	31	12	98	£000 Summary
Items to be shown net of reinsurance		This financial year		Previous year		Source		
		1		2		Form	Line	Column
This year's underwriting (accident year accounting)	Earned premium	11	4,701	4,360		21	19	5
	Claims incurred	12	3,373	3,415		22	17	4
	Claims management costs	13				22	18	4
	Adjustment for discounting	14				22	52	4
	Increase in provision for unexpired risks	15				22	19	4
	Other technical income or charges (particulars to be specified by way of supplementary note)	16						
	Net operating expenses	17	831	771		22	42	4
	Balance of year's underwriting (11-12-13-14-15+16-17)	19	497	174				
Adjustment for prior years' underwriting (accident year accounting)	Earned premium	21				21	11	5
	Claims incurred	22				22	13	4
	Claims management costs	23				22	14	4
	Adjustment for discounting	24				22	51	4
	Other technical income or charges (particulars to be specified by way of supplementary note)	25						
	Net operating expenses	26				22	41	4
	Balance (21-22-23-24-25-26)	29						
Balance from underwriting year accounting	Per Form 24	31				24	69	99-99
	Other technical income and charges (particulars to be specified by way of supplementary note)	32						
	Total	39						
Balance of all years' underwriting (19+29+39)		49	497	174				
Allocated investment return		51						
Transfer to non-technical account (49+51)		59	497	174				

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 Insurance Companies (Accounts and Statements) Regulations 1996 as modified by an Order dated 6 January 1997 issued by the Secretary of State with the consent of the Company. The modifications provided by that Order 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 1998 was 45,211 (1997: 46,163).

0902

N/A

Welsh Hospitals and Health Services Association

(a company limited by guarantee with no share capital)

SUPPLEMENTARY NOTES : FORM 10

Note Code		£'000
1001	See 1002.	
1002	1997	
	Revaluation of land and buildings occurring during the year	£24,000
	Reduction in admissability of short term deposits and cash not reflected in 1997 return	(2,072,000)
		<hr/>
		(2,048,000)
		<hr/>
1003	N/A	

Welsh Hospitals and Health Services Association

(a company limited by guarantee with no share capital)

SUPPLEMENTARY NOTES: FORM 11 AND 12

Note Code

1101 N/A

1102 N/A

1201 N/A

1202 N/A

Welsh Hospitals and Health Services Association

(a company limited by guarantee with no share capital)

SUPPLEMENTARY NOTES: FORM 13

Note Code		1998 £'000	1997 £'000
1301	Aggregate value of investments which are:-		
	Unlisted	Nil	Nil
	Listed investments not readily realisable	Nil	Nil
	Beneficial interests in collective investment schemes	Nil	Nil
	Reversionary interests or remainder in property	Nil	Nil
1302	N/A		
1303	N/A		
1304	N/A		
1305	The WHA investment portfolio is managed on a discretionary basis by BWD Rensburg and consists of treasury stock, Blue Chip equities and unit trusts/mutual funds.		
	<p>Whilst no specific investment limits are set by the company each investment is subject to detailed scrutiny by WHA management in relation to counterparty exposure and to ensure it is in line with the moderate risk policy in relation to investments.</p> <p>During the period individual investments in equities and unit trusts/mutual funds have not exceeded £50,000 each whilst individual treasury stock investments have not exceeded £100,000 each.</p> <p>The counterparty exposure with National Westminster Bank has existed throughout the year with the approval of the Executive Council. Options for reducing this exposure are now being assessed.</p>		
1306	Large counterparty exposure at period end		
	- Monthly deposit	2,600	2,050
	- Bank balance	415	311
		<u>3,015</u>	<u>2,361</u>
1307	None		
1314	None		
1315	None		

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 following factors:- <ul style="list-style-type: none">- The company does not have any derivative contracts.- Welsh Hospitals and Health Services Association own and occupy the building from which the company conducts its business.- The majority of assets of the company are held in the form of readily realisable investments held at market value and cash.- The value of these assets has not historically been subject to significant volatility and no future volatility is foreseen. |
| 1502 | None |
| 1503 | None |

(a company limited by guarantee with no share capital)

Note
Code

1601	N/A		
1602	N/A		
1603	Other income and charges comprise the following	£'000 1998	£'000 1997
	Other income		
		19	19
	- Rents receivable		
	- Deposit account interest	14	14
	- Other	-	-
		<hr/>	<hr/>
		33	33
1604	None	<hr/> <hr/>	<hr/> <hr/>

Welsh Hospitals and Health Services Association

(a company limited by guarantee with no share capital)

SUPPLEMENTARY NOTES: FORM 17

Note Code	
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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.
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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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2001	N/A
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2002	Gross premiums written relate entirely to UK business.
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2003	N/A
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2004	Financial insurance/reinsurance
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No contracts of insurance have been excluded from Schedule 2 (form 20) as a result of FRS5 and FRAG 35/94.

2005	None
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2006	None
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Welsh Hospitals and Health Services Association

(a company limited by guarantee with no share capital)

STATEMENT ON REGULATIONS 19 to 21, 23, 24 and 26 OF THE INSURANCE COMPANIES (ACCOUNT AND STATEMENTS) REGULATIONS 1996

- SCHEDULE 19 - The company has no major treaty reinsurer.
- SCHEDULE 20 - The company has no major facultative reinsurer.
- SCHEDULE 21 - The company has no general business reinsurance cedents.
- SCHEDULE 23 - The company has not entered into any derivative contracts.
- SCHEDULE 24 - The company does not have any issued share capital and therefore has no shareholder controllers.
- SCHEDULE 26 - 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 Committee Members required by Regulation 27 of the Insurance Companies (Accounts and Statements) Regulations 1996.

We certify that in our opinion:

- (a) in relation to the part of the return comprising forms 9 to 13, 15, 16 and 20, the statements required by regulations 19 to 21, 23, 24 and 26 of the Insurance Companies (Accounts and Statements) Regulations 1996 ("the Regulations") and the supplementary notes that:-
 - (i) the return has been prepared in accordance with the Regulation as modified by an order dated 6 January 1997 issued under Section 68 of the Insurance Companies Act 1982;
 - (ii) proper accounting records have been maintained and adequate information has been obtained by the company; and
 - (iii) an appropriate system of control has been established and maintained by the company over its transactions and records;
- (b) reasonable enquiries have been made by the company for the purpose of determining whether any person and any body corporate are connected for the purposes of regulations 19, 20 and 21 above;
- (c) in respect of the company's business which is not excluded by regulation 32 of the Insurance Companies Regulations 1994, the assets held throughout the financial year enabled the company to comply with regulations 27 to 31 (matching and localisation) of those Regulations;
- (d) that the margin of solvency required by Section 32 of the Insurance Companies Act 1982 has been maintained throughout the financial year;
- (e) that the systems of control established and maintained by the company in respect of its business complied, at the end of the financial year with the following published guidance;
 - (i) Prudential Guidance Note 1994/6 "Systems of control over the investments (and counterparty exposure) of insurance companies with particular reference to the use of derivatives";
 - (ii) Prudential Guidance Note 1996/1 "Controls over general business claims provisions";

and it is reasonable to believe that those systems continued to so comply subsequently and will continue to so comply in future;

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- (f) the return has been prepared in accordance with the following published guidance;

Prudential Guidance Note 1995/1 "Guidance for insurance companies and auditors on the Valuation of Assets Regulations";

Prudential Guidance Note 1995/3 "The use of derivatives in insurance funds"; and

Prudential Guidance Note 1998/1 "The preparation of annual returns to Insurance Directorate of HM Treasury".

N.D. Ahmed)

Executive Committee Members) Executive Committee Members

H. Cozhe) Chief Executive

14 May 1999

Welsh Hospitals and Health Services Association

(a company limited by guarantee with no share capital)

Report of the auditors to the directors pursuant to Regulation 29 of the Insurance Companies (Accounts & Statements) Regulations 1996

Welsh Hospitals & Health Services Association

Global business

Financial year ended 31 December 1998

We have examined the documents prepared by the company pursuant to Section 17 of the Insurance Companies Act 1982 ("the Act") and the Insurance Companies (Accounts and Statements) Regulations 1996 ("the Regulations"). These comprise Forms 9 to 13, 15, 16 and 20, the supplementary notes on pages 12 to 19, the statements required by regulations 19, 20 21 and 23 on page 20 and the certificate signed in accordance with regulation 28(a) on pages 21 to 22. In the case of the certificate, our examination did not extend to paragraph (a) in relation to information provided under regulations 24 and 26, concerning shareholder controllers and general business ceded.

Respective responsibilities of the company and its auditors

The company is responsible for the preparation of an annual return (including the forms, statements and certificates) under the provisions of the Act and the Regulations. The requirements of the Regulations have been modified by an Order issued under Section 68 of the Act by the Secretary of State on 6 January 1997. Under regulation 5 the Forms and statements are required to be prepared in the manner specified by the Regulations and to state fairly the information provided on the basis required by the Regulations.

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

Basis of opinion

We conducted our work in accordance with Bulletin 1998/3; "Auditors' reports on regulatory returns made under the Insurance Companies Act 1982" issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms and statements. The evidence included that previously obtained by us relating to the audit of the financial statements of the company for the financial year on which we reported on 14 May 1999. It also included an assessment of the significant estimates and judgements made by the company in the preparation of the Forms and statements.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with either sufficient evidence to give reasonable assurance that the Forms and statements are free from material misstatement, whether caused by fraud or other irregularity or error, and comply with regulation 5.

Welsh Hospitals and Health Services Association

(a company limited by guarantee with no share capital)

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 any evaluation of the effectiveness of the company's internal control systems.

Opinion

In our opinion:

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

Mererid Hughes Cooper
Chartered Accountants and Registered Auditors
Cardiff,
14 May 1999