

SOVEREIGN MARINE & GENERAL
INSURANCE COMPANY LIMITED

DIRECTORS' REPORT AND ACCOUNTS

for the year ended 31 December 1994



SOVEREIGN MARINE & GENERAL
INSURANCE COMPANY LIMITED

(Registered number 13855)

Directors' Report and Accounts
for the year ended 31 December 1994

DIRECTORS

J M P Taylor - Chairman (appointed 31 March 1994)
M P Chitty - (appointed 31 March 1994)
T R H Thomas - (appointed 1 October 1994)

SECRETARY

M P Chitty

REGISTERED OFFICE

Ten Trinity Square
London EC3P 3AX

AUDITORS

Ernst & Young
Chartered Accountants
Becket House
1 Lambeth Palace Road
London SE1 7EU

CONSULTING ACTUARIES

Bacon & Woodrow
Parkside House
Ashley Road
Epsom
Surrey KT18 5BS

SOVEREIGN MARINE & GENERAL
INSURANCE COMPANY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1994

The directors present their report, together with the accounts, for the year ended 31 December 1994.

PRINCIPAL ACTIVITY AND PERFORMANCE REVIEW

The Company is an insurance company which transacts marine, aviation, transport and non-marine business. The Company ceased underwriting in 1991 and has not accepted business since 31 December 1991, and is now running off its existing liabilities.

RESULTS AND DIVIDENDS

During the year the Company has found it necessary to increase its reserves, particularly on the marine account for underwriting years 1989 to 1991.

In addition, it has made further provisions against doubtful debts, mainly from reinsurers in liquidation or those involved in Schemes of Arrangement.

The Company's parent company, Willis Corroon Group plc, has maintained the Company's solvency position during the year by acquiring tax losses for Group relief for cash consideration.

The profit on ordinary activities after taxation amounted to £526,301.

The directors do not recommend the payment of a dividend.

DIRECTORS

The current directors of the Company are named on page 1, which forms part of this report. The following directors also held office during the year:

M W S Dane - resigned 12 August 1994
J V H Robins - resigned 31 March 1994

The directors who held office on 31 December 1994, and whose interests are not reported in the accounts of Willis Corroon Group plc, the parent company, had the following interests in the ordinary shares of Willis Corroon Group plc, as recorded in the register kept for the purpose.

SOVEREIGN MARINE & GENERAL
INSURANCE COMPANY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1994 (CONTINUED)

DIRECTORS (CONTINUED)

Director	Ordinary Shares of 12½p Each		Options Over Ordinary Shares of 12½p Each			
	<u>1.1.94</u> (or date of appointment)	<u>31.12.94</u>	<u>1.1.94</u> (or date of appointment)	<u>Granted</u>	<u>Exercised</u>	<u>31.12.94</u>
M P Chitty	16,607	16,742	135,446	16,000	-	143,872
T R H Thomas	598	603	56,552	4,116	-	56,882

The Company's parent company, Willis Corroon Group plc, has established the Willis Corroon Group Employee Share Ownership Plan (the 'Plan') which is a discretionary trust and holds ordinary shares of Willis Corroon Group plc. The directors of the Company, who are employees of the Group, are members of the class of potential beneficiaries under the Plan and are to that extent interested in the unallocated Willis Corroon Group plc shares held by the Plan. At 31 December 1994 the Plan held 43,123 unallocated shares.

The Company's parent company, Willis Corroon Group plc, maintains directors' and officers' liability insurance cover for directors and officers of Willis Corroon Group plc and its subsidiaries.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required to report on their responsibilities in relation to the preparation of accounts for each financial year and the following statement should be read in conjunction with the auditors' statement of their responsibilities set out on page 5.

Company law requires the directors to prepare accounts for each financial year in accordance with the provisions of the Companies Act 1985. In preparing these accounts the directors are entitled to take account of the special provisions of the Act applicable to insurance companies.

In the accounts on pages 7 to 17 the directors consider that:-

- (a) they have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates;
- (b) all accounting standards which they consider to be applicable have been followed.

SOVEREIGN MARINE & GENERAL
INSURANCE COMPANY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1994 (CONTINUED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES (CONTINUED)

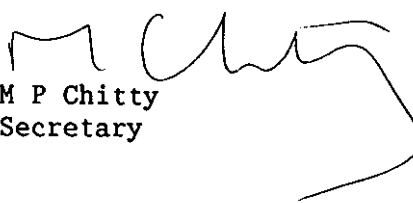
The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the accounts comply with the Companies Act 1985 (as amended). The directors are also responsible 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.

AUDITORS

An Elective Resolution dispensing with the requirement to re-appoint auditors annually was approved by shareholders at the Annual General Meeting in April 1991.

Ernst & Young have expressed their willingness to continue in office as auditors and the directors have agreed to their so continuing.

By order of the Board



M P Chitty
Secretary

Ten Trinity Square
London EC3P 3AX
13 March 1995

SOVEREIGN MARINE & GENERAL
INSURANCE COMPANY LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS OF
SOVEREIGN MARINE & GENERAL INSURANCE COMPANY LIMITED

We have audited the accounts on pages 7 to 17 which have been prepared under the historical cost convention and the accounting policies set out on pages 10 to 12.

Respective responsibilities of directors and auditors

As described on pages 3 and 4 the Company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts after taking account of the provisions of the Companies Act 1985 applicable to insurance companies.

Fundamental Uncertainties

In forming our opinion, we have considered the adequacy of the disclosures made in the accounts concerning the level of uncertainty in respect of:

- a. the ultimate liability in respect of the insurance funds which will vary as a result of subsequent information and events and these may result in significant adjustments to the amounts provided. Details of the circumstances relating to this fundamental uncertainty are described in note 7;
- b. the arbitration against one of its reinsurers who is disputing liability on reinsurance coverage amounting to approximately £11.7m. The future settlement of the arbitration, if found against the Company, could result in material adjustments to the evaluation of the debtors and insurance funds of the Company. Details of the circumstances relating to this fundamental uncertainty are described in note 15;

SOVEREIGN MARINE & GENERAL
INSURANCE COMPANY LIMITED

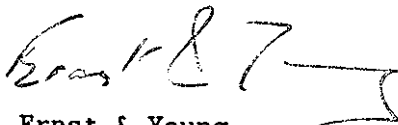
AUDITORS' REPORT TO THE SHAREHOLDERS OF
SOVEREIGN MARINE & GENERAL INSURANCE COMPANY LIMITED (CONTINUED)

- c. the adequacy of the current resources of the Company to meet its likely future requirements. As stated in note 2A the accounts have been prepared on a going concern basis. This basis could be invalidated if the resources of the Company were exhausted by adverse adjustments arising from the resolution of the above uncertainties. The accounts do not include any adjustments which would result from the going concern basis becoming inappropriate.

In view of the significance of these uncertainties we consider that they should be drawn to your attention but our opinion is not qualified in these respects.

Opinion

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



Ernst & Young
Chartered Accountants
Registered Auditor
London

13 March 1995

SOVEREIGN MARINE & GENERAL
INSURANCE COMPANY LIMITED

REVENUE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1994

	1994		1993	
	£	£	£	£
MARINE, AVIATION & TRANSPORT				
Fund at beginning of year		24,724,429		27,287,480
Foreign exchange revaluation		(868,296)		298,527
		<u>23,856,133</u>		<u>27,586,007</u>
Gross premiums	2,938,215		6,803,224	
Less reinsurance premiums	<u>2,718,984</u>		<u>6,172,947</u>	
		219,231		630,277
Investment income transferred (to)/from profit and loss account		(251,000)		526,000
		<u>23,824,364</u>		<u>28,742,284</u>
Paid claims	5,937,746		8,354,885	
Expenses	<u>1,198,291</u>		<u>1,639,970</u>	
		7,136,037		9,994,855
		<u>16,688,327</u>		<u>18,747,429</u>
Transfer from profit and loss account		4,534,000		5,977,000
		<u>4,534,000</u>		<u>5,977,000</u>
Fund at end of year		<u>£21,222,327</u>		<u>£24,724,429</u>
NON-MARINE				
Fund at beginning of year		42,378,640		42,310,230
Foreign exchange revaluation		(1,371,214)		402,420
		<u>41,007,426</u>		<u>42,712,650</u>
Gross premiums	1,210,719		2,804,930	
Less reinsurance premiums	<u>671,528</u>		<u>1,078,138</u>	
		539,191		1,726,792
Investment income transferred from profit and loss account		664,000		1,171,000
		<u>42,210,617</u>		<u>45,610,442</u>
Paid claims	7,226,900		10,206,238	
Expenses	<u>2,270,005</u>		<u>1,748,564</u>	
		9,496,905		11,954,802
		<u>32,713,712</u>		<u>33,655,640</u>
Transfer from profit and loss account		3,315,000		8,723,000
		<u>3,315,000</u>		<u>8,723,000</u>
Fund at end of year		<u>£36,028,712</u>		<u>£42,378,640</u>

SOVEREIGN MARINE & GENERAL
INSURANCE COMPANY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1994

	Notes	1994 £	1993 £
TRANSFER TO REVENUE ACCOUNTS:			
Marine, aviation and transport		(4,534,000)	(5,977,000)
Non-marine		<u>(3,315,000)</u>	<u>(8,723,000)</u>
		(7,849,000)	(14,700,000)
Investment income	1,605,314		1,704,628
Investment gains	-		654,397
Investment income transferred to revenue accounts	(413,000)		(1,697,000)
Foreign exchange profit	<u>741,831</u>		<u>11,507</u>
		<u>1,934,145</u>	<u>673,532</u>
		(5,914,855)	(14,026,468)
Audit fee	44,500		35,900
Expenses	210,679		227,448
Interest payable	195,067		297,189
Investment losses	<u>8,598</u>		<u>-</u>
		<u>458,844</u>	<u>560,537</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(6,373,699)	(14,587,005)
Tax on loss on ordinary activities	3	(6,900,000)	(13,598,415)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		<u>£ 526,301</u>	<u>£ (988,590)</u>

SOVEREIGN MARINE & GENERAL
INSURANCE COMPANY LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1994

	Notes	1994 £	1993 £
INVESTMENTS			
Listed Investments	5	20,367,779	16,643,956
Investment in subsidiaries	6	<u>15,599,100</u>	<u>16,324,886</u>
		35,966,879	32,968,842
CURRENT ASSETS			
Debtors		24,711,747	28,554,893
Amounts owed by fellow subsidiary undertakings		9,381	11,500
Amounts owed by subsidiary undertakings		94,732	730,791
Taxation		7,569,190	13,717,476
Bank balances and deposits		<u>10,681,182</u>	<u>9,627,907</u>
		43,066,232	52,642,567
		79,033,111	85,611,409
CURRENT LIABILITIES			
CREDITORS: amounts falling due within one year			
Trade creditors		15,774,152	11,222,818
Amounts owed to fellow subsidiary undertakings		<u>21,200</u>	<u>11,614</u>
		15,795,352	11,234,432
TOTAL NET ASSETS			
		<u>£63,237,759</u>	<u>£74,376,977</u>
Representing:-			
INSURANCE FUNDS			
Marine, aviation and transport		21,222,327	24,724,429
Non-marine		<u>36,028,712</u>	<u>42,378,640</u>
	7	57,251,039	67,103,069
CAPITAL AND RESERVES			
Called up share capital	8	30,000,000	30,000,000
Unappropriated losses	9	<u>(34,098,707)</u>	<u>(34,625,008)</u>
		(4,098,707)	(4,625,008)
Investment revaluation reserve	10	<u>10,085,427</u>	<u>11,898,916</u>
Shareholders' funds	11	<u>5,986,720</u>	<u>7,273,908</u>
		<u>£63,237,759</u>	<u>£74,376,977</u>

Approved on behalf of the Board on 13 March 1995

J M P Taylor
Director

SOVEREIGN MARINE & GENERAL
INSURANCE COMPANY LIMITED

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1994

1. ULTIMATE PARENT COMPANY

The Company's parent company is Willis Corroon Group plc which is incorporated in Great Britain.

Copies of Willis Corroon Group plc's accounts are available to members of the public from the Company Secretary, Ten Trinity Square, London, EC3P 3AX.

2. ACCOUNTING POLICIES

The accounts for the year ended 31 December 1994 have been prepared in accordance with the following accounting policies:

A Basis of preparation

In preparing the accounts for the year ended 31 December 1994, the directors, having regard to:

- (i) the uncertainties expressed in note 7 as to the amounts at which the Company's liabilities will be ultimately settled; and
- (ii) the contingent liability referred to in note 15 against which no provision (other than for legal expenses) has been established in accordance with advice received from the Company's lawyers.

consider that the Company has adequate financial resources to meet its day to day obligations as they fall due. Accordingly, the accounts have been prepared on the going concern basis, without including any adjustments that would be required should the financial resources of the Company prove inadequate.

The accounts have been prepared in compliance with Section 255 and the special provisions of Schedule 9A of the Companies Act 1985 (as amended) relating to insurance companies and accounting standards applicable in the United Kingdom.

B Premiums and Claims

Premiums closed through either the London Insurance and Reinsurance Market Association or the Institute of London Underwriters in London are brought into account to the extent that notification has been received from the Bureaux. Premiums in respect of proportional treaty business (and in respect of business underwritten by agents overseas) are brought into account to the extent that statements or returns have been received at the time of drawing up the accounts.

Claims are shown net of salvages and reinsurance recoveries.

SOVEREIGN MARINE & GENERAL
INSURANCE COMPANY LIMITED

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1994 (CONTINUED)

2. ACCOUNTING POLICIES (CONTINUED)

C Underwriting Year of Account

Premiums and claims are recorded on an inception of risk basis.

D Underwriting Results

All business is accounted for on a funded basis by underwriting year. The net revenue is carried forward as a fund at the end of the accounting year and is compared annually with the discounted estimated outstanding liabilities. Provision is made on the basis of available information for the estimated ultimate cost of claims notified but not settled at the date of the balance sheet and for claims incurred but not notified at that date; the provision reflects claims' settlement expenses and anticipated reinsurance and other recoveries. Surpluses and deficits emerging are transferred to or from the profit and loss account but no surpluses are transferred from the funds during the first two development years of any underwriting year.

Any difference between the provisions at the balance sheet date and settlements and provisions the following year is included in the revenue account for that year.

E Foreign Currencies

Transactions arising from business accepted by overseas offices are accounted in local currency; US and Canadian dollar business accepted in London is accounted in original currency. These are translated to sterling at year end rates. All other transactions are translated to sterling at the appropriate rate of exchange applicable when recorded in the books.

When foreign currency assets held do not match foreign currency liabilities any resultant gain or loss is reported in the profit and loss account.

Foreign currency assets and liabilities have been shown in the balance sheet at the rates of exchange ruling on 31 December 1994.

F Investment Income

Investment income comprises interest earned on a daily accruals basis and dividends received from third parties during the year. Dividends from subsidiaries are brought into account in the year they are declared.

An appropriate part of this investment income is allocated to the revenue accounts to unwind the discount on the insurance funds.

SOVEREIGN MARINE & GENERAL
INSURANCE COMPANY LIMITED

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1994 (CONTINUED)

2. ACCOUNTING POLICIES (CONTINUED)

G Realised and Unrealised Investment Gains and Losses

Realised and unrealised investment gains and losses, excluding those relating to investment in subsidiaries, are included in the profit and loss account averaged over five years. Taxation on these amounts is included in the taxation charge in the profit and loss account as set out in note 3.

An appropriate part of the net gains earned during the year is allocated to the revenue accounts to unwind the discount on the insurance funds.

H Investments

Listed investments and money market securities are shown in the balance sheet at market value. Investment gains and losses, both realised and unrealised, which have been deferred to future years are carried forward net of taxation in the investment revaluation reserve.

Investments in subsidiaries are carried at net asset value.

I Taxation

Provision has been made at current rates for taxation or taxation relief on all profits and losses included in the accounts. Provision is made for deferred taxation, using the liability method.

3. TAXATION

The credit to taxation shown in the profit and loss account comprises:

	1994 £	1993 £
Group relief receivable	(6,534,364)	(13,688,963)
Deferred taxation	(360,606)	90,205
Overseas tax	(5,030)	343
	<hr/>	<hr/>
	£ (6,900,000)	£(13,598,415)
	<hr/>	<hr/>

UK corporation tax has been calculated at the rate of 33% (1993 - 33%).

The taxable losses incurred by the Company will be surrendered to other group companies for a consideration.

SOVEREIGN MARINE & GENERAL
INSURANCE COMPANY LIMITED

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1994 (CONTINUED)

4. DIRECTORS' REMUNERATION

The directors received no emoluments from the Company in 1994 or 1993.

5. LISTED INVESTMENTS

Listed investments are shown in the balance sheet at market value and are analysed as follows:

	1994 £	1993 £
Government securities	15,754,975	14,244,781
Other fixed interest securities	1,561,508	1,399,233
Money market securities of less than one year maturity	<u>3,051,296</u>	<u>999,942</u>
	<u>£20,367,779</u>	<u>£16,643,956</u>

6. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

	1994 £	1993 £
Cost:		
At 1 January	5,513,673	5,513,673
Additions	—	—
Disposals	<u>—</u>	<u>—</u>
At 31 December	<u>£5,513,673</u>	<u>£5,513,673</u>
Net book value:		
At 1 January	16,324,886	15,589,856
Transfer (from)/to investment revaluation reserve	<u>(725,786)</u>	<u>735,030</u>
At 31 December	<u>£15,599,100</u>	<u>£16,324,886</u>

In the opinion of the directors the value of the Company's investment in subsidiaries is not less than the amount shown in the balance sheet.

SOVEREIGN MARINE & GENERAL
INSURANCE COMPANY LIMITED

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1994 (CONTINUED)

6. INVESTMENT IN SUBSIDIARY UNDERTAKINGS (CONTINUED)

The Company's subsidiaries are:

	<u>Country of Registration</u>	<u>Class of Share</u>	<u>Percentage of Share Capital Held</u>
Capacity Resources Insurance Company Limited	Guernsey	Ordinary £ 1 each	100%
Greyfriars Insurance Company Limited	England & Wales	Ordinary £ 1 each	100%
Sovereign Insurance (UK) Limited	England & Wales	Ordinary £ 1 each	100%

The following Company is a subsidiary of Greyfriars Insurance Company Limited:

Associated International Insurance (Bermuda) Limited	Bermuda	Ordinary US\$ 1 each	100%
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The Company is exempt from the obligation to prepare Group accounts in accordance with section 228 of the Companies Act 1985 (as amended) as the Company is a wholly-owned subsidiary of Willis Corroon Group plc, which is registered in England and Wales, in whose accounts it is consolidated. These accounts relate to the Company only and not to its Group.

7. INSURANCE FUNDS

The insurance funds have been discounted at rates between 4% and 5% to reflect the expected payment profile of the liabilities, the majority of which is expected to be paid during the period 1995 to 2006. The effect of this accounting policy is an increase in the Company's loss before taxation for the year of £1,212,000 (1993 - increase of £5,042,000). The balance sheet effect of this policy is an increase in the net assets at the year end of £674,000 (1993 - £1,486,000).

The level of the insurance fund has been set on the basis of the information which is currently available, including potential outstanding loss advices, experience of development of similar claims and case law. The insurance fund includes estimates of amounts in respect of potential claims relating to environmental pollution, asbestos and other claims of a similar nature. Legislative and judicial actions to date have failed to determine the basis of liability to indemnify many of these losses. These claims are not expected to be settled for many years and there is considerable uncertainty as to the amounts at which they will be settled.

SOVEREIGN MARINE & GENERAL
INSURANCE COMPANY LIMITED

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1994 (CONTINUED)

7. INSURANCE FUNDS (CONTINUED)

Whilst the directors consider that the gross provision for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, uncertainty exists as to the ultimate liability which will vary as a result of subsequent information and events and may result in significant adjustments to the amount provided. Adjustments to the amounts of provisions are reflected in the accounts for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

The net insurance funds in the balance sheet comprise:

	1994 £	1993 £
Gross outstanding claims	283,109,039	298,094,069
Reinsurance recoveries thereon	<u>224,851,000</u>	<u>228,773,000</u>
Net outstanding claims	58,258,039	69,321,069
Less applicable discount	<u>1,007,000</u>	<u>2,218,000</u>
Net insurance funds	<u>£ 57,251,039</u>	<u>£ 67,103,069</u>

8. CALLED UP SHARE CAPITAL

	1994	1993
Authorised, allotted, issued and fully paid: 30,000,000 ordinary shares of £1 each	<u>£30,000,000</u>	<u>£30,000,000</u>

9. UNAPPROPRIATED LOSSES

	1994 £	1993 £
Balance 1 January	(34,625,008)	(33,636,418)
Retained profit/(loss) for the year	<u>526,301</u>	<u>(988,590)</u>
Balance 31 December	<u>£(34,098,707)</u>	<u>£(34,625,008)</u>

SOVEREIGN MARINE & GENERAL
INSURANCE COMPANY LIMITED

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1994 (CONTINUED)

10. INVESTMENT REVALUATION RESERVE

	1994 £	1993 £
Deferred investment gains	-	1,618,565
Less taxation	-	(530,862)
	-	1,087,703
Surplus on revaluation of subsidiary undertakings	<u>10,085,427</u>	<u>10,811,213</u>
	<u>£10,085,427</u>	<u>£11,898,916</u>

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	1994 £	1993 £
Retained profit/(loss) for the year after taxation	526,301	(988,590)
Net investment gains/(losses)	<u>(1,813,489)</u>	<u>823,088</u>
Net deduction from shareholders funds	(1,287,188)	(165,502)
Opening shareholders funds	<u>7,273,908</u>	<u>7,439,410</u>
Closing shareholders funds	<u>£ 5,986,720</u>	<u>£ 7,273,908</u>

12. TRUST FUND

At 31 December 1994 there existed a trust fund of US\$2,500,000 established at a US bank in order for the Company to comply with regulatory requirements in respect of its US business. Assets of that amount have been lodged at the bank to support the trust fund.

13. CHARGES

At 31 December 1994 assets, amounting to US\$5,276,721, were lodged at a US bank to support letters of credit provided by that bank in order for the Company to comply with regulatory requirements in respect of its US business. These assets are subject to a first fixed charge.

SOVEREIGN MARINE & GENERAL
INSURANCE COMPANY LIMITED

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1994 (CONTINUED)

14. DIRECTORS' INTERESTS IN CONTRACTS

The undermentioned directors and, where applicable, persons connected with them as defined in Section 346 of the Companies Act 1985 (as amended) who held office during and at the end of the year and were Underwriting Members of Lloyd's:

M P Chitty	J V H Robins
M W S Dane	J M P Taylor

The Company, during the normal course of its business, reinsures and is reinsured by syndicates in which the above participate on the same basis as it does with other Lloyd's Syndicates.

15. CONTINGENT LIABILITY

The Company is in arbitration against one of its reinsurers, who has purported to avoid liability under a reinsurance contract for business ceded by the Company. The reinsurance coverage in dispute amounts to approximately £11.7m at 31 December 1994 in respect of paid losses, outstandings and incurred but not reported losses. In view of the legal advice received, the Company has established a provision in respect of legal costs only.