

IRON TRADES

Insurance Group



Annual Report and Accounts 1990

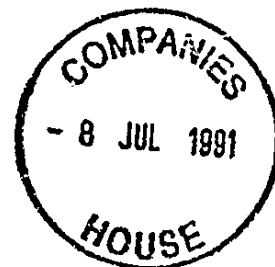


The Iron Trades Employers Insurance Association Limited

Contents

Group Accounts
The Iron Trades Employers Insurance Association Limited

	Page
Directors	2
Executive and Officers	3
Notice of Meeting	4
Report of the Directors	5-7
Chairman's Statement	8-9
Group Accounts	10-12
Statement of Source & Application of Funds	13
Notes to the Accounts	14-22
Report of the Auditors	22
List of Offices	23-24





*Standing left to right: Ian Carswell, James Davidson and Phillip Hares
Seated left to right: Bernard Friend, Gordon Sambrook and David Lee*

Parent Company
The Iron Trades Employers Insurance Association Limited

Directors

G H Sambrook CBE BA (Chairman)
 DSW Lee (Vice Chairman)
 G I Carswell CA
 J P Davidson CBE
 B F Friend CBE FCA
 P D G Hares CBE

Group Chief Executive
 R S H E F C B M

Secretary
 J M Howey FCCA

Registered Office
 Iron Trades House
 21-24 Grosvenor Place, London, SW1X 7TA

Bankers
 The Royal Bank of Scotland PLC
 Chemical Bank
 Northern Bank Ltd
 Barclays Bank PLC

Auditors
 Gairn Lockhart Scott



The Iron Trades Employers Insurance Association Limited

Executive and Officers

R S Hill FCII FBIM
D J Pinnell FCII
J M Hovey FCCA
D Shelley ACII
B Jepp
C Anderson FCA
B W Connell FCII
P G Dawkins
J E Erratt MIPM
M James ACII
N T Michaelides BSc (Econ) FCII
R A Phillips
J M Shetcliffe
D K Shillaker FCII
A West BA (Hons) ACII

M J Ayrey BSc FCII
J R Cornford BA FCA
D G Crump BSc MIPM
N W Greaves
R I S Hardiman MIPM
C L Harris
I F Helmore
N J C MacLennan
P J O'Neill
A H Mason
R G D Stringer
R J Tebbs FCII

Executive

Group Chief Executive
General Manager – (Commercial Insurances)
General Manager – (Finance)
General Manager – (Personal Insurances)
Deputy General Manager – (Commercial Insurances)
Chief Accountant
Assistant General Manager – (Commercial Insurances)
Assistant General Manager – (Commercial Insurances)
Personnel Manager
Operations Manager – (Personal Insurances)
Assistant General Manager – (Planning and Control)
Assistant Company Secretary
Marketing Manager
Systems Manager
Assistant General Manager – (Commercial Insurances)

Officers

Planning Manager (Personal Insurances)
Deputy Chief Accountant
Training and Development Manager
Health Care Manager
Personnel Services Manager
Motor Fleet Manager
Liability Manager
Development Manager
Property Manager
Credit Manager
Planning and Control Manager
Reinsurance Manager



The Iron Trades Employers Insurance Association Limited

Notice of Meeting

Notice is hereby given that the Annual General Meeting of **The Iron Trades Employers Insurance Association Limited** will be held at the Café Royal, Regent Street, London W1 on 16th May 1991 at 12 o'clock noon to transact the following business:

1. To receive and consider the Statement of Accounts and the Report of the Directors and Auditors thereon
2. To elect Directors in place of those retiring
3. To re-appoint the Auditors.
4. To authorise the Directors to fix the Auditors' remuneration.
5. To transact any other ordinary business of the Company.

By Order of the Board

J M Hovey
Secretary

A member entitled to attend and vote at this meeting may appoint a proxy, who need not be a member of the Company.

Iron Trades House
21/24 Grosvenor Place, London SW1X 7JA

22nd April 1991



The Iron Trades Employers Insurance Association Limited

Report of the Directors

The directors have pleasure in presenting their Annual Report and the Accounts for the year ended 31st December 1990

Status and Principal Activities

The Iron Trades Employers Insurance Association Limited (the Association) is a mutual company limited by guarantee without a share capital

A restructure has taken place whereby the Association ceased to write business with effect from 1st January 1990

Iron Trades Insurance Company Limited (the Company) is its principal trading company within the Group

The Company transacted all classes of general insurance business during the year and wrote the majority of the business previously written by the Association as it fell due for renewal during the year

Review of Business Developments,

Subsequent Events & Future Developments of the Group

A review of business developments and events which have occurred since the year end together with an indication of future developments is given in the Chairman's Statement on pages 8 and 9.

In particular it is felt that the group has developed its statistical modelling of Employers Liability latent disease Incurred But Not Reported Claims to the point where it is now reasonable also to include a provision for such claims in the Association. Since this is the first year that such a provision has been established in the Association it has been shown as a transfer from reserves

Financial Review

1 Premium Income

The earned premium, net of reinsurance, for 1990 was £117,659,000 (1989 £118,940,000). The Company contributed £103,739,000 (1989 £64,045,000) and the Association contributed £13,920,000 (1989 £54,895,000)

2 Profit and Loss Account

The Profit and Loss Account for the Group appears on page 10

The 1989 Accounts of the Association were not presented as Consolidated Accounts and only incorporated its investment subsidiaries. The comparative figures in these Accounts consolidate the results, assets and liabilities of all Group companies as listed in Note 18. The comparative figures have been restated to take account of the changes in Accounting Policies of the Association set out in Note 1.3.

3 Reserves

The movement on reserves of the Group appears on page 20.



The Iron Trades Employers Insurance Association Limited

Directorate

A list of the present directors appears on page 2, all of whom held office during the year ended 31st December 1990. In accordance with the Articles of Association, Mr G H Sambrook CBE BA and Mr G L Carswell CA will retire and, being eligible, offer themselves for re-election

During the year the Group maintained indemnity insurance covering directors and officers in accordance with Section 310(3)(a) of the Companies Act 1985

Employees

The Company now employs all the staff of the Group and the Association has no employees

The average number of persons employed in 1990 was 804 (1989 - 794) and the aggregate remuneration paid or payable to those persons was £9,640,000 (1989 £8,484,000)

The Group has developed channels of open communication with staff at all levels so as to encourage their involvement in and views on all aspects of the business.

There is a non-contributory pension scheme for all eligible staff and the trustees of the Fund include two members of staff

The Group offers employment opportunities that are free from discrimination on all grounds. Full consideration is given to applications from disabled persons, always bearing in mind the respective aptitudes and abilities of the applicant concerned and the Group's operational needs. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues. It is the policy that training, career development and promotion opportunities of a disabled person should, as far as possible, be identical to that of a person free from disability

Donations

During the year the Group contributed £8,525 to charitable organisations (1989 £9,181)

No donations were made for political purposes



The Iron Trades Employers Insurance Association Limited

Auditors

The auditors Gane Jackson Scott have expressed their willingness to continue in office and a resolution proposing their re-appointment will be put to the Annual General Meeting.

Iron Trades House
21/24 Grosvenor Place
London
SW1X 7JA

21st March 1991

J M Hovey *Secretary*



The Iron Trades Employers Insurance Association Limited

Chairman's Statement

The Iron Trades Group has completed its first year of trading under the new structure introduced on 1st January 1990. The state of the national economy did little to cushion this change but the efforts of the management and staff succeeded in making it a smooth transition.

For the 1989 financial year the Board introduced separate accounts for the Association and for its main subsidiary. Under the new structure accounting standards require us to revert to publishing consolidated accounts for the Group and this is being reintroduced this year. However it remains the view of the Board that the more detailed comment should be directed to the performance of the Iron Trades Insurance Company Limited, which is now our sole trading vehicle, and more general comments are appropriate for the Association which is running off its insurance liabilities and acting as the holding company for the Group.

Arising from our changed trading structure the performance of the Association for 1990 cannot be compared directly to any previous year. What was formerly the Association's main volume of premium revenue now appears within the results of the "Company" and I am pleased to report that almost all the business held by the Association for so long has been renewed with the "Company". I would like to record the appreciation of all in Iron Trades for this continued support.

The income of the Association in 1990 contained within the consolidated figures comprised only unearned premiums of £14 million flowing through from the previous year together with the investment return of £36.8 million. Claims incurred were much reduced at £19 million (£55 million last year) although this year's figure must be viewed against that for the "Company" through which most of the claims are now reported. On the year's trading a balance of £28.6 million before tax is available for transfer to Reserves.

There are two further changes in the presentation of the accounts of the Association which the Board has made this year upon which I should comment.

The first is in relation to the inclusion of realised and unrealised gains in the Revenue and Profit and Loss Account. The Board decided to take this step in order to be consistent with the treatment of such gains in the results of the "Company" where Members will recall that we made this change in 1989. It does, of course, follow the practice adopted by certain other insurers some years ago and is necessary in view of the need to produce consolidated accounts for the Group.

The second is in relation to Association employers liability claims attributed to industrial disease. These claims arise over a considerable period of time and are slow to emerge. Until this year the reported Association figures have only provided for claims of this nature which had been notified at Balance Sheet date. With the Association now in run off the Board feels that Members



The Iron Trades Employers Insurance Association Limited

will have a clearer picture if a provision for incurred but not reported claims is included within the published results. In doing so due regard has been taken of detailed analytical and statistical work which has been carried out in recent years in an attempt to assess this liability and, whilst calculations of this sort can never be precise, intelligent estimates can be drawn from them. Accordingly the opinion of the Board is that a sum of £100 million be released from Reserves against such claims and this provision will be kept under close review.

The downturn in worldwide stock markets and property values during 1990 has also had a major impact on the level of Group Reserves at Balance Sheet date. These external influences alone further reduced our free reserves by some £47.4 million. The combination of these two factors needs to be borne in mind when comparing the free reserves of £30 million now reported to the figure of £183 million recorded at the end of 1989. At the time of writing this Statement the upward movement in worldwide stock markets since the beginning of this year has largely restored the shortfall caused by the earlier falls. The Board remain of the view that the investment strategy of the Association is appropriate to meeting its liabilities as they run off over the years ahead.

I would also like to mention the reinsurance protection which has been purchased to cover some of the Association's future liabilities. This purchase is an integral part of matching the running off liabilities with suitable provisions and the effect of it on future years has been taken into account when arriving at the provision for incurred but not reported claims upon which I have already commented.

I end this Statement by noting that, by now, all Members will have received notification from the Association of the total value of premiums which they paid to it during the fifteen years up to and including 1989. I would urge recipients to keep this safe in the hope that it will be of use when a successor of mine as Chairman some many years from now is able to advise that all liabilities have run off and the Association's insurance business is being wound up.

G H Sambrook



The Iron Trades Employers Insurance Association Limited

Consolidated Revenue & Profit and Loss Account

for the year ended 31st December 1990

	Note	1990 £000	1989 £000
Premiums Earned	2	<u>117,659</u>	<u>118,940</u>
Gross claims		(140,944)	(134,943)
less reinsurance recoveries		<u>18,793</u>	<u>5,824</u>
Claims incurred	4	(122,151)	(129,119)
Commission	5	(10,046)	(10,362)
Management expenses	6	<u>(24,215)</u>	<u>(19,558)</u>
		<u>(156,412)</u>	<u>(159,039)</u>
Underwriting result		(38,753)	(40,099)
Investment Return:	7		
Investment income		36,972	32,557
Allocation of realised and unrealised gains		<u>18,305</u>	<u>38,722</u>
		16,524	31,180
Pension fund refund		—	6,680
		<u>16,524</u>	<u>37,860</u>
Taxation	8	<u>(4,279)</u>	<u>(15,170)</u>
Transfer to Reserves	10	<u>12,245</u>	<u>22,690</u>

The notes on pages 14 to 22 form an integral part of these accounts



The Iron Trades Employers Insurance Association Limited

Consolidated Balance Sheet

as at 31st December 1990

	Note	1990 £000	1989 £000
Investments	1.5		
Deposits		63,120	74,800
Quoted – British Government		65,235	74,106
– Equities and other		279,890	354,855
Mortgages and miscellaneous		1,947	2,346
Properties		42,327	52,585
		<u>452,519</u>	<u>558,692</u>
Reinsurance Recovery in 1992 (Secured by irrevocable bank letters of credit)		<u>74,400</u>	<u>74,400</u>
Other Assets			
Premiums receivable		29,178	28,250
Reinsurance recovery		43,035	17,946
Other debtors		19,638	16,997
Bank balances		2,275	2,492
		<u>94,126</u>	<u>65,685</u>
Total Assets		<u>621,045</u>	<u>698,777</u>
Liabilities			
Claims provisions (gross)		510,297	396,593
Unearned premiums		42,326	47,153
Other creditors		10,040	6,338
Deferred taxation	9	27,316	60,676
Current taxation		900	4,818
		<u>590,879</u>	<u>515,578</u>
Net Assets		<u>30,166</u>	<u>183,199</u>
Represented by:			
Reserves	10	<u>30,166</u>	<u>183,199</u>

Approved by the Board on 21st March 1991

G H Sambrook Director
D S W Lee Director

The notes on pages 14 to 22 form an integral part of these accounts



The Iron Trades Employers Insurance Association Limited

Association Only Balance Sheet

as at 31st December 1990

	Note	1990 £000	1989 £000
Investments	1.5		
Deposits		21,317	49,147
Quoted – British Government		9,575	17,834
– Equities and other		108,830	175,453
Mortgages and miscellaneous		312	360
Properties		27,063	35,625
Subsidiary companies		72,125	106,562
		<u>239,222</u>	<u>384,981</u>
Reinsurance Recovery in 1992 (Secured by irrevocable bank letters of credit)		<u>74,400</u>	<u>74,400</u>
Other Assets			
Reinsurance recoveries		28,330	5,837
Other debtors		5,776	8,813
Inter-company accounts		9,387	15,758
Bank balances		182	535
		<u>43,675</u>	<u>30,943</u>
Total Assets		<u>357,297</u>	<u>490,324</u>
Liabilities			
Claims provisions (gross)		301,398	239,850
Unearned premiums		–	14,974
Other creditors		1,332	3,876
Inter-company accounts		–	3,059
Deferred taxation	9	16,236	41,146
Current taxation		8,415	4,470
		<u>327,381</u>	<u>307,375</u>
Net Assets		<u>29,916</u>	<u>182,949</u>
Represented by:			
Reserves	10	<u>29,916</u>	<u>182,949</u>
Approved by the Board on 21st March 1991			
		G H Sambrook	Director
		D S W Lee	Director

The notes on pages 14 to 22 form an integral part of these accounts



The Iron Trades Employers Insurance Association Limited

Consolidated Statement of Source and Application of Funds

for the year ended 31st December 1990

	1990 £000	1989 £000
Source of Funds		
Balance of net revenue before taxation	16,524	37,860
Adjustment for investment allocations	(18,305)	(38,722)
Realised gains less losses on investments before taxation (less transfer to claims provisions)	(100,645)	(6,229)
	<u>(102,426)</u>	<u>(7,091)</u>
Adjustment to convert revenue and expenditure on to a cash basis		
Increase in claims provisions	113,704	83,823
(Decrease)/increase in unearned premiums	(4,827)	873
increase/(decrease) in other creditors	3,702	(1,857)
(Increase) in other debtors	(27,730)	(19,384)
(Increase) in premiums receivable	(928)	(2,150)
(Absorbed)/generated by operations	<u>(18,505)</u>	<u>54,214</u>
Application of Funds		
Tax paid or suffered (including tax attributable to investment income)	<u>(5,153)</u>	<u>(8,033)</u>
(Decrease)/increase in funds available for investment	<u>(23,658)</u>	<u>46,181</u>
Changes in investments and net liquid funds		
(Decrease)/increase in:-		
Deposits	(11,680)	16,664
Quoted - British Government	(10,024)	(17,557)
- Equities and other	(2,330)	48,743
Mortgages and miscellaneous	119	(215)
Properties	474	65
Bank balances	(217)	(1,519)
	<u>(23,658)</u>	<u>46,181</u>

The above statement is prepared on a disclosure basis applicable to insurance companies and the notes on pages 14 to 22 form an integral part of this statement



The Iron Trades Employers Insurance Association Limited

Notes to the Accounts

for the year ending 31st December 1990

1 Accounting Policies

1.1 Presentation of Accounts

The Accounts have been prepared in accordance with Section 255A and Schedule 9 of the Companies Act 1985 and take into account certain disclosure exemptions applicable to insurance companies.

1.2 Basis of Consolidation

The consolidated accounts incorporate the assets and liabilities of the Association and all of its subsidiaries for the year ended 31st December and the results for the year ended on that date.

The Accounts of the Association were not presented as Consolidated Accounts in 1989. However, comparative consolidated figures have been presented in these Accounts incorporating the prior year adjustments arising from the changes in Accounting policies of the Association set out in Note 1.3. below. As permitted by Section 230 of the Companies Act 1985 a separate Profit and Loss Account for the Association is not presented.

1.3 Prior year adjustments

The reserves have been restated to reflect the changes in Accounting Policies of the Association in 1990, in respect of:

1.3.1 the provision for the future cost of claims handling, in respect of all claims recognised in accordance with Accounting policy stated below.

1.3.2 the change in policy relating to realised and unrealised gains and losses on investments. (Note 7.1 below.)

1.4 Underwriting Result

The underwriting result is determined on an annual basis of accounting using the following methods:

1.4.1 Premium income

Premium income relates to business inception during the year and includes an estimate of pipeline premiums, being premiums for business written up to the year end but not yet debited, less an allowance for cancellations. Unearned premiums are calculated on a time apportionment basis.

1.4.2 Claims

Claims incurred in the year together with associated handling costs are provided for in the Accounts on the basis of their estimated cost and include an estimate for claims not notified until after the year end.

In respect only of employer's liability incurred but not reported claims [EL IBNR] arising from latent disease, the provisions have been established on a net present value basis which takes account of the average settlement delay of 6 years. In arriving at the provision for these claims, we have assessed the likely relationship between our investment return and claims inflation rather than attempt to forecast these items separately. This relationship has proved more stable than either of the items on their own and therefore represents a better approach bearing in mind the delay to settlement.



The Iron Trades Employers Insurance Association Limited

1.4.2 *Claims (continued)*

These provisions for EL IBNR latent disease claims rely on a considerable degree of judgement and their cost cannot be known with certainty at the year end. However, the Group has developed its understanding over recent years to the point where it is now reasonable also to include a provision in the Association for latent disease claims.

Since this is the first year that such a provision has been established in the Association, it has been shown as a transfer from reserves but in future years, any surplus or deficiency arising from these provisions will be transferred to or from the profit and loss account.

1.4.3 *Reinsurance Inwards*

Due to unavoidable delay in receiving details of reinsurance accepted, the transactions dealt with in the current year of the Accounts are in the main those of the previous year but provision is made, where necessary, for any estimated losses arising on the current year's underwriting.

1.4.4 *Unexpired risks*

A provision is made which is calculated by considering the underwriting experience of all classes of business, taking into account related expenses and attributable future investment income.

1.4.5 *Deferred acquisition costs*

These only represent commissions relating to unearned premiums and are included in other debtors.

1.5 *Investments*

Investments are stated in the Balance Sheets on the following bases:

1.5.1 *Quoted securities at their middle market values on 31st December.*

1.5.2 *Unquoted Investments at the Directors' valuation except for subsidiary companies, which are included in the Balance Sheets at amounts equivalent to the share capital and reserves of those subsidiaries.*

1.5.3 *Properties are formally valued every two years. The last valuation was made in December 1989 by independent chartered surveyors on an open market value basis, with existing use. In view of the decline in values in the property market over the last year, the directors have reviewed the property valuations at 31st December 1990 and revised values downwards. No depreciation is provided on Freehold and Leasehold properties, but provisions are made, where appropriate, to spread maintenance costs on such properties.*

1.5.4 *All other investments at cost.*

1.6 *Taxation*

The Association is not subject to taxation on underwriting surpluses (nor to relief on underwriting deficits) but is subject to corporation tax on unfranked investment income and realised investment gains. The Company is subject to corporation tax on all income and realised gains.



The Iron Trades Employers Insurance Association Limited

1.6 *Taxation (continued)*

Provision under the liability method is made for the deferred taxation liability which would arise on the realisation of investments at their Balance Sheet values (see note 1.5 above). Provision is also made for all other timing differences to the extent that the liability, or relief to tax, is expected to arise in the foreseeable future.

1.7 Foreign Currencies

Exchange differences arising from trading operations are accounted for within the underwriting result in the period in which they occur. Assets and liabilities expressed in foreign currencies are translated at the rate effective at the Balance Sheet date.

1.8 Pensions

The Company operates a pension scheme providing benefits based on final salary. The scheme is funded by the Company and is non contributory by employees. The assets are held separately in a Fund administered by Trustees.

The contributions are determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was as at 31st December 1988. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pension. It was assumed that the investment return would be 9 per cent per annum, that salary increases would be 7 per cent per annum and that present and future pensions would increase at the rate of 5 per cent per annum.

At 31st December 1988 the market value of the scheme's assets was £52.4 million and the actuarial value of those assets represented 159% of the benefits that had accrued to members, after allowing for expected future increases in earnings. Incorporated in the results are:-

- a) A charge of £2,088,000 in respect of the actuarially assessed regular cost of 21.8% of pensionable salaries. (1989 £1,795,000 — 21.8%).
- b) A credit of £1,092,000 in respect of the amortisation of surpluses that are being recognised over fourteen years, the average remaining service lives of employees. (1989 £940,000).

In view of the surplus in the fund no contribution has been made since 1986 and it is not anticipated that contributions will recommence before 1995. Accordingly £996,000 being the net of a) and b) above has been carried forward for the year in creditors in the Balance Sheet (1989 £855,000). The balance as at 31st December 1990, now shown in creditors for the years 1989 and 1990, is £1,851,000.



The Iron Trades Employers Insurance Association Limited

	1990 £000	1989 £000
2 Premium Income and Earned Premiums		
Gross written premiums (Note 3) (including reinsurance inwards)	138,528	139,206
Less	(25,696)	(19,393)
Gross reinsurance ceded	<u>112,832</u>	<u>119,813</u>
	324	(548)
Uneamed premiums (movement)		
Less	4,503	(325)
Reinsurance (movement)	<u>4,827</u>	<u>(873)</u>
	<u>117,659</u>	<u>118,940</u>
Premiums earned		

3 Analysis of Gross Written Premiums by main classes of business

Liability	73,968	77,920
Property	15,940	13,537
Motor Fleet	8,355	8,663
Health Care	11,683	9,936
Private Motor	22,007	22,698
Commercial Vehicle	835	681
Home Insured	5,743	4,475
Reinsurance Inwards	188	1,053
Other	(191)	243
	<u>138,528</u>	<u>139,206</u>

The premium income of the Group was mainly written in the United Kingdom, an analysis by country would therefore not be meaningful.

	1990 £000	1989 £000
4 Claims		
4.1 Claims incurred	124,815	115,701
Current year claims	(2,664)	13,418
Prior year claims	<u>122,151</u>	<u>129,119</u>

4.2 Unexpired risks
No provision is required for unexpired risks (1989 Nil).

	1990 £000	1989 £000
5 Commission		
Included under this heading are deferred acquisition costs as follows:		
Balance brought forward	3,903	3,705
Credit to revenue account	210	198
Balance carried forward	<u>4,113</u>	<u>3,903</u>

The balance carried forward is included in other debtors.



The Iron Trades Employers Insurance Association Limited

6 Management Expenses	1990	1989
	£000	£000

The following items are included under this heading:

Directors' emoluments (Note 6.1)	80	65
Employment costs (excluding directors)	11,250	9,876
Auditors' remuneration	109	103
Acquisition of Belgravia Facilities Limited	1,300	—

6.1 Directors' emoluments:		
Fees	51	40
Other remuneration (including pension contributions)	29	25
	<u>80</u>	<u>65</u>

Of the directors' emoluments above £46,000 (1989 £20,000) related to the Company.

The emoluments, excluding pension contributions, of directors of the Association are detailed as follows:

	1990	1989
	£	£
Chairman	17,000	13,750
Highest paid Director	<u>17,000</u>	<u>13,750</u>

	1990	1989
	Number of Directors	
£5,001-£10,000	3	3
£10,001-£15,000	2	3
£15,001-£20,000	1	—

6.2	Employment costs were as follows:	1990	1989
		£000	£000

Wages and salaries	9,640	8,484
Social security costs	694	602
Pension costs	996	855
	<u>11,330</u>	<u>9,941</u>

6.3	Loans to Officers
	26 employees, who were officers of the Group during the year ended 31st December 1990, had house purchase and/or season ticket loans from the Group outstanding at that date amounting to £280,170 (1989 - 21 employees £364,387).



The Iron Trades Employers Insurance Association Limited

7 Investment Return and Income

7.1 The investment return comprises:

- Dividends and interest receivable net of related expenses.
- One fifth of the realised profit and loss on disposal of investments in the current year and each of the previous four years.
- One fifth of the market value variation in the current year and each of the previous four years.

7.2 Investment Income

Investment income is comprised as follows:
Investment income before expenses
Investment expenses

1990 £000	1989 £000
37,572	32,957
(600)	(400)
<u>36,972</u>	<u>32,557</u>

8 Taxation

Corporation tax @ 34.25% (1989 - 35%)
Tax credits on E.I.I.
Deferred taxation
Tax relating to investment return allocation
Taxation charge

1990 £000	1989 £000
38	(2,622)
(2,621)	(2,435)
765	47
<u>(2,461)</u>	<u>(10,160)</u>
<u>(4,279)</u>	<u>(15,170)</u>

9 Deferred Taxation

Amount provided and full potential deferred taxation provision in respect of:
Market variation in net values of investments
Other timing differences

Group 1990 £000	Association 1990 £000	Group 1989 £000	Association 1989 £000
28,420	16,175	61,548	40,969
(1,104)	61	(872)	177
<u>27,316</u>	<u>16,236</u>	<u>60,676</u>	<u>41,146</u>
Movements during year:			
Balance 1st January	60,676	41,146	36,507
Applicable to intra Group transfers	—	(8,022)	—
Transfer to current taxation	(145)	—	—
(Decrease)/increase in tax applicable to market variation	(32,983)	(16,772)	24,216
Other timing differences	(232)	(116)	(47)
<u>Balance 31st December</u>	<u>27,316</u>	<u>16,236</u>	<u>60,676</u>



The Iron Trades Employers Insurance Association Limited

	Note	Group 1990 £000	Association 1990 £000	Group 1989 £000	Association 1989 £000
10 Reserves					
Balance 1st January	11	182,949	182,949	163,509	163,509
Transfer from profit & loss account		12,245	15,050	22,690	33,475
Transfer to claims provisions	12	(79,500)	(79,500)	(38,000)	(38,000)
Industrial disease reinsurance	13	(22,500)	(22,500)	—	—
Realised gains in year	14	2,314	23,768	26,886	35,450
Market variation in year	15	(49,748)	(78,078)	36,426	13,943
Transfer to profit and loss account:					
Allocation of realised and unrealised gains		(15,844)	(11,773)	(28,562)	(25,428)
Balance at 31st December		29,916	29,916	182,949	182,949
Consolidation Reserve		250	—	250	—
		<u>30,166</u>	<u>29,916</u>	<u>183,199</u>	<u>182,949</u>

11 Opening Reserves

	1989 £000
At 1st January 1989 (As per 1989 Accounts)	170,509
Prior year adjustment (Note 1.3) claims handling provision	(7,000)
At 1st January 1989	163,509
Transfer from Profit & Loss Account	22,690
Transfer to claims provisions	(38,000)
Realised gains in year	26,886
Market variation in year	36,426
Transfer to Profit & Loss account:	
Allocation of realised and unrealised gains (Note 7.1)	(28,562)
	<u>182,949</u>



The Iron Trades Employers Insurance Association Limited

12 Transfer to Claims Provisions	1990 £000	1989 £000
Gross provision for EL IBNR		
latent disease claims	(125,000)	—
Reinsurance recovery	25,000	—
	(100,000)	—
Prior year variations	20,500	(38,000)
Transfer to claims provisions	(79,500)	(38,000)

13 Industrial Disease Reinsurance

The Association entered into an excess of loss reinsurance contract (of £35 million in excess of £50 million) in 1990, covering the period 1st January 1990 to 31st December 1994. This reinsurance contract covers the retrospective liability for industrial disease claims in respect of insurance contracts prior to 1st January 1990, and covers notified claims from that date.

The premium of £22.5 million has been debited to the reserves.

14 Realised Gains In Year	1990 £000	1989 £000
Gross realised gain in year	1,355	31,826
Tax credit/(charge)	959	(4,940)
	2,314	26,886

15 Market Variation In Year

Variation in year	(82,731)	60,642
Deferred taxation	32,983	(24,216)
	(49,748)	36,426

16 Contingent Liabilities

16.1 Provision made in previous years for corporation tax on taxable profits on realisation of investments assume the availability of certain losses. The Inland Revenue has not yet agreed such assumption. Accordingly, there are contingent liabilities to corporation tax, including possible interest thereon, for which no provision has been made, amounting to £3,700,000 (1989 – £3,500,000) in respect of the Association and £1,000,000 (1989 – £1,100,000) in respect of the Group.

16.2 The Policyholders Protection Board may impose levies on authorised insurance companies carrying on business in the United Kingdom, in accordance with the Policyholders Protection Act 1975. The Group's insurance activities in 1990 render it liable to contribute to such a levy should one be imposed.



The Iron Trades Employers Insurance Association Limited

17 Capital Commitments

Although contracts have not been signed, as indicated in the Chairman's Statement, the Company is committed to developing a new computer system which will involve substantial costs over the next three years.

18 Subsidiaries

- a) Iron Trades Investments Limited and its subsidiaries
 - Cartonleaf Limited
 - Islandstream Limited
 - Longspiral Limited
 - Mossisland Limited
 - Retoria Limited
- b) Iron Trades Insurance Company Limited and its subsidiaries
 - Belgravia Facilities Limited
 - Chester Street Securities Limited
 - IT Investments (1990) Limited
 - IT Insurance Company Limited
 - Iron Trades Promotions Limited
 - Westking Limited

All subsidiaries are wholly owned.

19 Parent Company Accounts

£15,050,000 of the profits of the Group relate to the parent company.

Report of the Auditors

To the Members of

The Iron Trades Employers Insurance Association Limited

We have audited the accounts on pages 10 to 22 in accordance with Auditing Standards.

In our opinion the accounts comply with the provisions of the Companies Act 1985 applicable to insurance companies.

Garratt Jackson Scott

Chartered Accountants

62 Doughty Street, London WC1N 2LQ

21st March, 1991



The Iron Trades Employers Insurance Association Limited

List of Offices

Head Office

Iron Trades House
21, 24 Grosvenor Place
London SW1X 7JA
Telephone: 071-235 6033
Telex 21792 Ref 3022
Facsimile: 071-245 6308

Regional Offices

London (City)
6th Floor Fountain House
130 Fenchurch Street
London EC3M 5AU
City Manager – R F Churchill FCII
Telephone: 071-283 8239
Facsimile: 071-621 9560

South East
Iron Trades House
21/24 Grosvenor Place
London SW1X 7JA
Regional Manager – P J Beaumont ACII
Manager, S.E. Region Administration
– J C Dalgarno ACII
Telephone: 071-235 6033
Telex: 21792 Ref 3022
Facsimile: 071-245 6308

Belfast
24 College Gardens
Belfast BT9 6BW
Regional Manager – W J Hill
Telephone: 0232 669481
Facsimile: 0232 662336

Birmingham
Embassy House
60 Church Street
Birmingham B3 2DJ
Regional Manager – P E A Walker ACII
Telephone: 021-200 1900
Facsimile: 021-200 2860

Bristol
Prudential Buildings
Wine Street
Bristol BS1 2PW
Regional Manager – A J Newham
Telephone: 0272 276207
Facsimile: 0272 297012

Glasgow
105 West George Street
Glasgow G1 2QN
Regional Manager – R Pillans FCII
Telephone: 041-204 0441
Facsimile: 041-221 8928

Leeds
15 South Parade
Leeds LS1 5QG
Regional Manager – R Holloway ACII
Telephone: 0532 448051
Facsimile: 0532 422587

Manchester
Dennis House
1-5 Marsden Street
Manchester M2 1HA
Regional Manager – A P Thomson ACII
Telephone: 061-832 3135
Facsimile: 061-832 0931

Personal Insurance Centres

Middlesbrough
16/26 Albert Road
Middlesbrough
Cleveland TS1 1QG
Centre Manager – T J Lane
Telephone: 0642 227424
Facsimile: 0642 223812

Preston
Buckingham House
Glovers Court
Preston PR1 3LN
Centre Manager – D F Mead
Telephone: 0772 822171
Facsimile: 0772 202751



The Iron Trades Employers Insurance Association Limited

Regional Claims Offices

Cardiff
155 Newport Road
Cardiff CF2 1UA
Regional Claims Manager – J G Harrison
Telephone: 0222 490434
Facsimile: 0222 483794

Glasgow
105 West George Street
Glasgow G2 1QN
Regional Claims Manager – D Hughes ACII
Telephone: 041-204 0441
Facsimile: 041-221 8928

Leeds
15 South Parade
Leeds LS1 5QG
Regional Claims Manager – B Herdman ACII
Telephone: 0532 448051
Facsimile: 0532 422587

Sidcup
114/116 Main Road
Sidcup
Kent DA14 6NG
Regional Claims Manager – G E Stallwood
Telephone: 081-300 6633
Facsimile: 081-308 0213

Skelmersdale
Whelmar House
Southway
Skelmersdale
Lancs WN8 6NS
Regional Claims Manager – R Churchill
Telephone: 0695 27322
Facsimile: 0695 50339

Tamworth
Marmion House
121 / 123 Lichfield Street
Tamworth B79 7RS
Regional Claims Manager – J Lavery LLB
Telephone: 0827 50666
Facsimile: 0827 54280

Motor Claims Personal Injury Unit

Tamworth
Marmion House
121 / 123 Lichfield Street
Tamworth B79 7RS
Telephone: 0827 310180
Facsimile: 0827 53521

Planit Instalment Unit

Preston
Buckingham House
Glovers Court
Preston PR1 3LN
Telephone: 0772 20455
Facsimile: 0772 202751

**Health Care Claims
Commercial Property Claims
Credit Control**

Bromley
Huntingdon House
10 Masons Hill
Bromley
Kent
BR2 9JW
Telephone: 081-313 1000
Facsimile: 081-313 1259