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BAE SYSTEMS (Insurance) Limited

Annual FSA Insurance Returns for the year ended 31st December 2002



(Appendices 1, 2, 5, 6, 7)

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COMPANIES HOUSE 11/04/03

Produced using FormsGen**

See instruction 6

Name of insurer

BAE SYSTEMS (Insurance) Limited

Global business									
Financial year ended 31st December 2002		Company registration number	G∐	UK/CM	P	eriod ei month		– լ	Jnits
	R9	999757		GL	31	12	2002	£	000
GENERAL INSURANCE BUSINESS		As at the end this financia year		•	the en previou year 2		Form	Line	Column
Available assets Other than long term insurance business assets allocated towards	11	219	19	<u>.</u>	20	705	See instruc	tions	
general insurance business required minimum margin Required minimum margin		1.5					1 and 2		
Required minimum margin for general insurance business	12	23	30			725	12 .	49	
Excess (deficiency) of available assets over the required minimum margin (11-12)	13	2168	39		19	086			
LONG TERM INSURANCE BUSINESS Available assets									
Long term insurance business admissible assets	21						10 .	11	
Other than long term insurance business assets allocated towards long term insurance business required minimum margin	22						See instruction 1 and 3	tions	
Total mathematical reserves (after distribution of surplus)	23				·—.		See instruc	tion 4	
Other insurance and non-insurance liabilities	24			 	·		See instruc	tion 5	
Available assets for long term insurance business required minimum margin (21+22-23-24)	25								
Implicit Items admitted under Rule 2.10(5) as modif	fied								
Future profits	31							_	
Zillmerising	32								
Hidden reserves	33								
Total of available assets and implicit items (25+31+32+33)	34	<u></u>					<u> </u>		
Required minimum margin									
Required minimum margin for long term insurance business	41						60 .	69	
Explicit required minimum margin (1/6 x 41, or minimum guarantee fund if greater)	42								
Excess (deficiency) of available assets over explicit required minimum margin (25-42)	43								
Excess (deficiency) of available assets and implicit items over the required minimum margin (34-41)	44]			
CONTINGENT LIABILITIES								_	
Quantifiable contingent liabilities in respect of other than long term insurance business as shown in a supplementary note to Form 15	51						See instruc	tion 6	
Quantifiable contingent liabilities in respect of long term insurance			-+						

52

Quantifiable contingent liabilities in respect of long term insurance business as shown in a supplementary note to Form 14

Name of insurer

BAE SYSTEMS (Insurance) Limited

Global business

Financial year ended

31st December 2002

Tank S

P W McDonald

Chairman

MAFIL

M A Finlayson

Director

g de la companya de l

D S Parkes

Secretary

Farnborough, 27 March 2003

Name of insurer

BAE SYSTEMS (Insurance) Limited

Global business

Financial year ended

,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	0,0000000000000000000000000000000000000		Company registration number	GL/UK/	~	eriod end month	ed year	Units
		R10	999757	GL	31	12	2002	£000
			As at the end this financia year 1		As at the ne previou		Form	Line Column
Long term insurance bus	iness - admissible assets	11					13 .	89 . 1
Long term insurance bus	iness - liabilities and margins	12					14 .	59 . 1
Other than Long term insura	ance business - admissible assets	21	374	78		39294	13 .	89 . 1
Other than Long term ins	urance business - liabilities	22	155	59		18589	15 .	69 . 1
Net admissible assets (2	1-22)	23	219	19		20705		
Other assets allowed to be taken into account in	Unpaid amounts (including share premium) on partty paid shares	24						
covering the required minimum margin	Supplementary contributions for a mutual carrying on general insurance business	25						
Liabilities allowed to be left out of account in	Subordinated loan capital	26						
covering the required minimum margin	Cumulative preference share capital	27						
Available assets (23 to 2	7)	29	219	19		20705		
Represented by:								
Paid up share capital (ot preference share capital		51	57	00		5700		
Amounts included in line	s 24 to 27 above	52			· -			
Amounts representing th	e balance of net assets	56	162	19		15005		
Total (51 to 56) and equa	al to line 29 above	59	219	19		20705		
Movement of balance of purposes - as per line 5	f net assets for solvency			~				
Balance brought forward financial year	at the beginning of the	61	150	05		(9123)	10 .	56 . 2
Retained profit/(loss) for	the financial year	62	18	61		627	16 .	59 . 1
Movement in asset valua	tion differences	63	(6	47)		23501	See ir	struction 2
Decrease/(increase) in the changes	ne provision for adverse	64					See in	struction 3
Other movements (partic		65						
Balance carried forward (61 to 65)	at the end of the financial year	69	162	119		15005		

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

Printed 25th MAR 03 at 17:50

Name of insurer

BAE SYSTEMS (Insurance) Limited

Global business

Financial year ended

				Company registration number	GL/UK/CM		eriod e	nded year	Units
			R11	999757	GL	31	12	2002	€000
			L		This finance	iai		Previo yea	
					1			2	
Gross premium	s receivable			11					
Premium taxes	and levies (ir	ncluded in line 11)		12	·····				
Sub-total A (1	1-12)			13				-	
Adjusted Sub-to period to produc		cial year is not a 12 mont figure	th	14					
	Other than	Up to and including ste equivalent of 10M EUR		0 15					
Division of Sub-total A (or adjusted	health insurance	Excess (if any) over 10M EURO x 16/100		16					
Sub-total A if appropriate)	Health	Up to and including ste equivalent of 10M EUR		0 17					
	insurance	Excess (if any) over 10M EURO x 16/300		18					
Sub-total B (1	5+16+17+18)		19					
Claims paid		····		21		1841			3488
Claims outstand		For insurance business for on an underwriting							
end of the finar year	ncial	For insurance business for on an accident year		ed 23		3504	·		8155
Claims outstand		For insurance business for on an underwriting		1 ")					
beginning of the financial year		For insurance business for on an accident year		ed 25		8155			8030
Sub-total C (2	1+22+23-(24	+25))		29		(2810)		3613
Amounts recover of claims included		einsurers in respect	·	30		(2195)		2814
Sub-total D (2	9-30)			39		(615	i)		799
First result Sub-total B x	Sub-total D Sub-total C	(or, if ½ is a greater fract	tion, x ½)	41	· · · · · · · · · · · · · · · · · · ·				- n

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

Name of insurer

BAE SYSTEMS (Insurance) Limited

Global business

period	R12		999757 This finar	GL ncial	31	12	year 200:	,	
wise insert "3" or "7" period	3 [i	ncial				<u>د ا</u> ا	000
wise insert "3" or "7" period	3		year	ı	Previ			Sourc	:е
wise insert "3" or "7" period	3		1		уеа 2		S	Line Line	Column
		11					S	ee Instru	
For innurance business accounted for		21		8750		13156	3		
For insurance business accounted for on an underwriting year basis	r	22							
For insurance business accounted for on an accident year basis	r	23		3504		815	5		
For insurance business accounted for on an underwriting year basis	r	24							
For insurance business accounted for on an accident year basis	-	25		6941	·	4102	2		
24+25])		29		5313		17209	,		
of Sub-total E to annual figure (Multiply bononths in reference period)	y 12	31		1771		5736	5		
Up to and including sterling equivalent 7M EURO x 26/100	nt of	32		460		1131			
Excess (if any) over 7M EURO x 23/1	00	33				319)		
Up to and including sterling equivalen 7M EURO x 26/300	nt of	34							
Excess (if any) over 7M EURO x 23/3	100	35			·- ·				
		39		460		1450)		
ral G x <u>Sub-total D</u> (or, if ½ is a greater Sub-total C fraction, x ½)		41		230		725	5		
	<u></u>			· · · · · · · · · · · · · · · · · · ·		·			
		42			_ -			1 . 4	1
ncy (the higher of lines 41 and 42)		43		230		725	5		
			<u> </u>		 -				
		44		190		186			
o the higher of lines 43 and 44)		4 0		230	 -	705	<u>, </u>	 -	
		ncy (the higher of lines 41 and 42)	42 Acy (the higher of lines 41 and 42) 43 44	142 acy (the higher of lines 41 and 42) 43 44	Sub-total C fraction, x 1/4) 42 1cy (the higher of lines 41 and 42) 43 230	42 42 43 230 44 190	Sub-total C fraction, x 1/2) 42 1cy (the higher of lines 41 and 42) 43 230 725	42	Sub-total C fraction, x ½) 42 11 . 4 acy (the higher of lines 41 and 42) 43 230 725 44 190 186

Analysis of admissible assets

Name of insurer

BAE SYSTEMS (Insurance) Limited

Global business

Financial year ended

31st December 2002

Category of assets

Assets maintained in the United Kingdom

				Company registration number	GL/UK/CM	P	erìod en	ded year	Units	Category of assets
			R13	999757	GL	31	12	2002	£000	3
Investments			·	·!	<u> </u>	! <u>-</u> -	•	t the end or financial year 1	the	the end of previous year 2
Land and buildings	· · · · · · · · · · · · · · · · · · ·		-			11				
	UK insurance	Shares				21				
	business dependents	Debt secur	ities issued	by, and loans to, de	pendants	22				
	Other insurance	Shares				23				
	dependants	Debt secur	ities issued	by, and loans to, de	pendants	24				
Investments in group undertakings	Non-insurance	Shares	 -			25				
and participating interests	dependants	Debt secur	ities issued	by, and loans to, de	pendants	26				
		Shares		*		27				
	Other group undertakings and	Debt secui	ities issued	by, and loans to, gro	oup undertakings	28				
	participating interests	Participatir	ng interests			29				
				by, and loans to, un a participating intere		30				
Total sheet 1 (11 to 3	(0)					39				

Analysis of admissible assets

Name of insurer

BAE SYSTEMS (Insurance) Limited

Global business

Financial year ended

31st December 2002

Category of assets

Assets maintained in the United Kingdom

				Company registration number	GL/UK/CM	day	Period e	nded year	Units	Category of assets
			R13	999757	GL	31	12	2002	£000	3
Deposits wi					, - ,			the end of financial year	the	the end of previous year 2
	Equity shares					41				
	Other shares and other	variable yield s	ecurities			42				1
	Holdings in collective in	vestment sche	mes			43				
	Rights under derivative	contracts	 "			44				
				Approved securities	es	45				
	Debt securities and	Fixed interes	st .	Other		46				
	other fixed income securities	number R13 999757 Continued) Reding undertakings Cover linked liabilities Rity shares er shares and other variable yield securities dings in collective investment schemes this under derivative contracts Fixed interest Other Approved securities Other Approved securities Other Approved securities Other Contracts Loans to public or local authorities and national industries or undertakings Loans secured by policies of insurance issued company Other Withdrawal subject to a time restriction of one rowed financial itutions Withdrawal subject to a time restriction of more month Err Undertakings Index linked Property linked Provision for unearned premiums Claims outstanding Provision for unexpired risks Other								
		Variable interest								
Other financial investments	Participation in investme	ent pools				49				
	Loans secured by morto	pages				50				
					nalised	51				
	Other loans		ed by polic	ies of insurance issue	ed by the	52				
		Other				53				
	Deposits with approved credit	Withdrawal s	subject to a	a time restriction of or	e month or less	54		3450	0	29000
	approved financial institutions		subject to a	a time restriction of m	ore than one	55				
	Other					56				
Deposits with ce	eding undertakings					57				
Assats hald to m	notah liakod liahilitian	Index linked				58				
Assets field to it	later unked habilities	Property link	ed			59				
		Provision for	uneamed	premiums		60				
Daineurom' ob	o of tachnical amulaina-	Claims outst	anding			61		238	8	5984
L'enianiera aust	e or recircical provisions	Provision for	unexpired	risks		62				
		Other	·		63					
Total sheet 2 (41	1 to 63)	<u> </u>				69		3688	8	34984

Analysis of admissible assets

Name of insurer

BAE SYSTEMS (Insurance) Limited

Global business

Financial year ended

31st December 2002

Category of assets

Assets maintained in the United Kingdom

Category of ass	ets Ass	ets mainta	ined in	the United K	ingdom						
				Company registration		Ę	eriod er	ndad			Category of
		_		number	GL/UK/CM	day	month	year	Unit	s	assets
		ſ	R13	999757	GL	31	12	2002	£00	0	3
Debtors Other assets				<u></u>	<u> </u>		_	the end of financial year 1		he p	ne end of revious ear 2
Debtors arising out	Policyholders					71		, , , , , , , , , , , , , , , , , , , 			
of direct insurance operations	Intermediaries					72					
Salvage and subroga	ation recoveries					73					
Debtors arising out of reinsurance	Due from ceding in accepted	surers and inter	mediaries (under reinsurance b	usiness	74					
operations	Due from reinsurer	s and intermedi	aries under	reinsurance contra	cts ceded	75		19	8		1896
	Due from	Due in 12 mor	nths or less	after the end of the	financial year	76					
Other debtors	dependants	Due more tha	n 12 month	s after the end of the	e financial year	77					····
5.110. 652.615	Other	Due in 12 mor	nths or less	after the end of the	financial year	78					37
		Due more that	n 12 month	s after the end of the	e financial year	79					
Tangible assets						80	<u></u>				
Cash at bank and				ndrawal, with approvement and local authorities		81		34	9		2376
in hand	Cash in hand					82			_		
Other assets (partici	ulars to be specified	by way of supple	ementary no	ote)		83					
.	Accrued interest a	nd rent				84		4	3		1
Prepayments and accrued income	Deferred acquisition	on costs				85					
	Other prepayment	s and accrued in	ncome			86	ļ				
Deductions (under r	ules 4.14(2)(b) and 4	3.14(3)) from the	aggregate	value of assets		87					<u></u>
Total sheet 3 (71 to	86 less 87)					88	ļ	59	0	<u>.</u>	4310
L	ssible assets (39+69-	·				89		3747	8	 .	39294
Reconciliation to a insurance account	sset values determ s rules	ined in accorda	ance with t	he			··		 		
Ĺ	sets (as per line 89 a	<u> </u>				91	 	3747	8		39294
Total assets in exce Rules before applying	ess of the admissibiliting admissibility limits	y limits of Apper	ndix 4.2 (as	valued in accordan	ce with those	92		64	7	<u>-</u>	
Solvency margin de	duction for subsidian	y undertakings v	which are in	surance undertaking	gs	93	ļ			·	
Other differences in	the valuation of asse	ets (other than fo	or assets no	ot valued above)		94	<u> </u>		-		
Assets of a type not	valued above, (as v	alued in accorda	ance with th	e insurance accoun	ts rules)	95	 				
Total assets determ	ined in accordance v	with the insurance	ce accounts	rules (91 to 95)		99		3812	5		39294
Amounts included in contracts of insuran	n line 89 attributable ice or reinsurance	to debts due fro	m related in	nsurers, other than t	nose under	100					

Name of insurer

BAE SYSTEMS (Insurance) Limited

Global business

Financial year ended

			Company registration number	GL/UK/	`N# ———	riod end month	led year	Units
		R15	999757	GL	31	12	2002	£000
					As at the this fina yea	ancial	the	the end o previous year 2
	Provision for uneamed premiums			11				
:	Claims outstanding			12		3504		8155
Technical	Provision for unexpired risks			13		•		
provisions (gross amount)	Equalisation provisions	Credit bu		14				
		Other tha	n credit busines	-	<u></u>		-	
	Other			16			ļ	
	Total (11 to 16)			19		3504		8155
Provisions for other risks	Taxation	-	<u>. </u>	21	· · · · · · · · · · · · · · · · · · ·			
and charges	Other			22				
Deposits recei	ved from reinsurers			31				
		Direct ins	urance busines	s 41		82		39
	Arising out of insurance operations	Reinsura	nce accepted	42				
		Reinsura	nce ceded	43				
	Debenture loans	Secured		44				
Creditors	Dependre loans	Unsecure	ď	45				
	Amounts owed to credit institutions			46				
		Taxation		47				
	Other creditors	Recomm	ended dividend	48				
	_	Other		49		11948		10328
Accruals and o	deferred income			51		25		67
Total (19 to 51)			59		15559		18589
	dverse changes (calculated in accordance Companies Regulations 1994]	e with rule 5.3) [Regulation 61	61				
Cumulative pri	eference share capital			62				
Subordinated I	loan capital			63				
Total (59 to 63	3)			69		15559		18589
	ded in line 69 attributable to liabilities to re	elated insurers	, other than	71				

Profit and loss account (non-technical account)

Printed 25th MAR 03 at 17:50

Name of insurer

BAE SYSTEMS (Insurance) Limited

Global business

Financial year ended

				Company registration number	GL/UK/CM		eriod end month	led ye	ar	Uni	ts
			R16	999757	GL	31	12	2	002	£0	00
				This financyear	cial	ye	vious ear 2		Form	ei e onrce	Column
Transfer (to)/from th		From Form 20	11		578	<u>. </u>	(83	1)	20 .		<u> </u>
technical account	usiiiess	Equalisation provisions	12								
Transfer from the locaccount	ng term ins	urance business revenue	13						40 .	26	
	Income		14		1283		145	8		-	
Investment income	Value re-adjustments on investments Gains on the realisation of investments										
		16						-			
Investment management charge including interest			17								
Investment Value re-adjustments on investments			18					,			
	Loss on the	ne realisation of nts	19								
Allocated investmer insurance business		nsferred to the general ccount	20						20	. 51	
Other income and come by way of supplement		rticulars to be specified	21								
Profit or loss on ord (11+12+13+14+15+			29		1861	-	62	7			
Tax on profit or loss	on ordinar	y activities	31								
Profit or loss on ord	inary activit	ties after tax (29-31)	39		1861		62	7			
Extraordinary profit by way of suppleme	or loss (pai intary note)	ticulars to be specified	41								
Tax on extraordinar	y profit or k	oss	42								
Other taxes not shown under the preceding items		43									
Profit or loss for the financial year (39+41-(42+43))		49		1861		62	27				
Dividends (paid and	l proposed))	51								
Profit or loss retained	ed for the fi	nancial year (49-51)	59		1861	·	62	27			- 5.

Printed 25th MAR 03 at 17:50

Name of insurer

BAE SYSTEMS (Insurance) Limited

Global business

Financial year ended

31st December 2002

Accounting class

Summary

				Company registration	GL/UK/	CNP	eriod end	fed	l lata	c	ccour lass/	~
				number		day	month	year	Units		umma	
			R20	999757	GL	, . ! 	12	2002	£000		99	
						This fir	nancial ar	Previo	us year	S	ource	-
items to be si	owi	n net of reinsurance				1	l		2	Form	Line	Column
	Ear	ned premium			11		42		91	21	. 19	 . 5
	Cla	ims incurred			12				·	22 .	. 17	. 4
	Cla	ims management costs			13					22 .	. 18	. 4
This year's underwriting	Adj	ustment for discounting		······································	14					22	. 52	. 4
(accident year accounting)	Inci	ease in provision for une	xpired ris	ks	15				-	22 .	. 19	4
		er technical income or ch cified by way of supplem			16							
-	Net	operating expenses			17		79		123	22	. 42	. 4
!	Bal	ance of year's underwritir	ıg (11-12-	13+14-15+16-1	7) 19		(37)		(32)			
	Ear	ned premium			21					21	. 11	. 5
	Cla	ims incurred			22		(615)		799	22	. 13	. 4
Adjustment for	Cla	ims management costs			23					22	. 14	. 4
prior years' underwriting	Adj	ustment for discounting			24					22 .	51	. 4
(accident year accounting)		er technical income or checified by way of supplem			25		-					
	Net	operating expenses			26				-	22 .	41	. 4
:	Bal	ance (21-22-23+24+25-2	6)		29		615		(799)			
		Per Form 24			31					24 .	69. 9	9-99
Balance from underwriting yea accounting	аг !	Other technical income be specified by way of s			to 32							
J	l	Total			39	<u> </u>				_		
Balance of all y	ears'	underwriting (19+29+39)			49		578		(831)			
Allocated investment return					51							
Allocated investment return Transfer to non-technical account (49+51)					59		578		(831)			

Printed 25th MAR 03 at 17:50

Name of insurer

BAE SYSTEMS (Insurance) Limited

Global business

Financial year ended

31st December 2002

Accounting class

Accident and health

				Company registration number	GL/UK/C	M ————	eriod end	led	Units	c	.ccoun lass/ umma	-
			R20	999757	GL	31	12	2002	£000		1	
- W				<u> </u>		This fir		Previo	us year	S	ource	
Items to be sh	owr	net of reinsurance				ye 1			2	Form	Line	Column
	Ear	ned premium			11				(5)	21	. 19	. 5
	Clai	ms incurred			12		· · · · · ·			22	. 17	. 4
į	Clai	ms management costs			13		·			22	. 18	. 4
This year's underwriting	Adjı	ustment for discounting		· · · · · · · · · · · · · · · · · · ·	14					22	. 52	. 4
(accident year accounting)	incr	ease in provision for une	xpired ris	ks	15					22	. 19	. 4
		er technical income or ch cified by way of supplem			16		· <u>-</u> -					
	Net	operating expenses			17		10		17	22	. 42	. 4
	Bala	ance of year's underwriti	ng (11-12	-13+14-15+16-1	7) 19		(10)		(22)			
	Ear	ned premium			21					21	. 11	. 5
:	Cla	ims incurred			22		(53)		1124	22	. 13	. 4
Adjustment for	Cla	ims management costs			23					22	. 14	. 4
prior years' underwriting	Adj	ustment for discounting			24					22	. 51	. 4
(accident year accounting)		er technical income or calcified by way of supplem			25							
	Net	operating expenses			26				•	22	. 41	. 4
	Bal	ance (21-22-23+24+25-2	?6)		29		53		(1124)			
		Per Form 24			31					24 .	69. 9	39-9 <u>9</u>
Balance from underwriting yea accounting	ar	Other technical income be specified by way of			to 32							
		Total			39							
Balance of all y	ears'	underwriting (19+29+39)		49		43		(1146)			
Allocated investment return												
Transfer to non-technical account (49+51)							43	 	(1146)	-		

Printed 25th MAR 03 at 17:50

Name of insurer

BAE SYSTEMS (Insurance) Limited

Global business

Financial year ended

31st December 2002

Accounting class

Aviation

				Company registration			P	eriod end	ded			Accour class/	_
				number	GL/U	CCM	day	month	year	Units	؛	summa	ıry
		:	R20	999757	G	L	31	12	2002	£000)	3	
							This fir ye	nancial ar	Previo	us year	8	Source)
Items to be si	10WI	n net of reinsurance					, .			2	Form	Line	Column
 	Ear	ned premium		····	1.	1					21	. 19	. 5
	Cla	ims incurred			12	2					22	. 17	. 4
	Cla	ims management costs			1:	3					22	. 18	. 4
This year's underwriting	Adj	ustment for discounting			14	4		·			22	. 52	. 4
(accident year accounting)	Inci	ease in provision for une	xpired ris	ks	1:	5					22	. 19	. 4
	Oth spe	er technical income or ch cified by way of supplem	arges (pa entary no	articulars to be te)	10	6						-	
	Net	operating expenses			1	7		2		4	22	. 42	. 4
	Bal	ance of year's underwriting	ng (11-12	-13+14-15+16-1	7) 19	9		(2)		(4)			
	Ear	ned premium			2	1					21	. 11	. 5
	Cla	ims incurred			22	2		(68)		(245)	22	. 13	. 4
Adjustment for	Cla	ims management costs			23	3					22	. 14	. 4
prior years' underwriting	Adj	ustment for discounting			24	4					22	. 51	. 4
(accident year accounting)		er technical income or ch cified by way of supplem			2	5							
	Net	operating expenses			20	6		1.77			22	. 41	. 4
	Bala	ance (21-22-23+24+25-2	6)		29	9		68		245			
		Per Form 24			3.	1					24	69.9	9-99
Balance from underwriting yea accounting	ar	Other technical income be specified by way of s			to 32	2							_
-	ļ	Total			39	9		-					
Balance of all ye	ears'	underwriting (19+29+39)			49	9		66		241			
Allocated invest	alance of all years' underwriting (19+29+39) located investment return				5	1		•					
Transfer to non-	techi	nical account (49+51)			59	9		66		241			

Printed 25th MAR 03 at 17:50

Name of insurer

BAE SYSTEMS (Insurance) Limited

Global business

Financial year ended

31st December 2002

Accounting class

Transport

				Company registration number	GL/UK/C	· M	eriod end	ed	Units	cli	counting ass/ immary
			R20	999757	GL	31	12	2002	£000		5
						This fir		Previo	us year	Sc	urce
Items to be sh	owr	net of reinsurance				ye 1			2	Form	Line
	Earr	ned premium			11					21 .	19 . 5
į	Clai	ms incurred			12					22 .	17 . 4
	Clai	ms management costs			13					22 .	18 . 4
This year's underwriting	Adju	stment for discounting	···		14					22 .	52 . 4
(accident year accounting)	Incr	ease in provision for une	xpired ris	ks	15					22 .	19 . 4
		er technical income or ch cified by way of supplem			16						
•	Net	operating expenses	-		17		5		8	22 .	42 . 4
	Bala	ance of year's underwriting	ng (11-12	-13+14-15+16-1	7) 19		(5)		(8)		
	Ear	ned premium		 _	21					21 .	11 . :
	Clai	ms incurred			22		(168)		159	22 .	13 . 4
Adjustment for	Clai	ms management costs			23					22 .	14 . 4
prior years' underwriting	Adj	ustment for discounting			24					22 .	51 . 4
(accident year accounting)		er technical income or cl cified by way of supplem			25						
	Net	operating expenses			26				*	22 .	41 .
	Bal	ance (21-22-23+24+25-2	6)	· · · · · · · · · · · · · · · · · · ·	29	-	168	 	(159)		
		Per Form 24			31					24 .	69. 99-
Balance from underwriting ye accounting	ar	Other technical income be specified by way of			to 32						
J		Total			39						
Balance of all y	ears'	underwriting (19+29+39)		49		163		(167)		
Allocated inves	tmen	t return			51			 			
Transfer to non-	-techi	nical account (49+51)			59		163		(167)		

Printed 25th MAR 03 at 17:50

Name of insurer

BAE SYSTEMS (Insurance) Limited

Global business

Financial year ended

31st December 2002

Accounting class

Property

				Company registration number	GL/UK/	CM	eriod end	led year	- Units	¢	ccoun lass/ umma	•
		<u> </u>	R20	999757	GL		12	2002	£000		6	
			<u>. </u>	<u> </u>	<u></u>	1	nancial	Previo	us year	S	ource	-
Items to be sl	now	n net of reinsurance					ear 1		2	Form	Line	Column
	Ear	ned premium			11		28		64	21	. 19 .	5
	Cla	ims incurred			12					22	. 17 .	4
	Cla	ims management costs			13		,			22	. 18 .	4
This year's underwriting	Adj	ustment for discounting			14					22	. 52 .	4
(accident year accounting)	inci	rease in provision for une	xpired ris	ks	15					22	. 19 .	4
		er technical income or ch cified by way of supplem			16							
	Net	operating expenses			17		42		63	22	. 42 .	4
	Bal	ance of year's underwritir	ng (11-12	-13+14-15+16-1	7) 19		(14)		1			
	Ear	ned premium			21					21	. 11 .	5
	Cla	ims incurred			22		(345)		(238)	22	. 13 .	4
Adjustment for	Cla	ims management costs			23					22	. 14 .	4
prior years' underwriting	Adj	ustment for discounting			24					22	. 51 .	4
(accident year accounting)		er technical income or checified by way of supplem			25							
	Net	operating expenses			26					22	. 41 .	4
	Bal	ance (21-22-23+24+25-2	6)	<u> </u>	29		345		238			
		Per Form 24			31					24 .	69. 9	9-99
Balance from underwriting yea accounting	ar :	Other technical income be specified by way of s			to 32					**		
		Total			39							
Balance of all ye	ears'	underwriting (19+29+39)			49		331		239	•		
Allocated invest	men	t return			51						·	
Transfer to non-	techi	nical account (49+51)			59		331		239			

Printed 25th MAR 03 at 17:50

Name of insurer

BAE SYSTEMS (Insurance) Limited

Global business

Financial year ended

31st December 2002

Accounting class

Miscellaneous and pecuniary loss

				Company registration number	GL/UM	(/CM		eriod end	ed year	Units	c	ccour lass/ umma	-
			R20	999757	GI	L.	31	12	2002	£000		8	
			L	<u> </u>	!			nancial	Previo	ıs year	s	ource	
Items to be sh	owr	net of reinsurance					ye 1			2	Form	Line	Column
	Ear	ned premium		······································	1	1		14		32	21	. 19	. 5
	Clai	ms incurred		· · · · · · · · · · · · · · · · · · ·	1:	2		-			22	. 17	. 4
	Clai	ms management costs	<u>-</u>	-	1:	3					22	. 18	. 4
This year's underwriting	Adju	ustment for discounting			1.	4					22	. 52	. 4
(accident year accounting)	Incr	ease in provision for une	xpired ris	ks	1:	5					22	. 19	. 4
		er technical income or cl cified by way of supplem			1	6							
	Net	operating expenses			1	7		20		31	22	. 42	. 4
	Bala	ance of year's underwriti	ng (11-12	-13+14-15+16-1	7) 1	9		(6)		1			
	Ear	ned premium			2	1					21	. 11	. 5
	Cla	ims incurred			2	2		19		(1)	22	. 13	. 4
Adjustment for	Cla	ims management costs			2	3					22	. 14	. 4
prior years' underwriting	Adj	ustment for discounting			2	4					22	. 51	. 4
(accident year accounting)		er technical income or c cified by way of supplem			2	5							
	Net	operating expenses			2	6					22	. 41	. 4
	Bal	ance (21-22-23+24+25-2	26)		2	9	-	(19)		1			
		Per Form 24			3	1					24	69.	99-99
Balance from underwriting year accounting	ar	Other technical income be specified by way of			; to 3	2							
J		Total	·		3	9							
Balance of all y	ears'	underwriting (19+29+39)		4	9	~-	(25)		2			
Allocated inves	tmen	t return			5	1	····			~			
Transfer to non-	tech	nical account (49+51)		 _	5	9		(25)		2			

General insurance business (accident year accounting) : Analysis of premiums

BAE SYSTEMS (Insurance) Limited Name of insurer

Global business

31st December 2002 Financial year ended

Accounting class

Accident and health

						Company registration	פו הואנונש	Per	Period ended		Infe	Accounting
				l		number	GEORGIN	day m	month y	year	2005	2000
					R21	999757	GL	31	12	2002	€000	-
			Gross premiums written	Iten	Reinsu	Reinsurers' share		_	Vet of rei	Net of reinsurance		
Premiums receivat	Premiums receivable during the financial year	L	Earned in previous financial years		Earne	Earned in previous financial years			Earned i	Earned in previous financial years 5		
In respect of risks incepted in previous financial years		=										
			Earned in this financial year	Unearned at end of this financial year	Ear	Earned in this financial year	Unearned at end of this financial year	id of ear	Earner	Earned in this financial year	Unearne this fin	Unearned at end of this financial year
			-	7		8	4			ĸ		9
In respect of risks incepted in previous financial years		12										
	For periods of less than 12 months	13				:		<u> </u>				
In respect of risks incepted in this financial year	For periods of 12 months	14										
	For periods of more than 12 months	15								-		
Premiums receivable (less rebates a previous financial years not earned brought forward to the financial year	and refunds) in in those years and	16										
Total (12 to 16)	-	19										

General insurance business (accident year accounting) : Analysis of premiums

BAE SYSTEMS (Insurance) Limited Name of insurer

Global business

31st December 2002 Financial year ended

Accounting class

Aviation

Accounting class	Aviation					Company					
					,	registration number	GL/UK/CM	Period er day month	Period ended month year	Units	Accounting class
				<u> </u>	R21	999757	GL		12 2002	£000	3
			Gross premiums written	ten	Reinsu	Reinsurers' share		Ne Ne	Net of reinsurance		
Premiums receival	Premiums receivable during the financial year	<u> </u>	Earned in previous financial years		Earnex	Earned in previous financial years		Ш	Earned in previous financial years 5		
In respect of risks incepted in previous financial years		=									
			Earned in this financial year	Unearned at end of this financial year	Earr	Earned in this financial year	Unearned at end of this financial year	1 of iar	Earned in this financial year	Unearn this fin	Unearned at end of this financial year
			-	ભ		е	4		co.		9
in respect of risks incepted in previous financial years		12				*			! !		
	For periods of less than 12 months	13									
In respect of risks incepted in this financial year	For periods of 12 months	4									
and year	For periods of more than 12 months	15									
Premiums receivable (less rebates a previous financial years not earned is brought forward to the financial year	ind refunds) in n those years and	16									
Total (12 to 16)		19									

General insurance business (accident year accounting) : Analysis of premiums

BAE SYSTEMS (Insurance) Limited Name of insurer

Global business

31st December 2002 Financial year ended

Accounting class

Transport

					.	Company registration number	GL/UK/CM	Period er	힐	year	Units	Accounting class
	"			[R21	999757	В	31	12	2002	0003	æ
			Gross premiums written	ten	Reinsu	Reinsurers' share			Net of re	Net of reinsurance		
Premiums receival	Premiums receivable during the financial year		Earned in previous financial years		Earne	Earned in previous financial years			Earned	Earned in previous financial years 5		
In respect of risks incepted in previous financial years	ncepted in previous	11								! 		
			Earned in this financial year	Unearned at end of this financial year	Ear	Earned in this financial year	Unearned at end of this financial year	nd of ear	Earne	Earned in this financial year	Unearne this fin:	Unearned at end of this financial year
		· ·	-	N		m	4			ស		9
In respect of risks incepted in previous financial years	rcepted in previous	12										
	For periods of less than 12 months	5										
In respect of risks incepted in this financial year	For periods of 12 months	14										
	For periods of more than 12 months	15										
Premiums receivable previous financial yrebrought forward to the	Premiums receivable (less rebates and refunds) in previous financial years not earned in those years and brought forward to the financial year	16										
Total (12 to 16)		19										

General insurance business (accident year accounting) : Analysis of premiums

Name of insurer BAE SYSTEMS (Insurance) Limited

Global business

Financial year ended 31st December 2002

Accounting class Pr

Property

Accounting class	Property				•	Company registration		Per	Períod ended			Accounting
				l		number	GL/UK/CM	day	month y	year	Units	class
					R21	999757	GL	33	12	2002	£000	9
			Gross premiums written	ten	Reinst	Reinsurers' share			Net of rei	Net of reinsurance		
Premiums receivak	Premiums receivable during the financial year		Earned in previous financial years		Earne	Earned in previous financial years			Earned i	Earned in previous financial years 5		
In respect of risks incepted in previous financial years		=										
			Earned in this financial year	Unearned at end of this financial year	Ear	Earned in this financial year	Unearned at end of this financial year	d of	Earne	Earned in this financial year	Unearne this fina	Unearned at end of this financial year
			-	64		3	4	—,-,. 		23		в
In respect of risks incepted in previous financial years		12				(28)				28		
	For periods of less than 12 months	13			·						,	
In respect of risks incepted in this	For periods of 12 months	4			:							
marcial year	For periods of more than 12 months	15					7					
Premiums receivable (less rebates previous financial years not earned brought forward to the financial year	and refunds) in in those years and	16			-		ļ					
Total (12 to 16)	1	19				(28)				28		

General insurance business (accident year accounting) : Analysis of premiums

Name of insurer BAE SYSTEMS (Insurance) Limited

Global business

Financial year ended 31st December 2002

Accounting class Miscellaneous and pecuniary loss

					,	Company registration number	GL/UK/CM	Period er day month	ğ	year	Units	Accounting
					R21	999757	15	31	<u> </u>	2002	£000	8
		9	Gross premiums written	ten	Reinsu	Reinsurers' share		<u> </u>	Net of rei	Net of reinsurance		
Premiums receival	Premlums receivable during the financial year		Earned in previous financial years		Earne	Earned in previous financial years			Earned in	Earned in previous financial years 5		
In respect of risks incepted in previous financial years		7										
		 	Earned in this financial year	Unearned at end of this financial year	Ear	Earned in this financial year	Unearned at end of this financial year	d of sar	Earned	Earned in this financial year	Unearne this fine	Unearned at end of this financial year
				2		6	4			rs		g.
In respect of risks incepted in previous financial years		12				(14)				14		
	For periods of less than 12 months	6										
In respect of risks incepted in this financial year	For periods of 12 months	14										
	For periods of more than 12 months	15						<u> </u>				
Premiums receivable (less rebates a previous financial years not earned i brought forward to the financial year	nd refunds) in n those years and	16										
Total (12 to 16)		19				(14)				14		

Name of insurer

BAE SYSTEMS (Insurance) Limited

Printed 25th MAR 03 at 17:50

Global business

Financial year ended

31st December 2002

Accounting class

Accident and health

		reg	npany istration nber	GL/UK	/см —		iod e		Uni	ts	Accounting class
	R2	22	999757	GI	1	31	12	2002	£01	00	1
			Amount br forward f previous fir year	rom	payable in this	mount /receiva s financ year		Amount car forward to financial y	next	attrib	Amount butable to this ancial year
			1			2		3			4
	Gross amount	11		460		3	37		370	,	(53)
Claims incurred in respect of incidents	Reinsurers' share	12									
occurring prior to this financial year	Net (11-12)	13		460		3	37		370		(53)
ano antonomi year	Claims management costs	14									
	Gross amount	15									
Claims incurred in respect of incidents	Reinsurers' share	16									
occurring in this financial year	Net (15-16)	17						·			<u>-</u>
,	Claims management costs	18								***	
Provision for unexpir	ed risks	19									
	Commissions	21									
	Other acquisition expenses	22		·							
Net operating	Administrative expenses	23					10				10
expenses	Reinsurance commissions and profit participations	24									
	Total (21+22+23-24)	29		•			10			~	10
Adjustments for	Gross amount	31									-, <u></u> -
discounting in respect of the	Reinsurers' share	32									
items shown at lines 11 to 18	Claims management costs	33									
above	Total (31-32+33)	39									
	Prior financial years	41									
Split of line 29	This financial year	42					10				10
0-14-415	Incidents occurring prior to this financial year	S 51							· · · · · ·		
Split of line 39	Incidents occurring in this financial year	52									

Name of insurer

BAE SYSTEMS (Insurance) Limited

Printed 25th MAR 03 at 17:50

Global business

Financial year ended

31st December 2002

Accounting class

Aviation

				pany tration ber	GL/UK	/CM		eriod e monti		Un	its	Accounting class
	F	R22	9	99757	G	L	31	12	2002	£0	00	3
	<u></u>			Amount bro forward fr previous fin year	mo	paya	Amount ble/recei his finan year	vable	Amount ca forward to financial y	next	attrib	Amount utable to this ancial year
				. 1			2		3			4
	Gross amount		11		107			1		38		(68)
Claims incurred in respect of incidents	Reinsurers' share		12		3					3		
occurring prior to this financial year	Net (11-12)		13		104			1		35		(68)
	Claims management costs		14									
	Gross amount		15									
Claims incurred in respect of incidents	Reinsurers' share	J	16									
occurring in this financial year	Net (15-16)		17									
·	Claims management costs		18			<u>-</u>						
Provision for unexpir	ed risks		19									
	Commissions		21			***************************************						
	Other acquisition expenses		22									<u></u>
Net operating	Administrative expenses		23					2				2
expenses	Reinsurance commissions an profit participations	nd	24					i				
	Total (21+22+23-24)		29					2				2
Adjustments for	Gross amount		31									
discounting in respect of the	Reinsurers' share		32									
items shown at lines 11 to 18	Claims management costs		33							_		
above	Total (31-32+33)		39									
C-Ph of Ear 00	Prior financial years		41									
Split of line 29	This financial year		42					2				2
Split of line 20	Incidents occurring prior to the financial year	is	51									
Split of line 39	Incidents occurring in this financial year		52									

Name of insurer

BAE SYSTEMS (Insurance) Limited

Printed 25th MAR 03 at 17:50

Global business

Financial year ended

31st December 2002

Accounting class

Transport

				pany stration ber	GL/UK	/CM		eriod ei month		Ųni		Accounting class
		R22	g	99757	GI		31	12	2002	£0	00	5
	· ·		<u>!</u>	Amount bro forward for previous fin year	om		Amount ble/recei this finar year	vable	Amount car forward to r financial ye	next	attribu	mount table to this ncial year
				1			2		3			4
	Gross amount		11	, .	1243		2	238		162		(843)
Claims incurred in respect of incidents	Reinsurers' share		12		994			190		129		(675)
occurring prior to this financial year	Net (11-12)		13		249			48		33		(168)
ano manoiar y oar	Claims management costs		14									
	Gross amount	, ,,,,,,,	15									• • • • • • • • • • • • • • • • • • • •
Claims incurred in respect of incidents	Reinsurers' share		16								······································	,,, <u>, , , , , , , , , , , , , , , , , </u>
occurring in this financial year	Net (15-16)		17									
, , , , , , , , , , , , , , , , , , ,	Claims management costs	-,	18									
Provision for unexpir	red risks		19		·····							
	Commissions		21									
	Other acquisition expenses		22									
Net operating	Administrative expenses	<u> </u>	23					5				5
expenses	Reinsurance commissions profit participations	and	24								·····	
	Total (21+22+23-24)		29					5	:			5
Adjustments for	Gross amount		31									
discounting in respect of the	Reinsurers' share		32									· · · · ·
items shown at lines 11 to 18	Claims management costs		33									
above	Total (31-32+33)		39						·			
	Prior financial years		41									• •
Split of line 29	This financial year		42		·			5				5
0-14-61	Incidents occurring prior to financial year	this	51		····				-	i	· · · · · ·	
Split of line 39	Incidents occurring in this financial year		52									

Name of insurer

BAE SYSTEMS (Insurance) Limited

Printed 25th MAR 03 at 17:50

Global business

Financial year ended

31st December 2002

Accounting class

Property

				pany stration	GL/UK	/CM		riod e		Uni	ite	Accounting
		R22	1	99757	GI		day 31	month	2002	£0		class 6
			1	Amount bro forward for previous fin year	ought rom	payal	Amount ole/recei his finan year	/able	Amount ca forward to financial y	mied next	attrib	Amount utable to this ancial year
				1			2		3			4
	Gross amount		11	- (6233		14	65	2	828		(1940)
Claims incurred in respect of incidents	Reinsurers' share		12	4	1898		11	31	2	172		(1595)
occurring prior to this financial year	Net (11-12)		13		1335		3	34		656		(345)
and manda year	Claims management costs		14									
	Gross amount		15									· · · · · · · · · · · · · · · · · · ·
Claims incurred in respect of incidents	Reinsurers' share		16								****	
occurring in this financial year	Net (15-16)		17					_				
,	Claims management costs		18			•.						
Provision for unexpir	red risks		19									
	Commissions		21		-							····
į	Other acquisition expenses		22				·					
Net operating	Administrative expenses		23					42				42
expenses	Reinsurance commissions a profit participations	nd	24				<u></u>					
	Total (21+22+23-24)		29					42				42
Adjustments for	Gross amount	_ <u></u> -	31									
discounting in respect of the	Reinsurers' share		32								\.	· · · · · · · · · · · · · · · · · · ·
items shown at lines 11 to 18	Claims management costs		33									
above	Total (31-32+33)		39									
0-14-41: 00	Prior financial years		41									
Split of line 29	This financial year		42					42				42
O-84 -6 8 00	Incidents occurring prior to the financial year	nis	51						·			
Split of line 39	Incidents occurring in this financial year	· · · · · · · · · · · · · · · · · · ·	52									

Name of insurer

BAE SYSTEMS (Insurance) Limited

Printed 25th MAR 03 at 17:50

Global business

Financial year ended

31st December 2002

Accounting class

Miscellaneous and pecuniary loss

		reg	mpany istration nber	GL/UK	VCM		eriod er month	nded year	· Uni		ccounting
	R2	22	999757	G	L	31	12	2002	£00	00	8
		<u></u> .	forwar previous	brought d from financial ear		Amount ble/recei this finan year	vable	Amount ca forward to financial	next	attribut	nount able to this cial year
				1		2		3			4
	Gross amount	11		112		1	00		106		94
Claims incurred in respect of incidents	Reinsurers' share	12		90			80		85		75
occurring prior to this financial year	Net (11-12)	13		22			20		21		19
and marioral year	Claims management costs	14									
	Gross amount	15									
Claims incurred in respect of incidents	Reinsurers' share	16									
occurring in this financial year	Net (15-16)	17						·			
a.r.ə.a.r.your	Claims management costs	18									
Provision for unexpir	red risks	19									
	Commissions	21				<u></u>					
	Other acquisition expenses	22	!								
Net operating	Administrative expenses	23					20			****	20
expenses	Reinsurance commissions and profit participations	d 24									
	Total (21+22+23-24)	29					20	<u> </u>			20
Adjustments for	Gross amount	31									
discounting in respect of the	Reinsurers' share	32	?							<u> </u>	
items shown at lines 11 to 18	Claims management costs	33	3								•
above	Total (31-32+33)	39)								
0 111 611 00	Prior financial years	41									
Split of line 29	This financial year	42	2				20	· <u></u>			20
Cally of the - 00	Incidents occurring prior to this financial year	s 5	1								-
Split of line 39	Incidents occurring in this financial year	52	2					-			<u>. 101</u>

General insurance business (accident year accounting) : Analysis of net claims and premiums

BAE SYSTEMS (Insurance) Limited Name of insurer

Global business

31st December 2002 Financial year ended

	3	• •	3 (3) December 2002	7007						Company		Perlod	Perlod ended		Accounting
Accounting class	class	⋖	Accident and health	nd nealth						number	GL/UK/CM	day	ıth year	Units	class
									R23	999757	GL	31	12 2002	£000	~
Accident year ended	ar ended		Claims paid (net) during		Total claims paid (net)	Claims paid (net) during		Claims outstanding carried forward	Claims outstanding brought forward	nding brought ard	Balance on each accident	Deduction for discounting	Earned premiums	Deterioration/ (surplus) of	Claíms ratio %
				(net) as at end of the accident year	since the end of the accident year,	this linancial year	Reported (net)	not an	Reported (net)	<u>5</u> 5	year (4+5+6-7-8)	outstanding carried	(net)	ofiginal reserve %	·
Month	Year				this financial			(net)		(vet)	-	(net)			
			-	7	m	4	S.	φ.	1	80	G	10	=	12	13
12	2002	11													
12	2001	12													
12	2000	13	583	37	786	3	33		33		3		1409	2121.6	99.7
12	1999	14	663	208	35	4	286		345		(55)		1370	56.3	72.1
12	1998	15	1429	232	367								1387	58.2	129.5
12	1997	16	505	330	982		51		51				1372	213.0	111.9
12	1996	17	926	522	510								1328	(2.3)	108.1
12	1995	18	908	495	561	30			31		(1)		1286	19.4	108.6
12	1994	19	540		234								1143		67.7
12	1993	20													
Prior accident years	ent years	21													
Reconciliation	lion	22													
Total (11 to 22)	, 22)	29				37	370		460		(23)				

General insurance business (accident year accounting) : Analysis of net claims and premiums

BAE SYSTEMS (Insurance) Limited Name of insurer

Global business

31st December 2002 Financial year ended

	•	;							Company registration			Period ended			Accounting
Accounting class	4	Aviation							number	GL/UK/CM	day) k	ar	Units	class
								R23	999757	GL	33	12 2	200	0003	3
ar ended				Total claims paid (net)	Claims paid (net) during	Claims outsta forw	inding carried	Claims outstar forw	·		Deduction for discounting from claims				Claims ratio %
				since the end of the	mis inatical year	Reported (net)	Incurred but	Reported (net)		(4+5+6-7-8)	outstanding			reserve %	
Year				accident year, but prior to this financial year			not reported (net)		(net)		forward (net)			\$	
		-	a	m	4	Ş	9	7	8	6	10			12	13
2002	7														
2001	12														
2000	13												217		
1999	14		400	141									540	(64.7)	26.1
1998	15		100	132	_			29		(99)			292	33.0	23.5
1997	16		561	811						-			593	44.6	136.8
1996	17		86	130		35		37		(2)			673	68.4	24.5
1995	18		331	282									673	(14.8)	41.9
1994	19		178	156									393	(12.4)	39.7
1993	20			21								200000000000000000000000000000000000000			
nt years	21														
uc	22														
22)	29				-	35		104		(68)					
	Accident year ended 12 2002 12 2000 12 1999 12 1997 12 1995 12 1995 12 1993 Prior accident years Reconciliation Total (11 to 22)	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Jed (net) during the accident year year 11 12 11 12 11 12 11 12 11 12 11 12 11 12 11 12 11 12 11 12 11 12 11 12 11 12 11 12 12	1ed (net) during outstanding the accident (net) as at end of the year accident year accident year 11 12 100 14 100 15 16 15 16 561 17 98 15 18 331 17 18 20 22 22	Jed Claims paid Claims (net) during outstanding the accident (net) as at end so of the year accident year.	Claims paid Claims Total claims Total claims Cl	Claims paid (Claims paid (net) during outstanding paid (net) during the accident (net) as at end since the end this financial heaction (net) during the accident (net) as at end since the end this financial heaction (net) during the accident year accident year accident year accident year accident year accident year. Reference Put prior to this financial hyear Put prior to this financial year Put prior to this financial year Put prior to this financial year Put prior to this financial Put prior to	Caims paid Claims Claims	Calinrs paid	The continue of the continue	Section Color Co	Transference Tran	Column C	The accident (real) start and start and the start and th	Column C

General insurance business (accident year accounting) : Analysis of net claims and premiums

BAE SYSTEMS (Insurance) Limited Name of insurer

Global business

31st December 2002 Financial year ended

Company Acc

Accounting class	class	Ĭ	Transport							Company registration number	GL/UK/CM	day	Period ended month year	— Units	Accounting class
									R23	999757	J _D	31	<u> </u>	0003	5
Accident year ended	ar ended	-	Claims paid (net) during	Claims outstanding	Total claims paid (net)	Claims paid (net) during	Claims outsta forw	Claims outstanding carried forward	Claims outstanding brought forward		Balance on each accident	Deduction for discounting		Deterioration/ (surplus) of	Claims ratio %
Month	Year		year				Reported (net)	Incurred but not reported (net)	Reported (net)	Incurred but not reported (net)	year (4+5+6-7-8)	carried forward (net)		reserve %	
		_	4	8	e	4	ĸ	8		ω,	o,	10	Ξ	12	13
12	2002	Ε													
12	2001	12													
12	2000	13		88	τ-	41	19		235		(175)		148	(31.5)	41.2
12	1999	14	2	15	13	7	14		14	-	7		150	126.7	24.0
12	1998	15		72	63								118	(12.5)	53.4
12	1997	16		4	6								130	125.0	6.9
12	1996	17		~	က							_	163	200.0	1.8
12	1995	18		26	8						:		197	(69.2)	4.1
12	1994	19			3								53		5.7
		20													
Prior accident years	int years	21									-				
Reconciliation	no	22						-							
Total (11 to 22)	22)	59				48	33		249		(168)				

General insurance business (accident year accounting) : Analysis of net claims and premiums

BAE SYSTEMS (Insurance) Limited Name of insurer

Global business

31st December 2002 Financial year ended

rinandal year ended	ar ended		31st December 2002	nber zuuz						Company			7		Accounting
Accounting class	dass	<u></u>	Property							registration number	GL/UK/CM	day	renog enged month year	Units	class
									R23	999757	ЭЭ	31 1	12 2002	£000	9
Accident year ended	ır ended		Claims paid (net) during	Claims	Total claims paid (net)	Claims paid (net) during		Claims outstanding carried forward	Claims outstanding brought forward	tstanding brought forward	Batance on each accident	Deduction for discounting from claims	Earned premiums	Deterioration/ (surplus) of	Claims ratio %
			the accident year	(net) as at end of the		this financial year	Reported (net)	Incurred but	Reported (net)	Incurred but	year (4+5+6-7-8)	outstanding carried	(pil.)	reserve %	
				accident year	but prior to			(net)		(uet)		forward (net)		:	
Month	Year				year										
			~	8	ಣ	4	co.	ອ	7	8	6	10	11	12	13
12	2002	11													
12	2001	12													
12	2000	13	25	944	331	289	191	100	607	100	(127)		1292	(3.5)	74.9
12	1999	14	720	1282	255	3	362		625		(260)		1019	(51.6)	131.5
12	1998	15	83	295	84	2					2		1136	(84.8)	14.9
12	1997	16	7	628	87		ဗ		8				1144	(85.7)	8.5
12	1996	17	552	1854	1288								1253	(30.5)	146.8
12	1995	18	38	1474	1515	40					40		1687	5.5	94.4
12	1994	19		367	46								534	(87.5)	8.6
12	1993	20			,								350		
Prior accident years	nt years	21													
Reconciliation	Ē	22													
Total (11 to 22)	22)	29				334	556	100	1235	100	(345)				

General insurance business (accident year accounting) : Analysis of net claims and premiums

BAE SYSTEMS (Insurance) Limited Name of insurer

Global business

31st December 2002 Financial year ended

r mancial y	rillaliciai year erided	3	isi Deceli	sist December 2002						Company					•	1
Accounting class	ı class	Σ	iscellane	ous and pe	Miscellaneous and pecuniary loss	SS				registration number	GL/UK/CM	day	Period ended month year		Units cl	class
									R23	999757	GL	3,1	12 20	2002	0003	∞
Accident year ended	ear ended		Claims paid (net) during	Claims	Total claims paid (net)	Claims paid (net) during		Claims outstanding carried forward	Claims outstanding brought forward	nding brought ard	le ut	Deduction for discounting	_ <u> </u>	!	<u> </u>	Claims ratio %
			ine accident	(net) as at end of the accident year	since the end of the accident year, but prior to	uns imanciai year	Reported (net)	incurred but not reported (net)	Reported (net)	Incurred but not reported (net)	year (4+5+6-7-8)	carried forward	(neu)	.	original reserve %	
Month	Year				this financial year							(net)		<u>.</u>		
	_		-	N	67	₹	ß	Ģ	7	8	6	10	=======================================		12	13
12	2002	Ξ														
12	2001	12				_										
12	2000	13		20	1	20	19		20		19		9	624	100.0	6.4
12	1999	14	09	42	80		2		2				4	481	95.2	29.5
12	1998	15	18	70									2	530 (1	(100.0)	3.4
12	1997	16		38	15								5	544 ((60.5)	2.8
12	1996	17	46	400	1028								9	627 1	157.0	171.3
12	1995	8	10		550								80	838		66.8
12	1994	19			6								2	261		3.4
12	1993	20												173		
Prior accident years	lent years	21														
Reconciliation	tion	22										j				
Total (11 to 22)	0 22)	29				20	21		22		19					

Additional information on general insurance business: major treaty reinsurers required by rule 9.25

Name of insurer

BAE SYSTEMS (Insurance) Limited

Global business

Financial year ended

Reinsurer details	Connection	Proportional Reinsurance Treaties	Non Proportional Reinsurance Treaties	Debts outstanding included at F13L75	Deposits received included at F15L31	Anticipated recoveries	Comments
As required by Rule 9.25:							
Rule 9.25: Para 1(a))	(Para 1(b))	(Para 1(c)(i))	(Para 1(c)(ii))	(Para 1(d))	(Para 1(e))	(Para 1(f))	
		£000	£000	£000	£000	£000	<u>-</u>
here are no major							
eaty reinsurers							
					1		
		•					
		:					
					ļ		•
					•	l i	
						ļ	
				1	1		

Additional information on general insurance business: major facultative reinsurers required by rule 9.26

Name of insurer

BAE SYSTEMS (Insurance) Limited

Global business

Financial year ended

Reinsurer details	Connection	Reinsurance premiums payable	Debts outstanding included at F13L75	Deposits received included at F15L31	Anticipated recoveries	Comments
As required by						
Rule 9.26: (Para 1(a))	(Para 1(b))	(Para 1(c))	(Para 1(d))	(Para 1(e))	(Para 1(f))	
		£000	£000	£000	£000	
Munich Re	None		20		205	
London						
UK						
AXA (GRE) UK Ltd 66 King William Street London EC4 7BU UK	None		36		92	
BAE SYSTEMS Insurance (Overseas) Limited 44 Athol Street Douglas Isle of Man IM1 1JB Isle of Man	Related		142		2088	

Information on major general insurance business: reinsurance cedants required by rule 9.27

Name of insurer

BAE SYSTEMS (Insurance) Limited

Global business

Financial year ended

Cedant details	Connection	Premiums receivable	Deposits made included at F13L57	Debts outstanding included at F13L74	Comments
As required by Rule 9.27;					
Rule 9.27; (Para 1(a))	(Para 1(b))	(Para 1(c))	(Para 1(d))	(Para 1(e))	
		£000	£000	£000	
There are no major business cedants					
There are no major business cedants					
	_				
	·				
					•
					+

General insurance business (accident year accounting) : Analysis of gross claims and premiums by risk group for direct insurance and facultative reinsurance

Printed 25th MAR 03 at 17:50

BAE SYSTEMS (Insurance) Limited Name of insurer

Global business

Accounting class Accident and health

Sterling Currency

694.4 646,6 85.0 75.2 Claims ratio % Accounting class Ξ Gross earned premiums 26 360 479 72 58 32 Country ₹ 9 Monetary units Balance for each accident year (4+5+6-7-8) 000 Φ 2002 day month year Incurred but not reported Gross claims outstanding brought forward Period ended 12 8 31 Reported **GL/UK/CM** 딩 Gross claims outstanding carried forward Incurred but not reported 999757 Company registration number 9 Reported R31 In this financial year Gross claims paid In previous financial years 500 375 360 Closed at some Reported claims cost during this outstanding or previous financial years 2 Number of claims 31st December 2002 175 200 Medical 7 13 4 5 16 8 49 Ţ 29 7 7 29 39 1995 2002 2000 1999 1998 1996 1993 2001 1994 1997 Accident year ended Year Financial year ended Line 29 expressed in sterling Prior accident years Total (11 to 21) Risk group Month 12 12 72 12 2 42 12 12 12 7,2

Printed 25th MAR 03 at 17:50

BAE SYSTEMS (Insurance) Limited

Accounting class Accident and health

Sterling

Currency

Global business

Name of insurer

31st December 2002 Financial year ended

Accounting Monetary Country Period ended GL/UK/CM Company registration

Risk group		Me	Medical Overseas	as				number	GL/UK/CM day	month	year units	s Country	class	F
							R31	999757	GL 31	12	2002 000	O AA	-	
Accident year ended	r ended		Number	Number of claims	Gross claims paid	ims paid	Gross claims of	Gross claims outstanding carried forward	Gross claims outstanding brought forward	tstanding broug vard	<u> </u>	r Gross earned nt premiums	1 Claims ratio %	
			Closed at some	Reported claims	In previous	In this financial	Reported	Incurred but not	Reported	Incurred but not	ot (4+5+6-7-8)			
Month	Year		cost during this or previous financial years	outstanding	financial years	year		еропеа		paloda				
			<u>.</u>	2	8	4	ئ	9	7	80	σ	- 10	11	Г
12	2002	7												
12	2001	12					i 							
12	2000	13	16	4	29	3	33		33			3 54	1 120.4	
12	1999	14	34		14							59	3 23.7	1
12	1998	15	25		28							09	7 46.7	
12	1997	16	28		9							70	9.8	
12	1996	17	26		10							0.2) 14.3	1
12	1995	18	23		13							70	18.6	1
12	1994	19						,					9	_
		20												133
Prior accident years	ears	21												38 88 P
Total (11 to 21)		29		4		3	33		33			3		
Line 29 expressed in sterling	sed in	30				က	33		33			3		**********

Printed 25th MAR 03 at 17:50

General insurance business (accident year accounting) : Analysis of gross claims and premiums by risk group for direct insurance and facultative reinsurance

Name of insurer

BAE SYSTEMS (Insurance) Limited

Accounting class Accident and health

Sterling

Currency

Global business

31st December 2002 Financial year ended

Accounting class Country Monetary units UUU 34 12 2002 GL/UK/CM Period ended Company registration number 999757 R34 Loss of Licence Risk group

						K31	767666	- GF	31 12 20	2002	AA	_
Accident year ended		Number	Number of claims	Gross claims paid	ims paid	Gross claims o	Gross claims outstanding carried forward	Gross claims	Gross claims outstanding brought forward		Gross earned premiums	Claims ratio %
Month Year		Closed at some cost during this or previous financial years	Reported claims outstanding	In previous financial years	In this financial year	Reported	Incurred but not reported	Reported	Incurred but not reported	(4+5+6-7-8)		-
		1	2	3	4	5	9	7	88	6	10	11
12 2002	2 11											
12 2001	1 12											
12 2000	0 13	7		1340							1319	101.6
12 1999	9 14	4	3	434	4	286		345	10	(22)	1290	56.1
12 1998	8 15	6		1393							1304	106.8
12 1997	7 16	10	-	1478		51		51			1295	118.1
12 1996	6 17	6		1446							1280	113.0
12 1995	5 18	10		1048	30			31		(1)	847	127.3
12 1994	4 19	က		414							200	59.1
12 1993	3 20											
Prior accident years	21											
Total (11 to 21)	29		4		34	337		427	_	(99)		
Line 29 expressed in sterling	30				34	337		427		(56)		

Printed 25th MAR 03 at 17:50

BAE SYSTEMS (Insurance) Limited

Accounting class Aviation

Sterling

Currency

Global business

Name of insurer

Financial year ended	31st December 2002	2002				Company					,		
						registration	10000	Per	Period ended		netary	Country	Accounting
Risk group	Aircraft					number	S L D K/C M	day m	day month year		units	ł	class
					R31	999757	GL 31 12 2002	31	12		000	Ą	က
Accident year ended	Number	Number of claims	Gross da	Gross claims paid	Gross claims	Gross claims outstanding carried Gross claims outstanding brought Balance for Gross earned forward forward forward forward	Gross claims	outstand	ling brou	ght Balance for each accide	e for Codent	sross earned premiums	Claims ratio %
	Closed at some	Closed at some Reported claims In previous	In previous	In this financial	Reported	Reported Incurred but not Reported Incurred but not (4+5+6-7-8)	Reported	lnca	surred but	not (4+5+6-	-7-8)		

Accident year ended		Number	Number of claims	Gross claims	ims paid	Gross claims ou forw	Gross claims outstanding carried forward		Gross claims outstanding brought forward	Balance for each accident vear	Gross earned premiums	Claims ratio %
Month		Closed at some cost during this or previous financial years	Reported claims outstanding	In previous financial years	In this financial year	Reported	Incurred but not reported	Reported	Incurred but not reported	(4+5+6-7-8)		
		-	N	8	4	5	9	7	æ	6	10	11
12 2002	11											
12 2001	12											
12 2000	13										286	
12 1999	4	-		141							200	20.0
12 1998	15	2		132	1			29		(99)	734	18.1
12 1997	16	5	-	811							785	103.3
12 1996	17	9	-	134		35		37		(2)	941	18.0
12 1995	18	9	-	324							1410	23.0
12 1994	19	2		156							693	22.5
12 1993	20	1		21								
Prior accident years	7					3		3				
Total (11 to 21)	29		3		_	38		107		(89)		
Line 29 expressed in sterling	30				~	38		107		(89)		

Printed 25th MAR 03 at 17:50

BAE SYSTEMS (Insurance) Limited

Name of insurer

Accounting class Transport

Sterling

Currency

Global business

31st December 2002 Financial year ended

rinalicial year ended	r ended	378	31st December 2002	Z00Z			ပ 2	Company		Q	Dariod andod	4	Monotone		Angelogies	
Risk group		Ma	Marine Transit				Ē		GL/UK/CM -	day month	5	year	units	Country	class	
							R31	999757	GL	3	12 2	2002	000	₹	ເດ	
Accident year ended	ear ended		Number	Number of claims	Gross claims paid	ims paid	Gross claims ou forv	Gross claims outstanding carried forward	Gross claims outstanding brought forward	outstand forward	ding brough	⊢—		Gross earned premiums	Claims ratio %	
Month	Year		Closed at some cost during this or previous financial years	Reported claims outstanding	In previous financial years	In this financial year	Reported	Incurred but not reported	Reported	Inc	incurred but not reported		(4+5+6-7-8)			
			1	7	က	4	ເດ	æ	~		83		6	10	+	
12	2002	7														
12	2001	12														
12	2000	13	2	2	S	205	94		1175	2			(876)	662	45.9	
12	1999	14	1	1	74	33	89		89	8			33	699	26.2	
12	1998	15	2	1	316									591	53.5	
12	1997	16	2		45									649	6.9	
12	1996	17	2		13									649	2.0	
12	1995	18	4		12									424	2.8	
12	1994	19	2		9					-				88	6.8	
		20														
Prior accident years	t years	21														
Total (11 to 21)	1)	29		4		238	162		1243	3			(843)			
Line 29 expressed in sterling	ssed in	30				238	162		1243	3			(843)			
				The state of the s											The state of the s	

BAE SYSTEMS (Insurance) Limited

Name of insurer

Printed 25th MAR 03 at 17:50

Accounting class Property

Sterling

Currency

Financial year ended

Global business

31st December 2002

Risk g

Accounting	class	9	Claims ratio %
	Country	∀	Gross earned premiums
Monotary	units	000	Balance for sach accident
1	year	31 12 2002	ught B
riod and	day month year	12	nding bro
ď	day	31	ns outstan
	GLUKICM	G.	Gross clain
Company	number	999757	iross claims outstanding carried Gross claims outstanding brought environ
		R31	Gross claims
	•		Gross claims paid
	Household Comprehensive	•	Number of claims
	sk group		

Accident year ended	pel	Number	Number of claims	Gross claims paid	ims paid	Gross claims ou form		Gross claims oul forv	standing brought ard	·	Gross earned premiums	Claims ratio %
Month Year	ar	Closed at some cost during this or previous financial years	Reported claims outstanding	In previous financial years	In this financial year	Reported	Incurred but not reported	Reported	Incurred but not reported	4		
		-	2	3	4	5	9	7	80	6	10	1
12 20	2002	11										
12 20	2001	12										
12 20	2000	13 46	7	32		က		3			112	31.3
12 18	1999	14 39	-	49		12				12	125	48.8
12 16	1998 1	15 54		25							144	39.6
12 16	1997	16 39		22		_					125	17.6
12 16	1995 1	17										
12 16	1994 1	18										
12 19	1993 1	19										
12 16	1992 2	20 38		36								
Prior accident years	21	1										
Total (11 to 21)	2	29	8			15		n		12		
Line 29 expressed in sterling		30				15		3		12		

General insurance business (accident year accounting) : Analysis of gross claims and premiums by risk group for direct insurance and facultative reinsurance

Printed 25th MAR 03 at 17:50

BAE SYSTEMS (Insurance) Limited Name of insurer

Accounting class Property

Sterling

Currency

Financial year ended

Global business

31st December 2002

ınancıaı year ended	papua	S .	31st December 2002	7007				Company registration		P	Period ended	9	Monetary	, control of	Accounting	
isk group		F	All Risks Photographic	graphic				number	GLIUKIUM	day	day month	year	units	Country	class	
							R31	999757	GL	31	12	2002	000	AA	9	
Accident year ended	ar ended		Number of claims	of claims	Gross claims paid	ims paid	Gross claims	Gross claims outstanding carried forward	Gross claims outstanding brought forward	s outstand forward	nding bro	<u> </u>		Gross earned premiums	Claims ratio %	
	7		Closed at some	Closed at some Renorded claims	In previous	In this financial	Reported	Incurred but not	Reported	-	Incurred but not		(4+5+6-7-8)		•	
Month	Year	-	cost during this or previous financial years	outstanding	financial years	year	<u>.</u>	reported			reported				. A7.us	
			Ļ	7	m	4	ဌ	9	7		ω		5	10	17	
12	2002	11														
12	2001	12														

12	2002	7					
12	2001	12					
12	2000	13					
12	1999	14					
12	1998	75					
12	1997	16					
12	1995	17					
12	1994	18					
12	1993	19					
12	1992	20	5	30			
Prior accident years	t years	21					
Total (11 to 21)	1)	29					
Line 29 expressed in sterling	essed in	8					

Printed 25th MAR 03 at 17:50

Accounting class Property

Global business

Name of insurer

BAE SYSTEMS (Insurance) Limited

Currency

Sterling

Financial year ended	31st December 2002			Company		Q.	Pariod anded		Monetany		Accounting
Risk group	Property Damage	-		number	GL/UK/CM	day n	day month year	/ear	units	Country	class
			R31	999757	79	31	31 12 2002	2002	000	ΑA	9
Accident year ended	Number of claims	Gross claims paid	Gross claims	Gross claims outstanding carried Gross claims outstanding brought forward	Gross claims	ns outstand forward	ling brou	jht Balk each	ance for accident year	Balance for Gross earned each accident premiums year	Claims ratio %
								_			

								,					
Accident year ended	ar ended		Number of claims	of claims	Gross claims paid	ims paid	Gross claims ou forw	Gross claims outstanding carried forward	Gross claims ou forv	Gross claims outstanding brought forward	Balance for each accident year	Gross earned premiums	Claims ratio %
Month	Year	····	Closed at some cost during this or previous financial years	Reported claims outstanding	In previous financial years	In this financial year	Reported	Incurred but not reported	Reported	Incurred but not reported	(4+5+6-7-8)		
			-	8	က	4	3	9	7	8	တ	10	1
12	2002	17											
12	2001	12											
12	2000	13	8	7	1783	1445	941	100	3018	100	(632)	5706	74.8
12	1999	14	11	6	4631	17	1756		3096		(1329)	5210	122.8
12	1998	75	12		554	6					6	5910	9.5
12	1997	16	12	8	363		14		14			6062	6.2
12	1996	17	12	-	8965							5670	158.1
12	1995	18	32	2	3386		2		2			3902	86.8
12	1994	19	9		11							1271	6.1
12	1993	20											
Prior accident years	years	21											
Total (11 to 21))	29		22		1465	2713	100	6130	100	(1952)		
Line 29 expressed in sterling	sed in	30				1465	2713	100	6130	100	(1952)		

General Insurance business (accident year accounting) : Analysis of gross claims and premiums by risk group for direct insurance and facultative reinsurance

Printed 25th MAR 03 at 17;50

3.0 2.5 151.8 27.3 75.7 2.4 Claims ratio % Accounting class Accounting class Miscellaneous and pecuniary loss Ξ ω Gross earned premiums 2605 2853 2955 2835 1947 3031 627 Country ₹ 2 Monetary units Balance for each accident year (4+5+6-7-8) 000 94 94 94 o Sterling 2002 day month year Gross claims outstanding brought forward Incurred but not reported Period ended ∞ 7 3 Currency 112 112 7 101 Reported GL/UK/CM 5 Gross claims outstanding carried forward Incurred but not reported Company registration number 999757 9 95 106 106 ~~ Reported R31 ß In this financial year 100 100 100 Gross claims paid In previous financial years 700 4304 1473 5 4 8 77 BAE SYSTEMS (Insurance) Limited က Reported claims outstanding ~ N Number of claims 31st December 2002 Consequential Loss Closed at some F cost during this or previous financial years ~ N N ω 12 13 4 7 16 17 2 19 20 59 30 7 7 2002 2000 1998 1996 1995 1994 1993 1999 2001 Accident year ended 1997 Year Financial year ended Line 29 expressed in Prior accident years Global business Name of insurer Total (11 to 21) Risk group Month 2 2 2 7 5 7 12 7 2 $\frac{7}{2}$ sterling

Certificate required by rule 9.29 of the IPRU (INS)

BAE SYSTEMS (Insurance) Limited

Financial year ended 31st December 2002

Statement of Additional Information on Derivative and Quasi Derivative Contracts.

The Company's Investment Policy does not permit investment in derivatives.

Certificate required by rule 9.30 of the IPRU (INS).

BAE SYSTEMS (Insurance) Limited

Financial year ended 31st December 2002

Statement of Shareholder Controllers

Shareholder Controllers during the course of the year

BAE SYSTEMS plc

The holding of Shareholder Controllers at the end of the year

BAE SYSTEMS plc

100%

Certificate required by rule 9.32 of the IPRU (INS).

BAE SYSTEMS (Insurance) Limited

Financial year ended 31st December 2002

Overview of Reinsurance Protections.

The company ceased underwriting new business on 01 January 2001 and has been in run-off since then.

Prior to 01 January 2001 all business written in Risk Groups 5 and 8 was subject to quota share reinsurance protections: for example in 2000 there was a 80% quota share reinsurance protection purchased from BAE SYSTEMS Insurance (Isle of Man) Limited (70%) [formerly British Aerospace Insurance (Overseas) Limited], a related company, and Munich Re (10%). In addition the significant exposures in Risk Group 6 were subject to the same reinsurance protection.

The period of cover was identical to the inwards insurance.

The maximum exposure of BAE SYSTEMS Insurance Limited during 2000 was £50 million (each and every loss) and £70 million in the aggregate (gross) and thus the maximum probable loss (net of reinsurance) was £10 million (each and every loss), £14 million in the aggregate.

All claims are expected to be paid in full.

BAE SYSTEMS (Insurance) Limited

Financial year ended 31st December 2002

Notes to the Return

0901 Section 148 waivers and Section 68 orders

The Treasury, on the application of the Company, issued to the Company on 9 July 2001 an Order under Section 68 of the Insurance Companies Act 1982. The effect of the Order was to modify the provisions of Schedule 12 to the Insurance Companies Regulations 1994, for the period from the date of the Order to 31 December 2001, by increasing the permitted asset exposure limit and permitted counterparty exposure limit in respect of deposits with the institutions there was substituted a counterparty exposure limit and asset exposure limit of £5,000,000.

The Section 68 Order granted on 9 July 2001 under the Insurance Companies Act 1982 continues to have effect under the transitional arrangements set out in the Supervision Manual. Schedule 12 to the Insurance Companies Regulations 1994 referred to above now exists as IPRU(INS) Appendix 4.2.

At 31st December 2002 the company maintained six bank deposits in the amount of £5 million each. The accrued interest on these deposits (totalling £647k) has been disallowed as an amount exceeding the modified exposure limits.

1001 Reconciliation to Companies Act Accounts

	2 <u>002</u> £'000	2001 £'000
F.13.L.99 F.15.L.59	38,125 15,559	39,294 18,589
Capital and Reserves per Statutory Accounts	<u>22,566</u>	<u> 20,705</u>

1304 Netting

Amounts due to and from the same person have been netted in arriving at certain of the figures on Form 13 and Form 15 to the extent permitted by generally accepted accounting principles.

The investment policy of the Company is to invest in time deposits only up to the limit of the Section 68 Order referred to in 0901 above.

All the time deposits of the company exceed 5 % of the general business amount and they are listed below:

	Value	Maturity	Amount
Banca Di Roma	28/06/02	06/01/03	£5,000,000
Yorkshire Building Society	28/06/02	06/01/03	£5,000,000
Kleinwort Benson Inv man	28/06/02	06/01/03	£5,000,000
National Bank of Abu Dhabi	28/06/02	06/01/03	£5,000,000
Britannia	01/07/02	06/01/03	£5,000,000
Northern Rock	01/07/02	06/01/03	£5,000,000
3I Group	01/10/02	06/01/03	£4,500,000

No provisions for adverse charges has been made. The directors believe that the company has sufficient assets to meet all expected liabilities.

- 1502 (a) There is no charge over assets of the company.
 - (b) There is no potential capital gains tax liability.
 - (c) There are no contingent liabilities.
 - (d) There are no guarantees, indemnities or other contractual commitments effected other than in the ordinary course of insurance business.
- 1700 Form omitted because all entries would be blank.
- 2002 All business is accounted for on an accident year basis and all business is UK business.
- No new contracts of insurance have been effected during the year in Authorisation Classes 4,5 and 18. The date on which such policies were last written is 1993 or earlier for Classes 4 & 18, and June 1999 for Class 5. In addition the company ceased writing new business on 1st January 2001 in all remaining classes.
- 2007 Material connected-party transactions

At the year end, a balance of £11,947,925 in respect of inter-company loan was due to holding company, BAE SYSTEMS Plc.

- 2102 Unearned premiums are calculated on the 365th basis because the number of policies is small and this accurate method can be used.
- 2202 Claims management expenses and all overheads are included within Net Operating Expenses. No claims management expenses are carried forward as the number of claims is small and expenses are not considered material.
- There are no acquisition expenses other than commissions which have been earned on an identical basis to the premium.
- 3701 The company ceased underwriting on 1st January 2001. No equalisation reserves were recorded at 31st December 2002 (nil at 31st December 2001) and Forms 37 and 38 have not been submitted as they would be nil returns.

Returns under the Interim Prudential Sourcebook for Insurers

BAE SYSTEMS (Insurance) Limited

Directors' Certificate required by rule 9.34(a) of the Accounts and Statements Rules

Financial year ended 31st December 2002.

We certify:

- 1. (a) that in relation to the part of this return comprising forms 9 to 13, 15, 16, 20 to 23 and 31 (including the supplementary notes thereto) and the statements required by rules 9.25 to 9.27, 9.29, 9.30 and 9.32:
 - (i) the return has been prepared in accordance with the Accounts and Statements Rules as modified by a waiver dated 9 July 2001 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) that 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 rules 9.25, 9.26 and 9.27; and
 - (c) that in respect of the company's business which is not excluded by rule 7.6, the assets held throughout the financial year in question enabled the company to comply with rules 7.1 to 7.5 (matching and localisation).
 - (d) that proper records have been maintained and adequate information obtained by the insurer for the purpose of the declaration required by rule 9.39 IPRU (INS).
- 2. that the margin of solvency required by rule 2.1 has been maintained throughout the financial year.
- 3. (a) that the systems of control established and maintained by the company in respect of its business complied at the end of the financial year, and it is reasonable to believe that those systems continued to so comply subsequently and will continue to so comply in the future, with the following published guidance:

Guidance Note P.1 – 'Systems and controls over investments of insurers'; Guidance Note P.2 – 'Systems and controls over general business claims provisions';

(b) that the return has been prepared in accordance with the following published guidance:

Guidance Note 4.1 – 'Guidance for insurers and auditors on the Valuation of Assets Rules'; Guidance Note 4.2 - 'Use of derivative contracts in insurance funds; and

Guidance Note 9.1 - 'Preparation of annual returns'.

P W McDonald Chairman

M A Finlayson Director

D S Parkes Secretary

Date

Report of the auditor to the Directors pursuant to rule 9.35 of the Accounts and Statements Rules.

BAE SYSTEMS (Insurance) Limited

Financial year ended 31 December 2002.

This report is made solely to the company's directors, as a body, in accordance with the requirements of rule 9.35 of the Rules. We acknowledge that the directors are required to submit this report to the FSA, to enable the FSA to verify that an auditor's report has been commissioned by the company's directors and issued in accordance with the requirements of rule9.35 of the Rules and to facilitate the discharge by the FSA of its regulatory functions in respect of the company, conferred on the FSA by or under the Financial Services and Markets Act 2000. Our audit work has been undertaken so that we might state to the company's directors those matters we are required to state to them in an auditor's report issued pursuant to rule 9.35 of the Rules and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's directors as a body, for our audit work, for this report, or for the opinions we have formed.

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

- Forms 9 to 13, 15 to 16 and 20 to 23 and 31(including the supplementary notes thereto) ('the Forms');
- the statements required by rules 9.25, 9.26, 9.27, and 9.29 on pages 32,33,34 & 44 ('the statements'); and
- the certificate signed in accordance with rule 9.34(a) on page 49 ('the certificate').

In the case of the certificate, our examination did not extend to paragraph 1 in relation to the statements required by rules 9.30 and 9.32, 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 certificate) under the provisions of the Rules. The requirements of the Rules have been modified by a waiver issued under section 68 of the Insurance Companies Act 1982 on 9 July 2001. Under rule 9.11 the Forms and statements are required to be prepared in the manner set out in the Rules and to state fairly the information provided on the basis required by the Rules.

It is our responsibility to form an independent opinion as to whether the Forms and statements meet these requirements, and in the case of the certificate whether it was or was not unreasonable for the persons giving the certificate to have made the statements therein, and to report our opinions to you. Our responsibilities, as independent auditors, are established in the United Kingdom, by statute, the Auditing Practices Board, and by our profession's ethical guidance.

Bases of opinions

We conducted our work in accordance with Practice Note 20 'The audit of insurers in the United Kingdom' issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms and statements. The evidence included that obtained by us relating to the audit of the financial statements of the company for the financial year. It also, included an assessment of the significant estimates and judgements made by the company in the preparation of the Forms and statements.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Forms and statements are free from material misstatement, whether caused by fraud or other irregularity or error, and comply with rule 9.11.

In the case of the certificate, the work performed involves a review of the procedures undertaken by the signatories to enable them to make the statements therein, and does not extend to an evaluation of the effectiveness of the company's internal control systems.

Opinions

In our opinion:

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

KPMG Audit Plc KPMG Audit Plc Registered Auditor

London

Date 28 March 2003