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**SECURITY ASSURANCE LIMITED**

**Department of Trade and Industry Returns**

**for the year ended 31 December 1994**



## Statement of solvency

Name of Company Security Assurance Limited

Global business/UK branch business/Community branch business

Financial year ended 31 December 1994

F9	Company registration number	Global/UKCM	Period ended			Units	For official use
			day	month	year		
	1927951	GL	31	12	1994	£000	
		As at the end of the financial year 1	As at the end of the previous year 2		Source		
					Form	Line	Column

## GENERAL BUSINESS

## Available assets

Other than long term business assets allocated towards general business required minimum margin	11			See instructions 1 and 2 below
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## Required minimum margin

Required minimum margin for general business	12			12 49
Excess (deficiency) of available assets over the required minimum margin (11-12)	13			
Implicit items admitted under regulation 23(5) of the Insurance Companies Regulations 1994	14			

## LONG TERM BUSINESS

## Available assets

Long term business admissible assets	21	2,882	2,683	10 11
Other than long term business assets allocated towards long term business required minimum margin	22	1,503	1,608	See instructions 1 and 3 below
Total mathematical reserves (after distribution of surplus)	23	1,270	1,625	See instruction 4 below
Other insurance and non-insurance liabilities	24	300	97	See instruction 5 below
Available assets for long term business required minimum margin (21+22-23-24)	25	2,815	2,569	

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

Future profits	31	-	-	
Unrealised	32	-	-	
Hidden reserves	33	-	-	

Total of available assets and implicit items (25+31+32+33)	34	2,815	2,569	
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## Required minimum margin

Required minimum margin for long term business	41	625	614	60 13
Explicit required minimum margin (1/6 x 41, or minimum guarantee fund if greater)	42	625	614	
Excess (deficiency) of available assets over explicit required minimum margin (25-42)	43	2,190	1,955	
Excess (deficiency) of available assets and implicit items over the required minimum margin (34-41)	44	2,190	1,955	

Statement of solvency

Name of Company Security Assurance Limited

Global business/~~UK branch business~~/Community branch business

Financial year ended 31 December 1994

F9	Company registration number	Global/UK/CM	Period ended			Units	For official use
			day	month	year		
	1927951	GL	31	12	19 94	£000	
			As at the end of the financial year 1		As at the end of the previous year 2		Source
							Form Line Column

ALLOCATION OF OTHER THAN LONG TERM BUSINESS ASSETS

Other than long term business assets allocated towards general business required minimum margin	51			
Other than long term business assets allocated towards long term business required minimum margin	52			
Net other than long term business assets (51+52)	53			10 29

CONTINGENT LIABILITIES

Quantifiable contingent liabilities in respect of other than long term business as shown in a supplementary note to Form 15	60			See instruction 6 below
Quantifiable contingent liabilities in respect of long term business as shown in a supplementary note to Form 14	61	-	-	See instruction 6 below

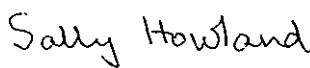
Instructions

- (1) For a composite company, the whole Form shall be completed, with entries at lines 11 and 22 being equal to the entries at lines 51 and 52 respectively.
- (2) For a company transacting only general business, only lines 11 to 14 and line 60 shall be completed, with the entry at line 11 being equal to the entry at Form 10 line 29.
- (3) For a company transacting only long term business, only lines 21 to 44 and lines 60 and 61 shall be completed, with the entry at line 22 being equal to the entry at Form 10 line 29.
- (4) The entry at line 23 shall be equal to the sum of lines 11 and 15 in Form 14 and the amount (if any) stated in a note to that form in accordance with Instruction 3 to that Form.
- (5) The entry at line 24 shall be equal to the total of lines 21 to 47 in Form 14 and the amount of any cash bonuses stated in a note to that Form in accordance with Instruction 2 to that Form.
- (6) The entries at lines 60 and 61 shall not include provision for any liability to tax on capital gains referred to in paragraph 10(2)(b) of Schedule 1.



J Millor  
Director & Chief Executive

20th June 1995

  
S A Howland  
Director

  
R M Edrupt  
Director

## Returns under Insurance Companies Legislation

## Statement of net assets

Name of Company Security Assurance Limited

Global business/~~UK branch business~~/~~Community branch business~~

Financial year ended 31 December 1994

	Company registration number	Global/ UK/CM	Period ended			Units	For official use
			day	month	year		
<b>F10</b>	1927951	GL	31	12	19 94	£000	
			As at the end of the financial year 1	As at the end of the previous year 2	Source		
					Form	Line	Column
Long Term business - admissible assets	11	2,882	2,683	13 . 93			
Long Term business - liabilities and margins	12	2,882	2,683	14 . 59			
Other than Long Term business - admissible assets	21	1,660	1,623	13 . 93			
Other than Long Term business - liabilities	22	157	15	15 . 59			
Net admissible assets (21-22)	27	1,503	1,608				
Unpaid capital - as per line 53	28	-	-				
Net assets (27+28)	29	1,503	1,608				
Authorised share capital	41	2,000	2,000				
Paid up share capital	51	1,600	1,600				
Share premium account	52	-	-				
Unpaid amounts (including share premium) on partly paid shares within the limits allowed by regulation 23 of the Insurance Companies Regulations 1994	53	-	-				
Amounts representing the balance of net assets	54	(97)	8				
Total (51 to 54) and equal to line 29 above	59	1,503	1,608				

## Instruction

The entry at line 54 shall include -

- (a) cumulative preference share capital, to the extent that liabilities in respect of such capital are left out of account in accordance with regulation 23(3) of the Insurance Companies Regulations 1994; and
- (b) subordinated loan capital where, and to the extent that, the Secretary of State has, in accordance with Section 68 of the Act (power to modify Part II in relation to particular companies), directed that the company may count such capital towards its required minimum margin,

and the amounts so included shall be stated in a note.

## Analysis of admissible assets

Name of Company Security Assurance Limited  
 Global business/UK branch business/Overseas branch business  
 Business: Long Term/Other than Long Term  
 Financial year ended 31 December 1994  
 Category of assets

F13	1927951	GL	31	Period ended			Units	Category of assets	For official use
				day	month	year			
				19	94		£000	10	

Admissible assets		As at the end of the financial year 1			As at the end of the previous year 2	
Loans secured by policies of insurance issued by the company		41	42	43	44	45
Tax recoveries due from taxation authorities						
Deposits and current accounts with approved credit institutions, and approved financial institutions, and deposits with local authorities	Current accounts and amounts on deposit for a fixed term of, or on deposit and withdrawable after giving notice of, 12 months or less after the end of the financial year, and certificates of deposit maturing during that period			1,337		2,415
	Other					
	Premium income in respect of direct insurance and facultative reinsurance contracts accepted not yet paid to the company less commission payable thereon			342		250
	Amounts due from ceding insurers and intermediaries under reinsurance treaties accepted					
	Amounts due from reinsurers and intermediaries under reinsurance contracts ceded			1		7
Recoveries due by way of salvage or from other insurers in respect of claims paid other than recoveries under reinsurance contracts ceded						
Debts fully secured on land except listed debentures (which must be included in line 13) debts due from dependants (which must be included in lines 30, 32 or 34) and debts due from individuals (which must be included in lines 64 or 66)	due more than 12 months after the end of the financial year					
	due in 12 months or less after the end of the financial year, or which would become due if the company exercised any right to require repayment within that period					
	due from companies and unincorporated bodies of persons					
	due from individuals					
	due from companies and unincorporated bodies of persons			44		11
Debts except those which must be included in other lines	due in 12 months or less after the end of the financial year, or which would become due if the company exercised any right to require repayment within that period					
Total (41 to 66)				1,724		2,683

## Analysis of admissible assets

Name of Company Security Assurance Limited

Global business/~~UK branch business/Community bonded business~~Business: Long Term/~~Other than long term~~

Financial year ended 31 December 1994

Category of assets Total

F13	Company registration number 1927951	Global/UKCM GL	Period ended			Units £000	Category of assets 10	For official use
			day	month	year			
			31	12	19 94			

Admissible assets		As at the end of the financial year 1			As at the end of the previous year 2		
Shares in Building Societies and Industrial and Provident Societies		71		—		—	
Cash		72		—		—	
Computer equipment		81		—		—	
Other office machinery, furniture, motor vehicles and other equipment		82		—		—	
Life interests, reversionary interests and similar interests in property		83		—		—	
Linked assets	linked assets in internal linked funds (as shown in line 12 on Form 49)	85		—		—	
	other linked assets	86		—		—	
Deduction for inadmissible assets		87		—		—	
Total of Sheet 1 (13.39)		91		1,158		—	
Total of Sheet 2 (13.69)		92		1,724		2,683	
Gross Total of admissible assets (71 to 92)		93		2,882		2,683	
Total of assets valued in accordance with valuation regulations which would have been included in one of the headings above but for the admissibility limits applied by which certain assets are required to be taken into account only to a specified extent		94		—		—	
Amounts included in line 93 attributable to debts due from related companies, other than those under contracts of insurance or reinsurance		95		—		—	

Instructions for completion of Form 13 are printed on the reverse of this sheet

### Instructions for Completion of Form 13

1. Long-term business: Form 13 shall be completed for the total long-term business assets of the company or branch and for each fund or group of funds for which separate assets are appropriated. The word "Total" or the name of the fund shall be shown against the heading "Category of Assets". The corresponding code box shall contain "10" for the total assets and, in the case of separate funds, code numbers allocated sequentially beginning with code "11".

2. Other than long-term business: Form 13 shall be completed in respect of the total assets of the company or branch (other than any long-term business assets) and code "1" entered in the code box "Category of Assets".

3. (a) In the case of the United Kingdom branch return of an external company (other than a pure reinsurer) Form 13 shall be completed for the following categories of assets -

Category	Code
Assets deposited with the Accountant General	2
Assets maintained in the United Kingdom	3
Assets maintained in the United Kingdom and the other EEA States	4

(a) In the case of a Community branch return of a United Kingdom deposit company Form 13 shall be completed for the following categories of assets -

Category	Code
Assets deposited with the Accountant General	2
Assets maintained in the United Kingdom and the EEA States where business is carried on	5
Assets maintained in the United Kingdom and the other EEA States	4

4. Linked assets shall be included in lines 85 and 86 wherever appropriate and not in lines 11 to 83.

5. In line 83 "life interests, reversionary interests and similar interests in property" means those interests of the kind described in regulations 49(2) and 54 of the Insurance Companies Regulations 1994.

6. In line 87 "deduction for inadmissible assets" means the value of assets left out of account pursuant to regulation 57(2)(b) of the Insurance Companies Regulations 1994.

7. Assets consisting of rights under a stock lending transaction shall be shown in the line appropriate to the security to which title has been transferred under the relevant agreement and not as a debt. In this instruction, "stock lending transaction" has the same meaning as in regulation 44(1) of the Insurance Companies Regulations 1994.



## Analysis of admissible assets

Name of Company Security Assurance Limited  
 Global business/~~UK branch business/Community branch business~~  
 Business: ~~Long Term~~/Other than Long Term  
 Financial year ended 31 December 1994  
 Category of assets Total

F13	1927951	GL	31	Period ended		Units	Category of assets	For official use
				day	month			
			19	94		£000	1	

		As at the end of the financial year 1		As at the end of the previous year 2	
Admissible assets					
Loans secured by policies of insurance issued by the company		41	—	—	—
Tax recoveries due from taxation authorities		42	—	—	28
Deposits and current accounts with approved credit institutions, and approved financial institutions, and deposits with local authorities	Current accounts and amounts on deposit for a fixed term of, or on deposit and withdrawable after giving notice of, 12 months or less after the end of the financial year, and certificates of deposit maturing during that period	43	1,606	—	289
	Other	44	—	—	—
	Premium income in respect of direct insurance and facultative reinsurance contracts accepted not yet paid to the company less commission payable thereon	51	—	—	—
	Amounts due from ceding insurers and intermediaries under reinsurance treaties accepted	52	—	—	—
	Amounts due from reinsurers and intermediaries under reinsurance contracts ceded	53	—	—	—
Recoveries due by way of salvage or from other insurers in respect of claims paid other than recoveries under reinsurance contracts ceded		54	—	—	—
Debts fully secured on land except listed debentures (which must be included in line 13) debts due from dependants (which must be included in lines 30, 32 or 34) and debts due from individuals (which must be included in lines 64 or 66)	due more than 12 months after the end of the financial year	61	—	—	—
	due in 12 months or less after the end of the financial year, or which would become due if the company exercised any right to require repayment within that period	62	—	—	—
	due from companies and unincorporated bodies of persons	63	—	—	—
	due from individuals	64	—	—	—
	due from companies and unincorporated bodies of persons	65	54	—	77
Debts except those which must be included in other lines	exercised any right to require repayment within that period	66	—	—	—
Total (41 to 66)		69	1,660	—	394

## Analysis of admissible assets

Name of Company Security Assurance Limited  
 Global business/~~UK branch business/Community business~~  
 Business: ~~long term~~/Other than Long Term  
 Financial year ended 31 December 1994  
 Category of assets Total

Company registration number 1927951  
 Global/UKCM GEL  
 Period ended day month year 31 12 19 94  
 Units £000 1  
 For official use

F13

Admissible assets		As at the end of the financial year 1	Category of assets	As at the end of the previous year 2
Shares in Building Societies and Industrial and Provident Societies		71	-	-
Cash		72	-	-
Computer equipment		81	-	-
Other office machinery, furniture, motor vehicles and other equipment		82	-	-
Life interests, reversionary interests and similar interests in property		83	-	-
Linked assets	linked assets in internal linked funds (as shown in line 12 on Form 49)	85	-	-
	other linked assets	86	-	-
Deduction for inadmissible assets		87	-	-
Total of Sheet 1 (13.39)		91	-	1,229
Total of Sheet 2 (13.69)		92	1,660	394
Gross Total of admissible assets (71 to 92)		93	1,660	1,623
Total of assets valued in accordance with valuation regulations which would have been included in one of the headings above but for the admissibility limits applied by which certain assets are required to be taken into account only to a specified extent		94	128	-
Amounts Included in line 93 attributable to debts due from related companies, other than those under contracts of insurance or reinsurance		95	49	49

Instructions for completion of Form 13 are printed on the reverse of this sheet

### Instructions for Completion of Form 13

1. Long-term business: Form 13 shall be completed for the total long-term business assets of the company or branch and for each fund or group of funds for which separate assets are appropriated. The word "Total" or the name of the fund shall be shown against the heading "Category of Assets". The corresponding code box shall contain "10" for the total assets and, in the case of separate funds, code numbers allocated sequentially beginning with code "11".

2. Other than long-term business: Form 13 shall be completed in respect of the total assets of the company or branch (other than any long-term business assets) and code "1" entered in the code box "Category of Assets".

3. (a) In the case of the United Kingdom branch return of an external company (other than a pure reinsurer) Form 13 shall be completed for the following categories of assets -

Category	Code
Assets deposited with the Accountant General	2
Assets maintained in the United Kingdom	3
Assets maintained in the United Kingdom and the other EEA States	4

(a) In the case of a Community branch return of a United Kingdom deposit company Form 13 shall be completed for the following categories of assets -

Category	Code
Assets deposited with the Accountant General	2
Assets maintained in the United Kingdom and the EEA States where business is carried on	5
Assets maintained in the United Kingdom and the other EEA States	4

4. Linked assets shall be included in lines 85 and 86 wherever appropriate and not in lines 11 to 83.

5. In line 83 "life interests, reversionary interests and similar interests in property" means those interests of the kind described in regulations 49(2) and 54 of the Insurance Companies Regulations 1994.

6. In line 87 "deduction for inadmissible assets" means the value of assets left out of account pursuant to regulation 57(2)(b) of the Insurance Companies Regulations 1994.

7. Assets consisting of rights under a stock lending transaction shall be shown in the line appropriate to the security to which title has been transferred under the relevant agreement and not as a debt. In this instruction, "stock lending transaction" has the same meaning as in regulation 44(1) of the Insurance Companies Regulations 1994.

Analysis of derivative contracts

Name of Company Security Assurance Limited

Global business/UK branch business/EEA branch business

Business: Long Term/Other than Long Term

Financial year ended 31 December 1994

Category of assets Total

		Company registration number	Global/ UK/CM	Period ended			Units	Category of assets	For official use
				day	month	year			
F13A		1927951	GL	31	12	1994	£000	10	
Derivative contracts			As at the end of the financial year				As at the end of the previous year		
			Assets 1		Liabilities 2		Assets 3		Liabilities 4
Fixed interest contracts	Fixed-interest securities	11	—		—		—		—
	Equity Shares	12	—		—		—		—
	Land	13	—		—		—		—
	Currencies	14	—		—		—		—
	Other	15	—		—		—		—
Other than fixed interest contracts	Fixed-interest securities	21	—		—		—		—
	Equity Shares	22	—		—		—		—
	Land	23	—		—		—		—
	Currencies	24	—		—		—		—
	Other	25	—		—		—		—
Other than fixed interest contracts	Fixed-interest securities	31	—		—		—		—
	Equity Shares	32	—		—		—		—
	Land	33	—		—		—		—
	Currencies	34	—		—		—		—
	Other	35	—		—		—		—
Adjustment for margins		41	—		—		—		—
Provision for adverse changes in value		42			—				—
Total (11 to 42)		51	—		—		—		—

## Instructions for Completion of Form 13A

- 1 Form 13A shall be completed in respect of the total assets (other than any long-term business assets), and for the total long-term business assets, if any, of the company or branch. Form 13A shall also be completed for each fund or group of funds and each category of assets referred to in Instructions 1 and 3 to Form 13.
- 2 The codes specified in Instructions 1 to 3 to Form 13 shall be used as appropriate.
- 3 Derivative contracts used in connection with property linked long term contracts shall be excluded from Form 13A. All other derivative contracts shall be included, except for those which are assets of the company but to which regulation 55 of the Insurance Companies Regulations 1994 does not apply.
- 4 The derivative contracts shall be analysed according to the type of assets shown in the second column of this form that represents the principal subject of the contract.
- 5 All amounts in respect of assets and liabilities under derivative contracts (whether with one or more counterparties) shall be shown gross unless there is a legal right of set-off.
- 6 The asset value of derivative contracts shown in lines 11 to 35 of this form shall be determined in accordance with regulation 55 of the Insurance Companies Regulations 1994, but excluding any deduction for margins made in accordance with paragraph (2) of that regulation.
- 7 The amount of any liability under a derivative contract shall be determined in accordance with regulation 60(1) of the Insurance Companies Regulations 1994, but excluding any deduction for any margins as shall have been paid or transferred in respect of that contract.
- 8 The net effect of any margins paid, transferred, or received in respect of contracts included in lines 11 to 35 shall be shown at line 41.
- 9 The provision for adverse changes in value shown at 13A.42.2 shall be the amount determined in accordance with regulation 61 of the Insurance Companies Regulations 1994.
- 10 "Futures contracts", "Options" and "Contracts for Differences" have the same meaning as in Part VIII of the Insurance Companies Regulations 1994.
- 11 The entry at 13A.51.1 shall be shown at 13.35.1
- 12 The entry at 13A.51.2 shall be included in 14.47.1 or 15.47.1 as appropriate.
- 13 Columns 3 and 4 need not be completed where the previous financial year ended prior to 1st July 1994.

Analysis of derivative contracts

Name of Company Security Assurance Limited

Global business/UK branch business/EEA branch business

Business: Long Term/Other than Long Term

Financial year ended 31 December 1994

Category of assets Total

		Company registration number	Global/ UK/CM	Period ended			Units	Category of assets	For official use
				day	month	year			
		F13A	1927951	GL	31	12	19 94	£000	1
Derivative contracts			As at the end of the financial year			As at the end of the previous year			
			Assets 1	Liabilities 2		Assets 3	Liabilities 4		
Features contracts	Fixed-interest securities	11	-	-		-	-		
	Equity Shares	12	-	-		-	-		
	Land	13	-	-		-	-		
	Currencies	14	-	-		-	-		
	Other	15	-	-		-	-		
Options	Fixed-interest securities	21	-	-		-	-		
	Equity Shares	22	-	-		-	-		
	Land	23	-	-		-	-		
	Currencies	24	-	-		-	-		
	Other	25	-	-		-	-		
Contracts differences	Fixed-interest securities	31	-	-		-	-		
	Equity Shares	32	-	-		-	-		
	Land	33	-	-		-	-		
	Currencies	34	-	-		-	-		
	Other	35	-	-		-	-		
Adjustment for margins		41	-	-		-	-		
Provision for adverse changes in value		42		-			-		
Total (11 to 42)		51	-	-		-	-		

## Instructions for Completion of Form 13A

- 1 Form 13A shall be completed in respect of the total assets (other than any long-term business assets), and for the total long-term business assets, if any, of the company or branch. Form 13A shall also be completed for each fund or group of funds and each category of assets referred to in Instructions 1 and 3 to Form 13.
- 2 The codes specified in Instructions 1 to 3 to Form 13 shall be used as appropriate.
- 3 Derivative contracts used in connection with property linked long term contracts shall be excluded from Form 13A. All other derivative contracts shall be included, except for those which are assets of the company but to which regulation 55 of the Insurance Companies Regulations 1994 does not apply.
- 4 The derivative contracts shall be analysed according to the type of assets shown in the second column of this form that represents the principal subject of the contract.
- 5 All amounts in respect of assets and liabilities under derivative contracts (whether with one or more counterparties) shall be shown gross unless there is a legal right of set-off.
- 6 The asset value of derivative contracts shown in lines 11 to 35 of this form shall be determined in accordance with regulation 55 of the Insurance Companies Regulations 1994, but excluding any deduction for margins made in accordance with paragraph (2) of that regulation.
- 7 The amount of any liability under a derivative contract shall be determined in accordance with regulation 60(1) of the Insurance Companies Regulations 1994, but excluding any deduction for any margins as shall have been paid or transferred in respect of that contract.
- 8 The net effect of any margins paid, transferred, or received in respect of contracts included in lines 11 to 35 shall be shown at line 41.
- 9 The provision for adverse changes in value shown at 13A.42.2 shall be the amount determined in accordance with regulation 61 of the Insurance Companies Regulations 1994.
- 10 "Futures contracts", "Options" and "Contracts for Differences" have the same meaning as in Part VIII of the Insurance Companies Regulations 1994.
- 11 The entry at 13A.51.1 shall be shown at 13.35.1
- 12 The entry at 13A.51.2 shall be included in 14.47.1 or 15.47.1 as appropriate.
- 13 Columns 3 and 4 need not be completed where the previous financial year ended prior to 1st July 1994.

Long Term business liabilities and margins

Name of Company      Security Assurance Limited

Global business/~~UK branch business~~/~~Community branch business~~

Financial year ended 31 December 1994

Company registration number1927951

Global/UK/CMGL

Period ended

day31

month12

year19 94

Units£000

For official use

			As at the end of the financial year 1	As at the end of the previous year 2	Source		
					Form	Line	Column
Ordinary Long Term Business (all funds)	Mathematical reserves as shown in Schedule 4, after distribution of surplus	11	1,270	1,625	See Instruction 1 below		
	Balance of long term business funds	12	1,312	961	See Instruction 2 below		
	Ordinary long term business funds (11+12)	13	2,582	2,586	40 . 16		
	Valuation deficiencies	14	—	—			
Industrial Assurance Business	Mathematical reserves as shown in Schedule 4, after distribution of surplus	15	—	—	See Instruction 1 below		
	Balance of long term business funds	16	—	—	See Instruction 2 below		
	Industrial long term business funds (15+16)	17	—	—	40 . 16		
	Valuation deficiencies	18	—	—			
Other Insurance Liabilities	Claims admitted but not paid	21	5	—			
	Amounts due in respect of direct insurance and facultative reinsurance contracts accepted except amounts which must be included in line 21	31	—	—			
	Amounts due to ceding insurers and intermediaries under reinsurance treaties accepted except amounts which must be included in line 21	32	—	—			
	Amounts due to reinsurers and intermediaries under reinsurance contracts ceded	33	190	—			
Other Liabilities	Loans secured	41	—	—			
	Loans unsecured	42	—	—			
	Taxation	44	—	—			
	Other creditors	47	105	97			
Excess of the value of admissible assets representing the long term business funds over the amounts of those funds		51	—	—	See Instruction 3 below		
Total (13+14+17 to 51)		59	2,882	2,683			
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		61	—	—			
Amounts included in line 59 attributable to liabilities in respect of property linked benefits		62	—	—			

Instructions:

1. The entries at 14.11 and 14.15 shall equal the sum of lines 9, 19, 20 and 21 of the appropriate Form 58.

2. The amount of any cash bonuses allocated but not yet paid to policy holders, as shown in 58.18, (which together with 58.25 constitutes the balance of the long term business funds) shall be stated in a note.

3. The value of admissible assets representing the long term business funds is determined by deducting from the total value of the admissible assets an amount equal to the liabilities itemised in lines 21 to 47. The amount of any additional mathematical reserves included in line 51 which have been taken into account in the actuary's certificate because the amount of the mathematical reserves determined in Schedule 4 was not calculated in all respects in relation to assets valued in accordance with Part VIII of the Insurance Companies Regulations 1994, as shown in Form 13, shall be stated in a note.

## Liabilities (other than Long Term Business)

Name of Company Security Assurance Limited

Global business/~~UK branch business~~/Community branch business

Financial year ended 31 December 1994

Company  
registration  
numberGlobal/  
UK/CMPeriod ended  
day month year

Units

For  
official  
use

F15

1927951

GL

31

12

1994

£000

				As at the end of the financial year 1	As at the end of the previous year 2	Source			
							Form	Line	Column
General business technical reserves	Unearned premiums			21	—	—	See Note overleaf		
	Additional amount for unexpired risks			22	—	—			
	Claims outstanding (less amounts recoverable from reinsurers)	Reported claims		23	—	—			
		Claims incurred but not reported		24	—	—			
	Expenses for settling claims outstanding			25	—	—			
	Funds			26	—	—			
	Claims equalisation	Other than credit business		27	—	—			
		Credit business		28	—	—			
	Other			29	—	—			
Total (21 to 29)			30	—	—				
Other insurance liabilities	Amounts due in respect of direct insurance and facultative reinsurance contracts accepted except amounts which must be included in line 30			31	—	—			
	Amounts due to ceding insurers and intermediaries under reinsurance treaties accepted except amounts which must be included in line 30			32	—	—			
	Amounts due to reinsurers and intermediaries under reinsurance contracts ceded			33	—	—			
Other liabilities	Loans secured			41	—	—			
	Loans unsecured			42	—	—			
	Subordinated loan stock			43	—	—			
	Taxation			44	157	—			
	<del>Recommended dividends</del> Dividends			45	—	—			
	<del>Cumulative preference shares</del> Cumulative preference shares			46	—	—			
	Other creditors			47	—	15			
Total (30 to 47)				59	157	15			

See Note  
overleaf

## Note

The sources are as follows:

Line 21 All forms 21.29.6 + 21.31.6 - (22.23.3 + 22.24.3 - 22.25.3)	Line 23 All forms 22.31.3 + 22.41.3	Line 25 All forms 22.21.3 + 22.22.3
Line 22 Summary form 20.23	Line 24 all forms 22.32.3 + 22.42.3	Line 26 All forms 24.42.5 + 27.46.3

## Instructions

1. The entry at line 43 shall exclude subordinated loan capital where, and to the extent that, the Secretary of State has, in accordance with section 68 of the Insurance Companies act 1982, directed that the company may count such capital towards its required minimum margin.
2. The entry at line 46 shall exclude cumulative preference share dividends accrued to the extent that liabilities in respect of such dividends are left out of account in accordance with regulation 23(3) of the Insurance Companies Regulations 1994 and the amount so excluded shall be stated in a note.

## Statement of other income and expenditure

Name of Company Security Assurance Limited

Global business/~~UK branch business~~/~~Community branch business~~

Financial year ended 31 December 1994

Financial year ended 31 December 1994		Company registration number	Global/UK/CM	Period ended			Units	For official use
		day	month	year				
F16	1927951	GL	31	12	19	94	£000	
		The financial year 1	Previous year 2		Source			
			Form	Line	Column			
Transfer from (to) Long Term Business Revenue Account	11	188	310					
Transfer from (to) General Business Revenue Account Summary	12				20.79			
Investment income receivable, before deduction of tax	13	105	116		See Note below			
Other income	14	(57) *	(3) *		See Note below			
Total (11 to 14)	19	236	423					
Management expenses	21	-	-		See Note below			
Interest payable, before deduction of tax	22	-	-					
Taxation, other than that applicable to long term business	23	213	-					
Dividends paid and/or recommended	24	-	-					
Other expenditure	25	-	-		See Note below			
Total (21 to 25)	29	213	-					
Excess of income over expenditure (19-29)	39	23	423					

\* Realised gains on investments 31  
 Unrealised losses on investments (88) (3)  
 (57) (3)

## Note

The amounts at lines 13, 14, 21 and 25 exclude any amounts included elsewhere in the returns.

**Long Term business: Revenue account**Name of Company **Security Assurance Limited**Global business/~~UK branch business/Community branch business~~Financial year ended **31 December 1994**Name and number of Fund/~~Summary~~ **Long Term**

F40	Company registration number	Global/ UK/CM	Period ended			Units	OB/IB	No. of Fund/ Summary	No. of part of Fund	For official use
			day	month	year					
	1927951	GL	31	12	1994	£000	OB	1	0	

Items to be shown net of reinsurance ceded						The financial year 1	Previous financial year 2
Premiums receivable (less rebates and refunds)						1 11,460	10,711
Investment income receivable before deduction of tax						2 143	126
Increase (decrease) in the value of non-linked assets brought into account						3 —	—
Increase (decrease) in the value of linked assets						4 —	—
Other income (particulars to be specified)						5 —	—
Total income (1 to 5)						6 11,603	10,837
Claims payable						7 347	391
Expenses payable						8 11,072	10,225
Interest payable before deduction of tax						9 —	—
Taxation						10 —	—
Other expenditure (particulars to be specified)						11 —	—
Transfer to (from) statement of other income and expenditure						12 188	310
Total expenditure (7 to 12)						13 11,607	10,926
Increase (decrease) in fund in financial year (6 – 13)						14 (4)	(89)
Fund brought forward						15 2,586	2,675
Fund carried forward (14 + 15)						16 2,582	2,586

Instructions for completion of this form are printed on the reverse

Note: Administration services are provided by Security Assurance Services Ltd.

# Instructions for Completion of Form 40

- 1 The entry at 40.1.1 shall be equal to 41.9.3.  
the entry at 40.7.1 shall be equal to 42.21.3 and  
the entry at 40.8.1 shall be equal to 41.16.3.
- 2 Where a company decides to allocate to the long term business the whole or any part of investment income and/or net capital gains arising from assets not attributable to its long term business, the amounts in question shall be shown as a transfer in line 12.
- 3 Where a transfer is made to the statement of other income and expenditure, the entry at 40.12.1 will show amounts which have been included in line 23 of Form 58. Transfers from or to other funds shall be included in line 5 or 11, with transfers to reserves associated with a transfer of contracts from one fund to another distinguished from other transfers.

## Long Term business: Analysis of premiums and expenses

Name of Company Security Assurance Limited

Global business/~~UK branch business~~/~~Community branch business~~

Financial year ended 31 December 1994

Name and number of Fund/~~Summary~~ Long Term

Company registration number		Global/ UK/CM	Period ended			Units	OB/IB	No. of Fund/ Summary	No. of part of Fund	For official use
			day	month	year					
F41	1927951	GL	31	12	19 94	£000	OB	1	0	
						Gross  1	Payable to or recoverable from reinsurers  2	Net of reinsurance (1 – 2)  3		
Premiums receivable (less rebates and refunds) in the financial year	life assurance contracts	single premium	1	1,073	30	1,043				
		regular premiums	2	11,053	636	10,417				
	general annuity contracts	single premium	3	—	—	—				
		regular premiums	4	—	—	—				
	pension business contracts	single premium	5	—	—	—				
		regular premiums	6	—	—	—				
	permanent health contracts		7	—	—	—				
	capital redemption contracts		8	—	—	—				
	total premiums (1 to 8)		9	12,126	666	11,460				
	total premiums at line 9	UK contracts	10	12,107	666	11,441				
attributable to	Overseas contracts	11	19	—	19					
Expenses payable in the financial year	commission payable in connection with acquisition of business		12	10,737	—	10,737				
	other commission payable		13	—	—	—				
	management expenses in connection with acquisition of business		14	43	—	43				
	other management expenses		15	292	—	292				
	total expenses (12 to 15)		16	11,072	—	11,072				
	total expenses at line 16	UK contracts	17	11,060	—	11,060				
attributable to	Overseas contracts	18	12	—	12					

**Long Term business: Analysis of claims**Name of Company **Security Assurance Limited**Global business/~~UK branch business~~/Community branch businessFinancial year ended **31 December 1994**Name and number of Fund/~~Summary~~ **Long Term**

		Company registration number	Global/ UK/CM	Period ended			Units	OB/IB	No. of Fund/ Summary	No. of part of Fund	For official use	
				day	month	year						
		<b>F42</b>	<b>1927951</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>19 94</b>	<b>£000</b>	<b>OB</b>	<b>1</b>	<b>0</b>	
Claims payable in the financial year								Gross 1	Recoverable from re- insurers 2	Net of re- insurance (1 - 2) 3		
Life assurance contracts	on death	1	626	279	347							
	on maturity	2	-	-	-							
	on surrender or partial surrender	3	-	-	-							
	total life assurance claims (1 to 3)	4	626	279	347							
General annuity contracts	on death	5	-	-	-							
	by way of lump sums on maturity	6	-	-	-							
	by way of periodical payments	7	-	-	-							
	on surrender or partial surrender	8	-	-	-							
	total general annuity claims (5 to 8)	9	-	-	-							
Pension business	on death	10	-	-	-							
	by way of lump sums on maturity	11	-	-	-							
	by way of periodical payments	12	-	-	-							
	on surrender or partial surrender	13	-	-	-							
	total pension business claims (10 to 13)	14	-	-	-							
Permanent health contracts	by way of lump sums	15	-	-	-							
	by way of periodical payments	16	-	-	-							
	total permanent health claims (15 + 16)	17	-	-	-							
Capital redemption contracts	by way of lump sums	18	-	-	-							
	by way of periodical payments	19	-	-	-							
	total capital redemption claims (18 + 19)	20	-	-	-							
Total claims (4 + 9 + 14 + 17 + 20)								21	626	279	347	
Total claims at line 21 attributable to	UK contracts	22	616	279	337							
	Overseas contracts	23	10	-	10							

Financial year ended : 31 December 1994

[illegible]

Instruction : The figures for annual premisses shall not include any recurrent single premisses  
The number of group contracts in force at 31 December 1994 was 48 and the estimated number of persons covered was 856,255

	Life assurance		General annuity		Pension business		Permanent health		Capital redemption	
	No. of contracts	Annual premiums	No. of contracts	Annual premiums	No. of contracts	Annual premiums	No. of contracts	Annual premiums	No. of contracts	Annual premiums
	1	2	3	4	5	6	7	8	9	10
In force at beginning of year	1									
New business	2									
Net transfers and other alterations 'on'	3									
Total 'on' (2+3)	4									
Deaths	5									
Maturities	6									
Surrenders	7									
Forfeitures	8									
Conversions to paid-up policies for reduced benefits	9									
Net transfers, expiries and other alterations 'off'	10									
Total 'off' (5 to 10)	11									
In force at end of year (1+4-11)	12									

Instruction: The figures for annual premiums shall not include any recurrent single premiums  
The number of group contracts in force at 31 December 1994 was 3 and the estimated number of persons covered was 7,722.

Returns under Insurance Companies legislation

Form 44

Long Term business: Analysis of new ordinary long term business

Name of Company: Security Assurance Limited

Global business/~~UK branch business~~/~~Community branch business~~United Kingdom/~~Overseas~~

Financial year ended: 31 December 1994

Type of insurance	Single premium contracts			Regular premium contracts		
	No. of contracts	Premiums	Sums assured, annuities per annum or other measure of benefits	No. of contracts	Annual premiums	Sums assured, annuities per annum or other measure of benefits
1	2	3 £000	4 £000	5	6 £000	7 £000
Credit Life - Group Life	3	318	5,759	1	6	4,500

Returns under Insurance Companies Legislation

Form 44

Long Term business: Analysis of new ordinary long term business

Name of Company: Security Assurance Limited

Global business/~~UK branch business~~/~~Community branch business~~

~~United Kingdom~~/Overseas

Financial year ended: 31 December 1994

Type of insurance	Single premium contracts			Regular premium contracts		
	No. of contracts	Premiums	Sums assured, annuities per annum or other measure of benefits	No. of contracts	Annual premiums	Sums assured, annuities per annum or other measure of benefits
1	2	3 £000	4 £000	5	6 £000	7 £000

s under Insurance Companies Legislation  
 erm business: Expected income from admissible non-linked assets

Form 45

f Company : Security Assurance Limited  
 business/UK branch business/community branch business  
 ial year ended : 31 December 1994  
 Long Term

08/98

f asset			Value of admissible assets as shown on form 13	Expected income from admissible assets	Yield %
			1	2	3
		1	-	-	-
est ties	issued by, or guaranteed by, any government or public authority	2	1,158	107	8.34
	other	3	-	-	-
le st ties ing	issued by, or guaranteed by, any government or public authority except those included at line 5	4	-	-	-
	issued by, or guaranteed by, any government or public authority where the capital value or interest is determined by an index of prices	5	-	-	-
	other	6	-	-	-
shares		7	-	-	-
Fully on	due more than 12 months after the end of the financial year	8	-	-	-
	due in 12 months or less after the end of the financial year	9	-	-	-
er	producing income	10	1,337	84	6.28
	not producing income	11	387	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
		12	2,882	191	6.26

Company: Security Assurance Limited

Business: ~~Long term business / Security branch business~~

06/98

Financial year ended: 31 December 1994

Long Term

Redemption period in years			Value of admissible assets as shown on form 13 1	Expected income from admissible assets 2	Amount payable on redemption 3	Gross redemption yield % 4
Insured or guaranteed by government public authority	one year or less	1	445	45	437	8.22
	more than one year but not more than five years	2	713	62	707	8.42
	more than five years but not more than ten years	3	—	—	—	—
	more than ten years but not more than fifteen years	4	—	—	—	—
	more than fifteen years but not more than twenty years	5	—	—	—	—
	more than twenty years but not more than twenty five years	6	—	—	—	—
	more than twenty five years	7	—	—	—	—
	irredeemable	8	—	—	—	—
	total (1 to 8)	9	1,158	107	1,144	8.34
	one year or less	10	—	—	—	—
	more than one year but not more than five years	11	—	—	—	—
	more than five years but not more than ten years	12	—	—	—	—
	more than ten years but not more than fifteen years	13	—	—	—	—
	more than fifteen years but not more than twenty years	14	—	—	—	—
	more than twenty years but not more than twenty five years	15	—	—	—	—
	more than twenty five years	16	—	—	—	—
	irredeemable	17	—	—	—	—
	total (10 to 17)	18	—	—	—	—

SECURITY ASSURANCE LIMITED

NOTES TO THE RETURNS UNDER INSURANCE COMPANIES LEGISLATION

FINANCIAL YEAR ENDED 31 DECEMBER 1994

1. No provision has been made for taxation on capital gains which might arise if the company disposes of its assets (Form 15).

## RETURNS UNDER INSURANCE COMPANIES LEGISLATION

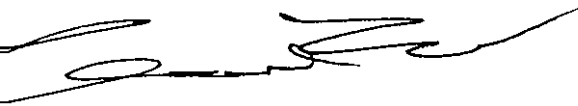
Statement of additional information on derivative contracts required by  
Regulation 22B of the Insurance Companies  
(Accounts and Statements) Regulations 1983

Security Assurance Limited

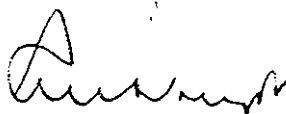
Global Business

Financial Year Ended : 31 December 1994

It is the company policy not to make use of derivative contracts and no such contracts have been entered into or were outstanding at any time during the financial year.



M J Millor  
Director & Chief Executive



R M Edrupt  
Director

*Sally Howland*  
S A Howland  
Director

*20th June 1995*

## RETURNS UNDER INSURANCE COMPANIES LEGISLATION

Statement of information of shareholder controllers required by  
Regulation 22C of the Insurance Companies  
(Accounts and Statements) Regulations 1983

Security Assurance Limited

Global Business

Financial Year Ended : 31 December 1994

The following have been shareholder controllers during the year:

BankAmerica Corporation  
BankAmerica Insurance Group Inc.  
HSBC Holdings plc  
HSBC Holdings (Investments) Limited  
HSBC Investment Banking Group Limited  
Midland Bank plc  
M J Millor  
Montagu Private Equity Limited  
Montagu Equity Limited  
Samuel Montagu & Co. Limited  
Samuel Montagu Holdings Limited  
Security Insurance Group Limited (formerly Security Pacific Insurance Group Limited)  
SPIG Limited

## RETURNS UNDER INSURANCE COMPANIES LEGISLATION

Statement of information of shareholder controllers required by  
Regulation 22C of the Insurance Companies  
(Accounts and Statements) Regulations 1983

Security Assurance Limited

Global Business

Financial Year Ended : 31 December 1994

The following table gives details of the shareholder controllers at the end of the year:

<u>Shareholder controller</u>	<u>Type of shareholding</u>	<u>Percentage holding</u>	<u>Percentage of voting rights</u>
Security Insurance	£1 Ordinary shares in Security Assurance Limited	100%	100%
SPIG Limited	£1 Ordinary shares in Security Insurance Group Limited	100%	100%
M J Millor	£1 Ordinary shares in SPIG Limited	100%	50%
Montagu Equity Limited (1)	£1 Cumulative Participating Ordinary shares in SPIG Limited	100%	50%
	50p Cumulative Redeemable Preference shares in SPIG Limited	100%	0%


### Note (1)

Montagu Equity Limited was, at 31 December 1994, a subsidiary undertaking of:

HSBC Holdings plc  
HSBC Holdings (Investments) Limited  
HSBC Investment Banking Group Limited  
Samuel Montagu & Co. Ltd  
Samuel Montagu Holdings Limited  
Montagu Private Equity Limited

The companies listed have not been included in the above table as SPIG Limited is not a subsidiary undertaking of Montagu Equity Limited in view of the 50:50 split of voting rights.

  
M J Millor  
Director and Chief Executive

  
R M Edrupt  
Director

  
Sally Howland  
Director

20th June 1995  
NOTES-AY

RETURNS UNDER INSURANCE COMPANIES LEGISLATION

Certificate Required by Regulation 26(a) of the  
Insurance Companies (Accounts and Statements) Regulations 1983

Security Assurance Limited

Global Business

Financial Year Ended : 31st December, 1994

We Certify:

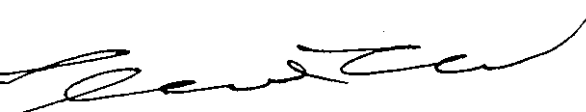
1. In relation to the part of the Return comprising Forms 9, 10, 13 to 16, and 40 to 46:
  - (a) that for the purposes of preparing the Return:
    - (i) proper accounting records have been maintained and adequate information has been obtained by the company; and
    - (ii) an appropriate system of control has been established and maintained by the company over its transactions and records;
  - (b) that the value shown for each category of asset has been determined in conformity with Regulation 4 of the Insurance Companies (Accounts and Statements) Regulations 1983 and includes the value of only such assets or such parts thereof as are permitted to be taken into account;
  - (c) that the amount shown for each category of liability (including contingent and prospective liabilities) has been determined in conformity with Regulation 4 of the Insurance Companies (Accounts and Statements) Regulations 1983; and
  - (d) that in respect of the company's business which is not excluded by Regulation 32 of the Insurance Companies Regulations 1994, the assets held at the end of the financial year enabled the company to comply with Regulations 27 and 31 (matching and localisation) of those Regulations.

2. In relation to the part of the Return comprising the statement required by Regulation 29 of the Insurance Companies (Accounts and Statements) Regulations 1983:
  - (a) that for the purpose of preparing the statement, proper accounts and records have been maintained; and
  - (b) that the information given has been ascertained in conformity with that Regulation.
3. In respect of long term business that:
  - (a) immediately following the end of the financial year the amount of the company's required minimum margin was as shown in Form 9; and
  - (b) at the end of the financial year the amount of the company's available assets and quantifiable contingent liabilities (other than those included in Form 14 or Form 15 in accordance with paragraph 10(1) of Schedule 1 to the Insurance Companies (Accounts and Statements) Regulations 1983) were as shown in Form 9.
4.
  - (a) That the requirements of sections 28 to 31 of the Insurance Companies Act 1982 have been fully complied with and in particular that, subject to the provisions of section 29 (2) to (4) and section 30, assets attributable to long term business, the income arising therefrom, the proceeds of any realisation of such assets and any other income or proceeds allocated to the long term business funds have not been applied otherwise than for the purpose of the long term business;
  - (b) that any amount payable from or receivable by the long term business funds in respect of services rendered by or to any other business carried on by the company or by a person who, for the purposes of section 31 of the Insurance Companies Act 1982, is connected with it or is a subordinate company of it has been determined and where appropriate apportioned on terms which are believed to be no less than fair to those funds, and any exchange of assets representing such funds for other assets of the company has been made at fair market value;

- (c) that no guarantees have been given by the company of the performance by a related company or a contract binding on the related company which would fall to be met by any long term business fund;
- (d) that the returns in respect of long term business are not distorted by agreements with any other company carrying on insurance with which the company has financial, commercial or administrative links or by any arrangements which could affect the apportionment of expenses and income;
- (e) that the requirements of section 31A of the Insurance Companies Act 1982 have been fully complied with.

5. That the list of published guidance with which the systems of control established and maintained by the company in respect of its business comply, or in accordance with which the return had been prepared is as follows:

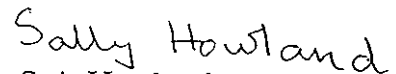
Prudential Guidance Note No. 1994/7 - guidance for insurance companies and auditors on the valuation of assets regulations (Part VIII of the Insurance Companies Regulations 1994).



M J Millor  
Director and Chief Executive



R M Edrupt  
Director

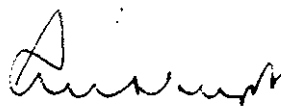
  
Sally Howland  
Director

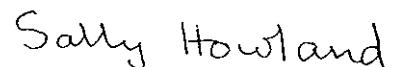
20th June 1995

SECURITY ASSURANCE LIMITED  
STATEMENT OF CONNECTED INTERMEDIARIES  
FINANCIAL YEAR ENDED 31 DECEMBER 1994

There are no connected intermediaries.

M J Millor  
Director and Chief Executive

  
R M Edrupt  
Director

  
S A Howland  
Director

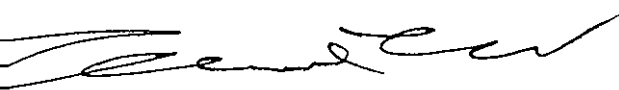
20th June 1995

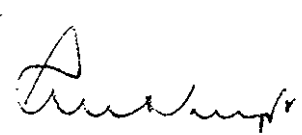
SECURITY ASSURANCE LIMITED

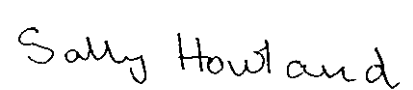
STATEMENT REQUIRED BY REGULATION 29 OF  
THE INSURANCE COMPANIES (ACCOUNTS AND STATEMENTS)  
REGULATIONS 1983 ON THE APPOINTED ACTUARY

FINANCIAL YEAR ENDED 31 DECEMBER 1994

1.
  - (a) The appointed actuary had no interest in the shares or debentures of the company at any time during the year.
  - (b) The appointed actuary is a consulting actuary for a company which received £65,554 in respect of actuarial services provided to the company,
  - (c)
    - (i) The appointed actuary received no remuneration or other benefits under any contract of service of the actuary with, or contract for service by the actuary to, the company in respect of any period during the year; and
    - (ii) the appointed actuary received no emoluments, pensions or compensation as a director of the company in respect of any period during the year.
  - (d) There were no other pecuniary benefits received by the appointed actuary from the company in respect of any period during the year or receivable by him from the company.
2. The company has made a request to the appointed actuary to furnish to it particulars specified in Regulation 29 paragraph 1 and these particulars are identified in 1 above.

  
M J Millor  
Director and Chief Executive

  
R M Edrupt  
Director

  
S A Howland  
Director

20th June 1995

SECURITY ASSURANCE LIMITED

RETURNS UNDER INSURANCE COMPANIES LEGISLATION

REPORT OF THE AUDITORS TO THE SECRETARY OF STATE FOR TRADE & INDUSTRY  
PURSUANT TO REGULATION 27 OF THE INSURANCE COMPANIES  
(ACCOUNTS AND STATEMENTS) REGULATIONS 1983

FINANCIAL YEAR ENDED 31 DECEMBER 1994

We have audited the documents prepared by the company pursuant to section 17 of the Insurance Companies Act 1982 ("the Act") which are required to be audited by Regulation 27 of the Insurance Companies (Accounts & Statements) Regulations 1983 ("the Regulations"). These comprise Forms 9, 10, 13 to 16 and 40 to 46, the statement furnished pursuant to Regulation 22B, the notes and the certificate signed in accordance with Regulation 26(a). In the case of the certificate, our audit did not extend to paragraph 2.

**Respective responsibilities of the company and its auditors**

The company is responsible for the preparation of returns under the provisions of the Act and the Regulations. It is our responsibility to form an independent opinion, based on our audit, on those parts of the returns which are subject to audit by virtue of Regulation 27 and to report our opinion to you.

**Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the documents specified by Regulation 27. It also includes an assessment of the significant estimates and judgements made by the company in the preparation of the documents specified by Regulation 27.

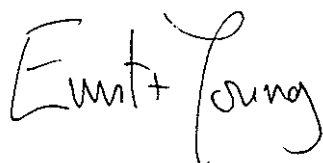
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the documents specified by Regulation 27 are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated whether the documents had been prepared in the manner specified by the Regulations and fairly stated the information provided on the basis required.

In giving our opinion we have relied on the certificate of the actuary with respect to the mathematical reserves and the required minimum margin.

### Opinion

In our opinion:

- (a) the Forms, statement and notes have been properly prepared in accordance with the provisions of the Regulations; and
- (b) according to the information and explanations received by us:
  - (i) the certificate has been properly prepared in accordance with the provisions of the Regulations; and
  - (ii) it was reasonable for the persons giving the certificate to have made the statements therein.



Ernst & Young  
Chartered Accountants  
Registered Auditor  
London



RICL-AL

*Schedule 4*  
*Valuation Report on Security Assurance Limited*

The valuation is in conformity with Regulation 64 of the Insurance Companies Regulations 1994.

1. The date to which the investigation relates is 31 December 1994.
2. The date to which the previous investigation related was 31 December 1993.
3. The business of the company consists entirely of transacting credit life insurance effected by single premiums, regular premiums and recurrent single premiums.

The company issues group master policies in the United Kingdom for which the agent is the policyholder. Under these contracts the agent is empowered to issue certificates of insurance to its debtors. There is no underwriting by the company but the insured debtors must satisfy certain criteria as to age, health and the current level of insurance. The certificates issued are level and decreasing term assurances on a single life basis. The certificate term is the term of the loan and may be any number of months up to 120. The sum assured is the settlement figure which will discharge the indebtedness with the Agent, excluding arrears. The maximum permitted age at expiry is 65.

The company accepts reinsurance of credit life business from an insurance company authorised to transact life insurance business in the Republic of Ireland. The business follows the same principles that apply to business issued in the United Kingdom.

4. No linked business is written by the company.

## 5. *General Principles*

For the United Kingdom and Republic of Ireland business, the reserve held equalled the unearned portion of the premiums received for insurance in force at the valuation date less commission paid. Where the premiums purchased life cover in excess of one month, this reserve was compared with, and increased where necessary to, a net premium reserve for which the basis is set out in the appropriate columns in Form 55. Allowance was made for claims incurred but not reported.

The following reserves are calculated separately for each scheme.

### *Reserve 1*

The unearned premium reserve is calculated as:

Unearned premium by the rule of 78 x (1 - expense retention - commission).

### *Reserve 2*

The expense reserve:

This is calculated as

(Unearned premium on rule of 12) x (The maintenance expense retention).

### *Reserve 3*

Uplift to Reserve 1 to cover surrender values:

The surrender value basis is the unearned premium on rule of 78, net of the expense retention and the advance commission. Hence, Reserve 3 is calculated as the excess of this plus a reserve for IBNR claims (see later note) over Reserve 1.

#### *Reserve 4*

Uplift to Reserve 2 to cover the possibility of loss, on lapse, of that part of the company's expense retention not reserved for maintenance expenses:

This is calculated as

The excess of (the unearned premium on rule of 78 x the expense retention) over Reserve 2.

Both Reserve 3 and Reserve 4 cannot be less than zero.

The statutory reserve is then calculated as the sum of Reserves 1 to 4 inclusive; however, it is necessary to calculate other reserves to cover contingencies.

#### *Reserve 5*

Technical reserve:

The basis used is 100% of A49-52 ultimate with 0% interest. This basis is considered prudent in relation to the expected experience.

#### *IBNR*

(Incurred but Not Reported) claims reserve:

This is calculated separately for each scheme as 0.03% of current sum assured. This basis is considered prudent based on past experience.

#### *Reserve 6*

An additional reserve, covering the possibility that those policies where the technical reserve exceeds the surrender value stay in force while the others are surrendered:

This is calculated as

The excess of: The greater of Reserve 5 and the unearned premium on rule of 78 net of the expense retention and advance commission.

Plus IBNR  
Plus (If Reserve 5 is the greater) Reserve 2 and Reserve 4.  
Over: The sum of Reserves 1 to 4 already calculated.

The total reserve held is then:

Reserve 1 + Reserve 2 + Reserve 3 + Reserve 4 + Reserve 6.

In addition, an explicit reserve has been established to provide for future expenses. This has been calculated as the additional provision required, under prudent assumptions, to meet the total net cost, after taking account of the effect of taxation, that would be likely to be included in fulfilling contracts if the company were to cease to transact new business twelve months after the valuation date.

#### *Specific Principles*

- (a) The nature, term and currency of the assets held were considered suitable for the liabilities. In respect of the UK business, both assets and liabilities have average terms of less than four years. No mismatch reserve is required due to the nature of the assets.
- (b) The net premium method of valuation was used for testing the adequacy of the reserves as described above.
- (c) No negative values arose.
- (d) No policy issued by the company is permitted to share in profits.
- (e) There is no prospective liability for tax on unrealised capital gains.
- (f) Not applicable.
- (g) No provision for guarantees or options was made.
- (h) Not applicable.

6. The rates of interest and mortality are set out in Form 55.

AIDS exclusion clauses exist on most current policies. An additional reserve of £5,000 has been included to cover AIDS related claims.

7. See answer to question 5.

8. No linked business is written.

9. The proportion of the total net liabilities as shown in Form 55 which are not matched by assets in the same currency is 2%.

10. (1) Since the last investigation, no reinsurance has been ceded on a facultative basis.

- (2) (i) A reinsurance treaty was entered into with the Cologne Reinsurance Company, who are not authorised to carry on business in the United Kingdom, which covers 10% quote share plus the excess of the sum assured over the company's retention of £10,000 under certain schemes. There is no connection between the company and the reinsurer. There is no liability for unearned commission. Premiums of £107,366 were paid during the year.

There is no deposit back of reserves. The treaty is open to new business.

- (ii) A reinsurance treaty was entered into with the Cologne Reinsurance Company, who are not authorised to carry out business in the United Kingdom, which covers 50% of the Company's liabilities under one scheme containing both single premium and regular premium contracts. There is no connection between the company and the reinsurer. There is no liability for unearned commission. Premiums of £8,897 were paid during the year.

There is no deposit back of reserves. The treaty is open to new business.

- (iii) A reinsurance treaty was entered into with Staley Insurance Services Limited, who are not authorised to carry on business in the United Kingdom, which covers 100% of all insured risks under one scheme. There is no connection between the company and the reinsurer. There is no liability for unearned commission. Premiums of £531,673 were paid during the year. The treaty is open to new business.
- (iv) A reinsurance treaty was entered into with Swiss Re, who are authorised to carry on business in the United Kingdom, which covers the excess of the sum assured over the company's retention of £10,000 under one scheme. There is no connection between the company and the reinsurer. There is no liability for unearned commission. Premiums of £11,778 were paid during the year. The treaty is open to new business.
- (v) A reinsurance treaty was entered into with the Patriot Insurance Company Limited, who are not authorised to carry on business in the United Kingdom, which covers 80% of the Company's liabilities under one recurrent single premium scheme. There is no connection between the company and the reinsurer. There is no liability for unearned commission. Premiums of £1,794 were paid during the year. The treaty is open to new business.
- (vi) A reinsurance treaty was entered into with E&S Insurance Limited, who are not authorised to carry on business in the United Kingdom, which covers 90% of the Company's liabilities under one single premium scheme. There is no connection between the company and the reinsurer. There is no liability for unearned commission. Premiums of £4,414 were paid during the year. The treaty is open to new business.

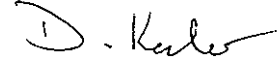
(vii) A reinsurance treaty was entered into with Swiss Re, who are authorised to carry on business in the United Kingdom, which covers the excess of the sum assured over the company's retention of £10,000 under one single premium scheme. There is no connection between the company and the reinsurer. There is no liability for unearned commission. No premiums were paid during the year. The treaty is open to new business.

11-16 There are no with profit policyholders.

17. See attached Form 55.

18. See attached Form 58.

19. See attached Form 60.



D Keeler F.I.A.

Appointed Actuary

**SECURITY ASSURANCE LIMITED**  
**VALUATION SUMMARY OF NON-LINKED CONTRACTS - ORDINARY LONG TERM**  
Life Assurance Business - UK Business - Without Profits

FORM 55

Type of insurance	Valuation basis		Number of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits	Value of sums assured or annuities per annum, including vested reversionary bonuses	Value of annual premiums		Amount of mathematical reserves
	Rate of interest	Mortality or disability table			Office premiums	Net premiums			Office premiums	Net premiums	
1	2	3	4	5	6	7	8	9	10	11	12
				£000	£000			£000			£000
<b>DIRECT BUSINESS AND REINSURANCE ACCEPTED</b>											
Credit Life Business Group Life	0.0%	A4952 Ult	856,255	363,623	722	-	-	988	-	-	988
Expense Reserve	-	-	-	-	-	-	-	-	-	-	437
Total	-	-	856,255	363,623	722	-	-	988	-	-	1,425
<b>REINSURANCE CEDED</b>											
Credit Life Business Group Life	-	-	-	176,146	135	-	-	178	-	-	178
Total	-	-	-	176,146	135	-	-	178	-	-	178
NET TOTAL	-	-	856,255	187,477	587	-	-	810	-	-	1,247

**SECURITY ASSURANCE LIMITED**

**VALUATION SUMMARY OF NON-LINKED CONTRACTS - ORDINARY LONG TERM**

**Life Assurance Business - Overseas Business - Without Profits**

**FORM 55**

Type of insurance	Valuation basis		Number of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits	Value of sums assured or annuities per annum, including vested reversionary bonuses	Value of annual premiums		Amount of mathematical reserves
	Rate of interest	Mortality or disability table			Office premiums	Net premiums			Office premiums	Net premiums	
1	2	3	4	5	6	7	8	9	10	11	12
				£000	£000			£000			£000
<b>DIRECT BUSINESS AND REINSURANCE ACCEPTED</b>											
Credit Life Business											
Group Life (Ireland)	0.0%	A4952 Ult	7,722	3,073				23			23
<b>NET TOTAL</b>	-	-	7,722	3,073	-	-	-	23	-	-	23
<b>REINSURANCE CEDED</b>											
Credit Life Business											
Group Life	-	-	-	0	-	-	-	0	-	-	0
Total	-	-	-	0	-	-	-	0	-	-	0
<b>NET TOTAL</b>	-	-	7,722	3,073	-	-	-	23	-	-	23

**SECURITY ASSURANCE LIMITED**

**FORM 55**  
**£000**

**VALUATION SUMMARY OF NON-LINKED CONTRACTS - ORDINARY LONG TERM**  
**Life Assurance Business - Global Business - Without Profits**

Type of insurance	Valuation basis		Number of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits	Value of sums assured or annuities per annum, including vested reversionary bonuses		Value of annual premiums		Amount of mathematical reserves
	Rate of interest	Mortality or disability table			Office premiums	Net premiums		£000	£000	Office premiums	Net premiums	
1	2	3	4	5	6	7	8	9	£000	10	11	12
<b>NET OF REINSURANCE CEDED</b>				£000	£000							£000
Credit Life Business												
UK Business			856,255	187,477	587	-	-	810		-	-	1,247
Overseas Business			7,722	3,073	-	-	-	23		-	-	23
Global Total			863,976	190,550	587	-	-	833		-	-	1,270

### *Instructions for Completion of Forms 55 and 56*

1. Information shall be shown separately and totalled within each section in the sequence specified below:

- (i) United Kingdom business
- (ii) overseas business.

The totals net of reinsurance ceded of United Kingdom business and overseas business are also to be shown together with a summary of global net total business.

Separate totals for column 5 on Form 55 and columns 5, 6 and 7 on Form 56 shall be shown for sums insured, for annuities per annum and for other measures of benefit.

2. The information shall be analysed and sub-totalled within each type of business in the sequence specified below:

- (i) life assurance business
- (ii) general annuity business
- (iii) pension business
- (iv) permanent health business
- (v) capital redemption business.

3. The information shall be further analysed and sub-totalled within each basis of participation in profits in the sequence specified below:

- (i) with participation in profits
- (ii) without participation in profits.

4. Within each subdivision required under paragraphs 2 and 3 above the appropriate types of insurance from the following list shall be shown separately:

- (i) whole life assurance
- (ii) endowment assurance
- (iii) pure endowment assurance
- (iv) term assurance
- (v) other assurance (to be specified)
- (vi) miscellaneous assurance
- (vii) deferred annuity
- (viii) annuity in payment
- (ix) other annuity (to be specified)
- (x) miscellaneous annuity
- (xi) group pension
- (xii) group life
- (xiii) other group (to be specified)
- (xiv) permanent health insurance
- (xv) capital redemption assurance
- (xvi) annuity certain.

And particulars shall also be shown for any subsidiary provisions within general business class 1 or 2 which, by virtue of section 1(2) and (3) of the Insurance Companies Act 1982 are to be taken to be included in long term business of any class (Supplementary Accident and Sickness Insurance - see Form 61).

5. A further subdivision into each separate category of contract is required as follows:

Form 55 - each category of contract which is valued on a different valuation basis;

Form 56 - each category of contract which provides different guarantees or options, and each category of unit link. For the purpose of determining the category of the unit link, all authorised unit trusts may be considered to be one category and all internal linked funds may be considered to be one category.

Reserves for tax on capital gains or for investment performance guarantees may be shown on separate lines in the mathematical reserves column, where they are calculated

on an aggregate basis, or in additional columns of non-unit liabilities, where they are calculated on an individual basis.

6. Special reserves (including reserves calculated on an aggregate basis for tax on capital gains and investment performance guarantees) or adjustments shall be shown on separate lines in the mathematical reserves column and the particulars of such reserves or adjustments shall be specified.
7. Any contract which consists of a combination of different types of insurance shall be treated as a number of separate contracts each dealing with one of the different types of insurance so combined and the amount by which the total number of contracts shown in column 4 of any valuation summary exceeds the actual number of contracts to which that valuation summary relates shall be stated:

Provided that, in relation to any category of such combined contract, any types of insurance included in the combination which in the aggregate account for less than 10 per cent of the total mathematical reserves under that category of contract need not be separately distinguished.

8. Non-linked contracts the nature of which or the method of valuation of which makes it impossible or inappropriate to give the information required in columns 7 to 11 of Form 55 shall be shown separately and the reason for the impossibility or the inappropriateness stated.
9. Linked contracts the nature of which or the method of valuation of which makes it impossible or inappropriate to give the information in the exact form required by Form 56 shall be shown on a separate valuation summary with appropriately modified column headings and the reason for the modification stated.
10. Contracts of any description may be grouped together under any 'miscellaneous' heading provided that mathematical reserves for business shown under all such headings in any one valuation summary do not exceed 5 per cent of the total mathematical reserves for all business shown in that valuation summary.

11. Contracts with deferred participation in profits and contracts with an option to convert to another category of contract shall be included in the category in which they fall at the date to which the investigation relates.
12. Contracts on more than one life may be included with single life contracts.
13. Contracts subject to limited premiums may be included with contracts under which premiums are payable throughout.
14. Life annuities guaranteed for a term certain or which provide for a refund of the balance of the purchase money on early death may be included with other life annuities.
15. In the case of contracts with variable benefits the benefits shall be taken as at the date to which the investigations relates and, where such benefits are included as approximate amounts only, that fact shall be stated.
16. In relation to group deferred annuity contracts under which premiums have not ceased, a statement of how the amount of annual office premiums has been arrived at shall be given.
17. Where for group life and pension schemes the mathematical reserves at the valuation date are based on those in respect of business in force at the last scheme revision date, any adjustment on account of changes after that date shall be shown separately.
18. It is to be stated in relation to each category of contract where it is appropriate, whether the amount of the sum assured or deferred annuity shown in the valuation summary is the full sum assured or annuity which would come into payment on the maturity date or the amount accrued or actually purchased at the date to which the investigation relates and, where it is the amount accrued or actually purchased at the date, an estimate of the fully prospective sum assured or annuity for that category shall be given.

## SECURITY ASSURANCE LIMITED

## VALUATION RESULT AND DISTRIBUTION OF SURPLUS

FORM 58

Global Business

Ordinary Long Term Fund

£000

Valuation Result	Fund carried forward		1	2,582
	Bonus payments made to policyholders in anticipation of a surplus		2	0
	Transfers out of Fund/ Part of Fund	Net transfer to (from) statement of other income and expenditure	3	188
		Net transfer to (from) other Funds/ Parts of Funds	4	0
	Net transfer out of Fund/Part of Fund (3 + 4)		5	188
	Total (1 + 2 + 5)		6	2,770
	Mathematical reserves for non-linked contracts		7	1,270
	Mathematical reserves for linked contracts		8	0
	Total (7 + 8)		9	1,270
	Surplus including contingency and other reserves held towards the solvency margin (deficiency) (6 - 9)		10	1,500
Composition of Surplus	Balance of surplus brought forward unappropriated from last valuation		11	961
	Transfers into Fund/ Part of Fund	Net transfer from (to) statement of other income and expenditure	12	0
		Net transfer from (to) other Funds/ Parts of Funds	13	0
	Net transfer into Fund/Part of Fund (12 + 13)		14	0
	Surplus arising since the last valuation		15	539
	Total (11 + 14 + 15) (=10)		16	1,500
Distribution of Surplus	Bonus payments made to policyholders in anticipation of a surplus		17	0
	Allocated to policyholders by way of	cash bonuses	18	0
		reversionary bonuses	19	0
		other bonuses	20	0
		premium reductions	21	0
	Total allocated to policyholders (17 to 21)		22	0
	Net transfer out of Fund/Part of Fund (=5)		23	188
	Total distributed surplus (22 + 23)		24	188
	Balance of surplus (including contingency and other reserves held towards the solvency margin) carried forward unappropriated		25	1,312
Total (24 + 25) (=10)		26	1,500	
Percentage of distributed surplus allocated to policyholders of Fund/Part of Fund			27	0%
Corresponding percentages at three immediately previous valuations	latest (date of valuation 31-12-93)		28	0%
	earlier (date of valuation 31-12-92)		29	-
	earliest (date of valuation 31-12-91)		30	-

### *Instructions for Completion of Form 58*

1. The entry at line 1 shall be equal to the entry at line 16 in the revenue account for the relevant fund/part of fund.
2. Where interim, mortuary or terminal bonuses are determined in advance of a valuation and are paid in anticipation of surplus arising at the valuation, the amounts of such bonus actually paid in the period up to the valuation date shall be entered in lines 2 and 27. To the extent that it is the practice of the company to make specific provision for the cost of such bonuses payable on future claims out of surplus arising at a valuation, such amounts shall be treated as amounts allocated to policyholders at the valuation in question and included in line 20, and the actual amounts paid shall not appear at lines 2 and 17 at future valuations. An appropriate note shall be appended identifying the various items where necessary.
3. Where policies have been transferred from one fund/part of fund to another, the associated transfer of reserves shall not be included as a "transfer" in this Form. Where any other transfer has been made, only one positive figure shall be inserted in either line 5 or line 14 (depending on the direction of the net transfer) leaving the other line blank. Corresponding entries shall be made in either the block comprising lines 3 and 4 or the block comprising lines 12 and 13, as applicable.
4. Where the entry in line 4 or line 13 represents more than one transaction, each transfer shall be separately identified in the form or in a note.
5. In the case of a company which makes allocations to eligible policyholders generally at intervals of more than one year, bonus payments made to policyholders in anticipation of a surplus, transfers to or from other income and expenditure or to or from funds or parts of funds shall include the amounts of all such bonus payments and transfers made since the date of the last general allocation. In that case the word "valuation" in line 11 and 15 shall be replaced by "general allocation", and line 11 shall show the balance of the surplus brought forward unappropriated from the date of the last general allocation and line 15 shall show the total amount of the surplus arising since the date. When the

bonus payment or transfers relate to a period of more than one year that fact shall be stated in a note.

6. Line 27 is line 22 as a percentage of line 24. Line 27 shall not be completed in years where there is no general allocation.

CLASS	Classes I and II 4%	Class III business with relevant factor of			Classes IV and VI			Class VII business with relevant factor of			Unallocated additional mathematical reserves with relevant factor of		Total for all classes	
		4%	1%	Total	4%	1%	Total	4%	1%	Total	4%	1%	The financial year	The previous year
Relevant factor (note 5)														
1 Mathematical reserves before deductions for reinsurance:														
(a) Reserve before distribution of surplus	1,448											1,448	1,824	1,824
(b) Reserves for bonus allocated to policyholders	-											-	-	-
(c) Reserves after distribution of surplus	1,448											1,448	1,824	1,824
2 Mathematical reserves after deductions for reinsurance:														
(a) Reserve before distribution of surplus	1,270											1,270	1,625	1,625
(b) Reserves for bonus allocated to policyholders	-											-	-	-
(c) Reserves after distribution of surplus	1,270											1,270	1,625	1,625
3 Ratio of 2(c) to 1(c), or 0.85 if greater	0.877													
4 Required margin of solvency - first result = 1(c) x 3 x relevant factor	51											51	65	65
5 Non negative capital at risk before reinsurance:														
(a) Temporary assurances with required margin of solvency of .001	259,604											259,604	234,691	234,691
(b) Temporary assurances with required margin of solvency of .0015	99,527											99,527	114,749	114,749
(c) All other contracts with required margin of solvency of .003	6,117											6,117	5,040	5,040
(d) Total for (a) + (b) + (c)	365,248											365,248	354,480	354,480
6 Non negative capital at risk after reinsurance: (all contracts)	189,280											189,280	211,093	211,093
7 Ratio of 6 to 5(d), or 0.5 if greater	0.518													
8 Required margin of solvency - second result	221											221	251	251
9 Sum of first and second result = 4 + 8	272											272	316	316
10 Required margin of solvency for Supplementary, Accident and Sickness Insurance												-	-	-
11 Total required margin of solvency for long term business = 9 + 10												272	316	316
12 Minimum guarantee fund												625	614	614
3 Required minimum margin (greater of 11 & 12)												625	614	614

*Notes for Form 60*

1. For a pure reinsurer, the factor of 0.85 shall be replaced by 0.50.
2. After distribution of surplus.
3. Line 8 equals line 7 x (5(a) x .001 + 5(b) x .0015 + 5(c) x .003) for Classes I and II,  
or  
line 7 x 5(d) x .003 for Class III and Class VII.
4. Any additional mathematical reserves referred to in the note to Form 14 shall be included on this Form.
5. The appropriate factor specified in regulations 18(2)(a) and 19(3) and (4) of the Insurance Companies Regulations 1994.

*Schedule 6*

*Part II*

*Security Assurance Limited - 31 December 1994*

Certificate by appointed actuary:

- (a) (i) In my opinion, proper records have been kept by Security Assurance Limited adequate for the purpose of the valuation of the liabilities of its long term business; and
- (ii) The mathematical reserves as shown in Form 14, constitute proper provision at the end of the financial year for the liabilities (other than liabilities which had fallen due before the end of the financial year) arising under or in connection with contracts for long term business including any increase in those liabilities arising from a distribution of surplus as a result of an investigation as at that date into the financial condition of the long term business; and
- (iii) For the purpose of sub-paragraph (ii) above the liabilities have been assessed in accordance with Part IX of the Insurance Companies Regulations in the context of assets valued in accordance with Part VIII of those Regulations, as shown in Form 13; and
- (iv) The guidance notes "Actuaries and Long-Term Insurance Business (GN1)" and "Additional Guidance for Appointed Actuaries and Appropriate Actuaries (GN8)", issued by the Institute of Actuaries and the Faculty of Actuaries and dated 30 December 1994, have been complied with; and
- (v) premiums for contracts entered into during the financial year and the income earned thereon are sufficient, on reasonable actuarial assumptions, and taking into account the other financial resources of the company that are available for the purpose, to enable the company to meet its commitments in respect of those contracts and, in particular, to establish adequate mathematical reserves; and

- (b) The amount of the required minimum margin applicable to the company's long term business immediately following the end of the financial year (including any amounts resulting from any increase in liabilities arising from a distribution of surplus as a result of the investigation into the financial condition of the long term business), as shown in Form 60 is £625,222.



D Keeler F.I.A.

Appointed Actuary

AL.1596

SECURITY ASSURANCE LIMITED  
Department of Trade and Industry Returns  
for the year ended 31 December 1994

