

# **The Yorkshire Insurance Company Limited**

Registered office: 2 Rougier Street, York, YO90 1UU

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



Accounts and statements pursuant to the  
Financial Services and Markets Act 2000

**Index to Appendices 9.1, 9.3, 9.4 and 9.6 of IPRU (INS)**Name of insurer **The Yorkshire Insurance Company Limited**

Global Business

Financial year ended **31st December 2002****Contents**

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Returns under the Accounts and Statements Rules

**Covering page to form 9**

Name of insurer **The Yorkshire Insurance Company Limited**

Global business

Financial year ended **31st December 2002**

.....

**R J HARVEY**  
Chief Executive

.....

**M N BIGGS**  
Director

.....

**P G SCOTT**  
Director

26<sup>th</sup> March 2003

**Statement of solvency**Name of insurer **The Yorkshire Insurance Company Limited**

Global business

Financial year ended **31st December 2002**

R9	Company registration number 98235	GL/UK/CM GL	Period ended			Units £000
			day	month	year	
			31	12	2002	
		As at the end of this financial year	As at the end of the previous year		Source	
		1	2		Form	Line Column

**GENERAL INSURANCE BUSINESS****Available assets**

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

Required minimum margin for general insurance business	12			12 . 49
Excess (deficiency) of available assets over the required minimum margin (11-12)	13			

**LONG TERM INSURANCE BUSINESS****Available assets**

Long term insurance business admissible assets	21	634	583	10 . 11
Other than long term insurance business assets allocated towards long term insurance business required minimum margin	22	449	450	See instructions 1 and 3
Total mathematical reserves (after distribution of surplus)	23	32	28	See instruction 4
Other insurance and non-insurance liabilities	24	545	508	See instruction 5
Available assets for long term insurance business required minimum margin (21+22-23-24)	25	506	497	

**Implicit Items admitted under Rule 2.10(5) as modified**

Future profits	31			
Zillmerising	32			
Hidden reserves	33			

Total of available assets and implicit items (25+31+32+33)	34	506	497	
--	----	-----	-----	--

**Required minimum margin**

Required minimum margin for long term insurance business	41	506	497	60 . 69
Explicit required minimum margin (1/6 x 41, or minimum guarantee fund if greater)	42	506	497	
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 instruction 6
Quantifiable contingent liabilities in respect of long term insurance business as shown in a supplementary note to Form 14	52			See instruction 6

**Analysis of the effect of financial engineering on long-term available assets**Name of insurer **The Yorkshire Insurance Company Limited**

Global business

Financial year ended **31st December 2002**

		Company registration number	GL/UK/CM	Period ended			Units
				day	month	year	
R9A	98235	GL	31	12	2002	£000	
		As at the end of this financial year  1	As at the end of the previous year  2	Source			
Required minimum margin for long term insurance business	11	506		See instruction 2			
Excess (deficiency) of available assets and implicit items over the required minimum margin	12			See instruction 3			
Total available assets and implicit items (11+12)	13	506					
Analysed as follows:							
Value of implicit items	14			See instruction 5			
Financial reinsurance- ceded	15			See instruction 6			
Financial reinsurance- accepted	16			See instruction 7			
Outstanding contingent loans	17			See instruction 8			
Any other charges on future profits	18			See instruction 9			
Sum of financial engineering adjustments (14+15-16+17+18)	19						
Other assets (13-19)	20	506					
Total available assets and implicit items (19+20)	21	506					

**Statement of net assets**Name of insurer **The Yorkshire Insurance Company Limited**

Global business

Financial year ended **31st December 2002**

	R10	Company registration number 98235	GL/UK/CM GL	Period ended			Units £000
				day	month	year	
				31	12	2002	
		As at the end of this financial year 1	As at the end of the previous year 2	Source			
				Form	Line	Column	
Long term insurance business - admissible assets	11	634	583	13	89	1	
Long term insurance business - liabilities and margins	12	634	583	14	59	1	

Other than Long term insurance business - admissible assets	21		450	13	89	1	
Other than Long term insurance business - liabilities	22			15	69	1	
Net admissible assets (21-22)	23		450				
Other assets allowed to be taken into account in covering the required minimum margin	24	Unpaid amounts (including share premium) on partly paid shares					
	25	Supplementary contributions for a mutual carrying on general insurance business					
Liabilities allowed to be left out of account in covering the required minimum margin	26	Subordinated loan capital					
	27	Cumulative preference share capital					
Available assets (23 to 27)	29		450				

**Represented by:**

Paid up share capital (other than cumulative preference share capital)	51						
Amounts included in lines 24 to 27 above	52						
Amounts representing the balance of net assets	56						
Total (51 to 56) and equal to line 29 above	59						

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

Balance brought forward at the beginning of the financial year	61			10	56	2	
Retained profit/(loss) for the financial year	62			16	59	1	
Movement in asset valuation differences	63			See instruction 2			
Decrease/(increase) in the provision for adverse changes	64			See instruction 3			
Other movements (particulars to be specified by way of supplementary note)	65						
Balance carried forward at the end of the financial year (61 to 65)	69						

**Analysis of admissible assets**Name of insurer **The Yorkshire Insurance Company Limited**

Global business

Financial year ended **31st December 2002**Category of assets **Permanent Health**

			Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			R13	98235	GL	31	12	2002	£000	10
Investments							As at the end of this financial year 1		As at the end of the previous year 2	
Land and buildings							11			
Investments in group undertakings and participating interests	UK insurance business dependants	Shares	21							
		Debt securities issued by, and loans to, dependants	22							
	Other insurance dependants	Shares	23							
		Debt securities issued by, and loans to, dependants	24							
	Non-insurance dependants	Shares	25							
		Debt securities issued by, and loans to, dependants	26							
	Other group undertakings and participating interests	Shares	27							
		Debt securities issued by, and loans to, group undertakings	28							
		Participating interests	29							
Debt securities issued by, and loans to, undertakings in which the insurer has a participating interest		30								
Total sheet 1 (11 to 30)							39			

**Analysis of admissible assets**Name of insurer **The Yorkshire Insurance Company Limited**

Global business

Financial year ended **31st December 2002**Category of assets **Permanent Health**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R13	98235	GL	31	12	2002	£000	10
Investments (continued) Deposits with ceding undertakings Assets held to cover linked liabilities					As at the end of this financial year 1		As at the end of the previous year 2		
Other financial investments	Equity shares			41					
	Other shares and other variable yield securities			42					
	Holdings in collective investment schemes			43					
	Rights under derivative contracts			44					
	Debt securities and other fixed income securities	Fixed interest	Approved securities	45	557		542		
			Other	46					
		Variable interest	Approved securities	47					
			Other	48					
	Participation in investment pools			49					
	Loans secured by mortgages			50					
	Other loans	Loans to public or local authorities and nationalised industries or undertakings		51					
		Loans secured by policies of insurance issued by the company		52					
		Other		53					
	Deposits with approved credit institutions and approved financial institutions	Withdrawal subject to a time restriction of one month or less		54					
		Withdrawal subject to a time restriction of more than one month		55					
	Other			56					
Deposits with ceding undertakings			57						
Assets held to match linked liabilities	Index linked			58					
	Property linked			59					
Reinsurers' share of technical provisions	Provision for unearned premiums			60					
	Claims outstanding			61					
	Provision for unexpired risks			62					
	Other			63					
Total sheet 2 (41 to 63)			69	557		542			



**Analysis of admissible assets**Name of insurer **The Yorkshire Insurance Company Limited**

Global business

Financial year ended **31st December 2002**Category of assets **Permanent Health**

Category of assets		Permanent Health		Company registration number	GL/UK/CM	Period ended			Units	Category of assets
		day	month			year				
		R13	98235	GL	31	12	2002	£000	10	
Debtors						As at the end of this financial year 1		As at the end of the previous year 2		
Other assets										
Debtors arising out of direct insurance operations	Policyholders				71					
	Intermediaries				72					
Salvage and subrogation recoveries					73					
Debtors arising out of reinsurance operations	Due from ceding insurers and intermediaries under reinsurance business accepted				74					
	Due from reinsurers and intermediaries under reinsurance contracts ceded				75					
Other debtors	Due from dependants	Due in 12 months or less after the end of the financial year			76					
		Due more than 12 months after the end of the financial year			77					
	Other	Due in 12 months or less after the end of the financial year			78					
		Due more than 12 months after the end of the financial year			79					
Tangible assets					80					
Cash at bank and in hand	Deposits not subject to time restriction on withdrawal, with approved credit institutions and approved financial institutions and local authorities				81					
	Cash in hand				82	75		39		
Other assets (particulars to be specified by way of supplementary note)					83					
Prepayments and accrued income	Accrued interest and rent				84	2		2		
	Deferred acquisition costs				85					
	Other prepayments and accrued income				86					
Deductions (under rules 4.14(2)(b) and 4.14(3)) from the aggregate value of assets					87					
Total sheet 3 (71 to 86 less 87)					88	77		41		
Grand total of admissible assets (39+69+88)					89	634		583		
Reconciliation to asset values determined in accordance with the insurance accounts rules										
Total admissible assets (as per line 89 above)					91	634		583		
Total assets in excess of the admissibility limits of Appendix 4.2 (as valued in accordance with those Rules before applying admissibility limits)					92					
Solvency margin deduction for subsidiary undertakings which are insurance undertakings					93					
Other differences in the valuation of assets (other than for assets not valued above)					94					
Assets of a type not valued above, (as valued in accordance with the insurance accounts rules)					95					
Total assets determined in accordance with the insurance accounts rules (91 to 95)					99	634		583		
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance					100					

**Long term insurance business liabilities and margins**Name of insurer **The Yorkshire Insurance Company Limited**

Global business

Financial year ended **31st December 2002**Category of assets **Permanent Health**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R14	98235	GL	31	12	2002	£000	10
				As at the end of this financial year 1	As at the end of the previous year 2		Source		
Mathematical reserves, after distribution of surplus		11	32	28	See Instruction 2				
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12			See Instruction 3				
Balance of surplus/(valuation deficit)		13	57	47	See Instruction 4				
Long term insurance business fund carried forward (11 to 13)		14	89	75	See Instruction 5				
Claims outstanding which had fallen due for payment before the end of the financial year	Gross amount		15						
	Reinsurers' share		16						
	Net (15-16)		17						
Provisions for other risks and charges	Taxation		21						
	Other		22						
Deposits received from reinsurers		23							
Creditors and other liabilities	Arising out of insurance operations	Direct insurance business	31						
		Reinsurance accepted	32						
		Reinsurance ceded	33						
	Debenture loans	Secured	34						
		Unsecured	35						
	Amounts owed to credit institutions		36						
	Other creditors	Taxation	37						
		Other	38	545	508				
Accruals and deferred income		39							
Provision for adverse changes (calculated in accordance with rule 5.3)		41							
Total other insurance and non-insurance liabilities (17 to 41)		49	545	508					
Excess of the value of net admissible assets		51			See Instruction 6				
Total liabilities and margins		59	634	583					
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		61	535	500					
Amounts included in line 59 attributable to liabilities in respect of property linked benefits		62							
Amount of any additional mathematical reserves included in line 51 which have been taken into account in the appointed actuary's certificate		63			See Instruction 7				

**Long term insurance business : Revenue account**Name of insurer **The Yorkshire Insurance Company Limited**

Global business

Ordinary insurance business

Financial year ended **31st December 2002**Name and number of fund/Summary **Permanent Health 1**

	Company registration number	GL/UK/CM	Period ended			Units	OB/IB	No of fund/ Summary	No of part of Fund
			day	month	year				
<b>R40</b>	<b>98235</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2002</b>	<b>£000</b>	<b>OB</b>	<b>1</b>	<b>0</b>
<b>Items to be shown net of reinsurance ceded</b>						The financial year		Previous year	
						<b>1</b>		<b>2</b>	
Earned premiums						<b>11</b>	1	2	
Investment income receivable before deduction of tax						<b>12</b>	29	36	
Increase (decrease) in the value of non-linked assets brought into account						<b>13</b>			
Increase (decrease) in the value of linked assets						<b>14</b>			
Other income						<b>15</b>			
Total income (11 to 15)						<b>19</b>	30	38	
Claims incurred						<b>21</b>	8	4	
Expenses payable						<b>22</b>	5	5	
Interest payable before deduction of tax						<b>23</b>			
Taxation						<b>24</b>	3	13	
Other expenditure						<b>25</b>			
Transfer to (from) non technical account						<b>26</b>			
Total expenditure (21 to 26)						<b>29</b>	16	22	
Increase (decrease) in fund in financial year (19-29)						<b>39</b>	14	16	
Fund brought forward						<b>49</b>	75	59	
Fund carried forward (39+49)						<b>59</b>	89	75	

**Long term insurance business : Analysis of premiums and expenses**Name of insurer **The Yorkshire Insurance Company Limited**

Global business

Ordinary insurance business

Financial year ended **31st December 2002**Name and number of fund/Summary **Permanent Health 1**

		Company registration number	GL/UK/CM	Period ended			Units	OB/IB	No of fund/ Summary	No of part of Fund	
		R41	98235	GL	31	12	2002	£000	OB	1	0
					Gross		Payable to or recoverable from reinsurers		Net of reinsurance (1-2)		
					1		2		3		
Earned premiums in the financial year	Life assurance and general annuity contracts	Single premium	11								
		Regular premium	12								
	Pension business contracts	Single premium	13								
		Regular premium	14								
	Permanent health contracts	Single premium	15								
		Regular premium	16	1				1			
	Other contracts	Single premium	17								
		Regular premium	18								
	Total premiums	Single premium	19								
		Regular premium	29	1				1			
Total premiums at lines 19 and 29 attributable to	UK contracts	31	1				1				
	Overseas contracts	32									
Expenses payable in the financial year	Commission payable in connection with acquisition of business		41								
	Other commission payable		42								
	Management expenses in connection with acquisition of business		43								
	Management expenses in connection with maintenance of business		44	5				5			
	Other management expenses		45								
	Total expenses (41 to 45)		49	5				5			
	Total expenses at line 49 attributable to	UK contracts	51	5				5			
		Overseas contracts	52								

**Long term insurance business : Analysis of claims**Name of insurer **The Yorkshire Insurance Company Limited**

Global business

Ordinary insurance business

Financial year ended **31st December 2002**Name and number of fund/Summary **Permanent Health 1**

		Company registration number	GL/UK/CM	Period ended			Units	OB/IB	No of fund/ Summary	No of part of Fund	
		R42	98235	GL	31	12	2002	£000	OB	1	0
Claims incurred in the financial year					Gross		Recoverable from reinsurers		Net of reinsurance (1-2)		
					1		2		3		
Life assurance and annuity contracts	On death			11							
	By way of lump sums on maturity			12							
	By way of annuity payments			13							
	By way of payments arising from other insured events			14							
	On surrender or partial surrender			15							
	Total life assurance and annuity claims (11 to 15)			19							
Pension business contracts	On death			21							
	By way of lump sums on vesting			22							
	By way of vested annuity payments			23							
	On surrender or partial surrender			24							
	Total pension business claims (21 to 24)			29							
Permanent health contracts	By way of lump sums			31							
	By way of periodical payments			32	8				8		
	Total permanent health claims (31+32)			39	8				8		
Other contracts	By way of lump sums			41							
	By way of periodical payments			42							
	Total claims (41+42)			49							
Total claims (19+29+39+49)				59	8				8		
Total claims at line 59 attributable to	UK contracts			61	8				8		
	Overseas contracts			62							

**Valuation Report prepared by the Appointed Actuary – IPRU (INS) Appendix 9.4**

Name of Company                      **The Yorkshire Insurance Company Limited – Ordinary Long Term Business**  
Financial year ended                      **31<sup>st</sup> December 2002**

**1**            The date to which the investigation relates is 31st December 2002.

**2**            The date to which the previous investigation related was 31st December 2001.

**3**            This valuation is in conformity with IPRU (INS) Rule 5.6.

**4 (1) NON LINKED CONTRACTS**

- (a) All contracts are fully described by the entry in column 1 of form 51 except miscellaneous benefits, which are accident benefits. Certain sickness benefit contracts have a waiver of premium. The sickness benefits in certain cases increase in yearly steps by 2.5% per annum compound during each period of disability.

**5 (1) LINKED CONTRACTS**

There are no linked contracts.

**6 (1)** The mathematical reserve was, subject to the exceptions specified below, the difference between the present value of the prospective benefits payable and the present value of the net premiums receivable.

- (a) No derivative contracts have been used.
- (b) All contracts were non profit with no discretionary charges.
- (c) The net premiums were obtained by limiting the true net premiums to a maximum of 92.5% of the office premiums, the modification being made to avoid taking credit for more than the premiums receivable and to provide for future expenses. There was no Zillmer adjustment.
- (d) No negative reserves arose.
- (e) The contracts do not participate in profits.
- (f) No reserve was made for potential taxation on unrealised capital gains.
- (g) There are no linked contracts or contracts falling within sub paragraphs (a) and (b) of paragraph 4(1) above.
- (h) There are no guarantees or options.

Principles adopted in the valuation of particular contracts were: -

- (i) Contracts with waiver of premium were valued by treating the premium waiver as an extra benefit.
- (ii) For contracts under which the benefit increases the reserves make explicit allowances for these increases.
- (iii) The reserve for accident benefits on sickness or accident benefit contracts was taken as one year's premium.

**7 (1)** See Form 51.

**Mortality**

- (i) Active Lives                      50% of AM80/AF80 ultimate
- (ii) Disabled Lives                      Mortality is included within the claim termination assumptions outlined below.

**Morbidity**

PHI claim inception rates have been based on CIDA rates, adjusted by factors dependent on age, occupation, gender, smoker status, location and duration in force. Further margins have been taken for prudence.

PHI claim termination rates have been based on CMIR12, adjusted by factors deferred period and duration, with further margins for prudence.

**(2)** Not applicable.

**(3)** Not applicable.

**(4)** Not applicable.

**Valuation Report prepared by the Appointed Actuary – IPRU (INS) Appendix 9.4**

Name of Company                      **The Yorkshire Insurance Company Limited – Ordinary Long Term Business**

Financial year ended                **31<sup>st</sup> December 2002**

- (5) There is no explicit additional adjustment to mortality or morbidity in respect of AIDS.
- (6) The following changes in the future value of assets were tested when determining the amount of the long term liabilities:
- (i) fixed interest yields fall by 20% for terms less than 5 years and by 10% for terms of 15 years or more, with falls for intermediate terms being derived by linear interpolation.
  - (ii) risk free fixed interest yields for terms less than 5 years fall to the level calculated under IPRU (INS) Rule 5.11 (9) and yields for terms of 15 years or more remain constant. Yields for intermediate terms are assumed to fall to a level derived by linear interpolation between the IPRU (INS) Rule 5.11 (9) yield and the 15 year gilt index yield (or remain constant if already below this level).
  - (iii) fixed interest yields rise by 3 percentage points.

Scenario (iii) produces the most onerous requirement.

- (7) No additional reserve was considered necessary pursuant to IPRU (INS) Rule 5.17 (a), having regard to the strength of the reserving basis and the nature of the assets hypothecated to the published liabilities.
- (8) A reserve of £425 pursuant to IPRU (INS) Rule 5.17 (b) has been included in the mathematical reserves.
- (a) In determining the long term liabilities in the changed investment conditions, no changes in assumptions were made other than an interest rate charge.
- (b) Approved securities were hypothecated to cover the published liabilities. Allowance was made for the fall in value of the assets in the changed financial conditions.
- (c) (i) The fall in the value of the long term liabilities was £1663  
(ii) The fall in the value of assets was £2088
- (9) Not applicable.

**8 (a)** See Form 51.

- (b) An additional reserve was made to provide for future expenses not covered by the valuation basis.
- (c) Not applicable.
- (d) Not applicable.

**9** There are no linked contracts.

- 10 (1)** Allowance has been made for inflation of expenses at 3.5%. The overall provision for expenses has been re-expressed as an allowance for expenses during 2002, increasing in line with inflation over the remaining term of the contracts in force at the valuation date.
- (2) The allowance for expenses during 2003 is 5(£000). The allowance is derived from the excess of the office premium over the net premium valued, from explicit expense reserves of 13(£000).
- (3) No new business is being transacted.
- (4) Not applicable.

**Valuation Report prepared by the Appointed Actuary – IPRU (INS) Appendix 9.4**

Name of Company                      **The Yorkshire Insurance Company Limited – Ordinary Long Term Business**

Financial year ended                **31<sup>st</sup> December 2002**

- 11**        The mathematical reserves were expressed in Sterling and are matched by Sterling assets.
- 12 (1)**   No premiums were payable during the report period for business ceded on a facultative basis to reinsurers who are not permitted to carry on business in the United Kingdom.
- (2)**    There are no reinsurance treaties.
- (3)**    There are no financing arrangements.
- 13-16**    There are no with profit contracts.
- 17-20**    Forms 46-49 and 51 are appended.
- 21 (1)**    Form 57 is appended.
- 21 (2)**    No adjustment to the yield on assets was necessary.
- 22**        Form 58 is appended.
- 23**        Forms 60 and 61 are appended.

**J Lister**  
**Appointed Actuary**



**Long term insurance business : Summary of changes in ordinary long term business**Name of insurer **The Yorkshire Insurance Company Limited**

Global business

United Kingdom business

Non-linked

Financial year ended **31st December 2002**

		Company registration number		GL/UK/CM		Period ended			Units		UK/OS		NL/LN	
		R46		98235		GL		31	12	2002	£000		UK	NL
		Life assurance and general annuity		Pensions business		Permanent health		Other business						
		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					
In force at beginning of year	11					102	2							
New business and increases	12													
Net transfers and other alterations 'on'	13													
Total 'on' (12+13)	19													
Deaths	21													
Other insured events	22													
Maturities	23													
Surrenders	24													
Forfeitures	25					3								
Conversions to paid-up policies for reduced benefits	26													
Net transfers, expiries and other alterations 'off'	27					22	1							
Total 'off' (21 to 27)	29					25	1							
In force at end of year (11+19-29)	39					77	1							

**Long term insurance business : Analysis of new ordinary long term business**Name of insurer **The Yorkshire Insurance Company Limited**

Global business

Financial year ended **31st December 2002**

Company registration number	GL/UK/CM	Period ended			Units	
		day	month	year		
R47	98235	GL	31	12	2002	£000

Type of insurance  <b>1</b>	Single premium contracts			Regular premium contracts		
	No of contracts  <b>2</b>	Premiums  <b>3</b>	Sums assured, annuities per annum or other measures of benefit  <b>4</b>	No of contracts  <b>5</b>	Annual premiums  <b>6</b>	Sums assured, annuities per annum or other measures of benefit  <b>7</b>
<b>UK DIRECT WRITTEN INSURANCE BUSINESS</b>						
<b>Permanent Health Insurance Business</b>						
<b>Non-Linked Non-Profit Policies</b>						
There was no new business taken out in 2002						
<b>Sub total: Non-Linked Non-Profit Policies</b>						
<b>Total: Permanent Health Insurance Business</b>						
<b>Total: UK Direct Written Insurance Business</b>						

**Long term insurance business : Expected income from admissible assets not held to match liabilities in respect of linked benefits**Name of insurer **The Yorkshire Insurance Company Limited**

Global business

Financial year ended **31st December 2002**Category of assets **Permanent Health**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets
				day	month	year		
		<b>R48</b>	<b>98235</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2002</b>	<b>£000</b>
<b>Type of asset</b>				Value of admissible assets as shown on Form 13 <b>1</b>		Expected income from admissible assets <b>2</b>		Yield % <b>3</b>
Land and buildings		<b>11</b>						
Fixed interest securities	Approved securities	<b>12</b>	<b>557</b>	<b>29</b>		<b>5.19</b>		
	Other	<b>13</b>						
Variable interest and variable yield securities (excluding items shown at line 16)	Approved securities	<b>14</b>						
	Other	<b>15</b>						
Equity shares and holdings in collective investment schemes		<b>16</b>						
Loans secured by mortgages		<b>17</b>						
All other assets	Producing income	<b>18</b>	<b>75</b>	<b>1</b>		<b>1.50</b>		
	Not producing income	<b>19</b>	<b>2</b>					
Total (11 to 19)		<b>29</b>	<b>634</b>	<b>30</b>		<b>4.74</b>		

**Long term insurance business : Analysis of admissible fixed interest and variable interest and variable yield securities not held to match liabilities in respect of linked benefits**Name of insurer **The Yorkshire Insurance Company Limited**

Global business

Financial year ended **31st December 2002**Category of assets **Permanent Health**

Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		day	month	year			
R49	98235	GL	31	12	2002	£000	10

Redemption period in years			Value of admissible assets as shown on Form 13 <b>1</b>	Gross redemption yield % <b>2</b>	Value of admissible higher yielding assets <b>3</b>		Value of admissible assets as shown on Form 13 <b>4</b>	Gross redemption yield % <b>5</b>	Value of admissible higher yielding assets <b>6</b>
One year or less	<b>11</b>	Fixed interest approved securities				Variable interest and variable yield approved securities excluding equities			
More than one year but not more than five years	<b>12</b>								
More than five years but not more than ten years	<b>13</b>		557	5.19					
More than ten years but not more than fifteen years	<b>14</b>								
More than fifteen years but not more than twenty years	<b>15</b>								
More than twenty years but not more than twenty five years	<b>16</b>								
More than twenty five years	<b>17</b>								
Irredeemable	<b>18</b>								
Total (11 to 18)	<b>19</b>		557	5.19					
One year or less	<b>21</b>	Other fixed interest securities				Other variable interest and variable yield securities excluding equities			
More than one year but not more than five years	<b>22</b>								
More than five years but not more than ten years	<b>23</b>								
More than ten years but not more than fifteen years	<b>24</b>								
More than fifteen years but not more than twenty years	<b>25</b>								
More than twenty years but not more than twenty five years	<b>26</b>								
More than twenty five years	<b>27</b>								
Irredeemable	<b>28</b>								
Total (21 to 28)	<b>29</b>								

**Long term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profit policies)**Name of insurer **The Yorkshire Insurance Company Limited**

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Permanent Health Insurance Business**Category of surplus **Permanent Health**

Type of insurance or name of contract	Valuation basis		No 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
1	2	3	4	5	6	7	8	9	10	11	12
<b>DIRECT WRITTEN INSURANCE BUSINESS</b>											
<b>Non-Profit Policies</b>											
Sickness Benefits	3.75%	See abstract 7	61	67 pa	1	1	0.117	9	4	4	5
Miscellaneous Benefits	-		16	24							
Sickness Claims in Payment	4.00%	See abstract 7						14			14
Resilience Reserve											
Additional Reserve	-	-						13			13
<b>Sub total: Non-Profit Policies</b>			<b>77</b>	<b>24</b> <b>67 pa</b>	<b>1</b>	<b>1</b>		<b>36</b>	<b>4</b>	<b>4</b>	<b>32</b>
<b>Sub total: Direct Written Insurance Business</b>			<b>77</b>	<b>24</b> <b>67 pa</b>	<b>1</b>	<b>1</b>		<b>36</b>	<b>4</b>	<b>4</b>	<b>32</b>
<b>Net total: Permanent Health Insurance Business</b>			<b>77</b>	<b>24</b> <b>67 pa</b>	<b>1</b>	<b>1</b>		<b>36</b>	<b>4</b>	<b>4</b>	<b>32</b>
<b>Net total: United Kingdom Insurance Business</b>			<b>77</b>	<b>24</b> <b>67 pa</b>	<b>1</b>	<b>1</b>		<b>36</b>	<b>4</b>	<b>4</b>	<b>32</b>

### Sterling liabilities

Valuation rate(s) of interest **3.75%**Type of business **Permanent Health Insurance Business**

Non profit

Category of assets	Permanent Health
--------------------	------------------

		Company registration number	GL/UK/CM	Period ended			Units	Stg/ NonStg	Valuation rate of interest	L&GA/Pens/ PHI/Other	WP/NP	Category of assets	
				day	month	year							
		R57	98235	GL	31	12	2002	£000	Stg	3.75	PHI	NP	10
Type of asset notionally allocated			The valuation				The resilience scenario						
			Value of asset notionally allocated	Risk adjusted yield %	Value of assets notionally allocated					Risk adjusted yield %			
					On original allocation	Increase or decrease	Total under resilience scenario						
			1	2	3	4	5	6					
Land and buildings		11											
Fixed interest securities	Approved securities	12	5	5.19	5		5						
	Other	13											
Variable interest and Variable yield securities (excluding items shown at line 16)	Approved securities	14											
	Other	15											
Equity shares and holdings in collective investment schemes		16											
Loans secured by mortgages		17											
All other assets	Producing income	18											
	Not producing income	19											
Total (11 to 19)		29	5	5.19	5		5						
Gross valuation interest rate %		31		3.75									
Net valuation interest rate % (where appropriate)		32											
Mathematical reserve or other liability, net of reinsurance		33	5					5					

Sterling liabilities

Valuation rate(s) of interest **4.00%**Type of business **Permanent Health Insurance Business**

Non profit

Category of assets	Permanent Health
--------------------	------------------

		Company registration number	GL/UK/CM	Period ended			Units	Stg/ NonStg	Valuation rate of interest	L&GA/Pens/ PHI/Other	WP/NP	Category of assets
				day	month	year						
R57		98235	GL	31	12	2002	£000	Stg	4.0	PHI	NP	10
Type of asset notionally allocated			The valuation			The resilience scenario						
			Value of asset notionally allocated	Risk adjusted yield %	Value of assets notionally allocated					Risk adjusted yield %		
					On original allocation	Increase or decrease	Total under resilience scenario					
			1	2	3	4	5		6			
Land and buildings		11										
Fixed interest securities	Approved securities	12	27	5.19	27		27	8.19				
	Other	13										
Variable interest and Variable yield securities (excluding items shown at line 16)	Approved securities	14										
	Other	15										
Equity shares and holdings in collective investment schemes		16										
Loans secured by mortgages		17										
All other assets	Producing income	18										
	Not producing income	19										
Total (11 to 19)		29	27	5.19	27		27	8.19				
Gross valuation interest rate %		31		4.00				6.06				
Net valuation interest rate % (where appropriate)		32										
Mathematical reserve or other liability, net of reinsurance		33	27					27				

## Sterling/Non sterling liabilities

Valuation rate(s) of interest	Balance
10%	100
15%	115
20%	132
25%	151
30%	172
35%	196
40%	223
45%	254
50%	289
55%	329
60%	375
65%	428
70%	488
75%	556
80%	633
85%	720
90%	818
95%	928
100%	1050

Type of business

With profits/Non profit

## Permanent Health

			Company registration number	GL/UK/CM	Period ended			Units	Stg/ NonStg	Valuation rate of interest	L&GA/Pens/ PHI/Other	WP/NP	Category of assets
			R57	98235	GL	31	12	2002	£000		98		10
Type of asset notionally allocated				The valuation				The resilience scenario					
				Value of asset notionally allocated	Risk adjusted yield %	Value of assets notionally allocated			Risk adjusted yield %				
						On original allocation	Increase or decrease	Total under resilience scenario					
				1	2	3	4	5	6				
Land and buildings			11										
Fixed interest securities	Approved securities		12		5.19				8.19				
	Other		13										
Variable interest and Variable yield securities (excluding items shown at line 16)	Approved securities		14										
	Other		15										
Equity shares and holdings in collective investment schemes			16										
Loans secured by mortgages			17										
All other assets	Producing income		18										
	Not producing income		19										
Total (11 to 19)			29										
Gross valuation interest rate %			31										
Net valuation interest rate % (where appropriate)			32										
Mathematical reserve or other liability, net of reinsurance			33										



**Long term insurance business : Matching rectangle**Name of insurer **The Yorkshire Insurance Company Limited**

Global business

Financial year ended **31st December 2002**

Sterling/Non sterling liabilities

Valuation rate(s) of interest **Total**

Type of business

With profits/Non profit

Category of assets

**Permanent Health**

		Company registration number	GL/UK/CM	Period ended			Units	Stg/ NonStg	Valuation rate of interest	L&GA/Pens/ PHI/Other	WP/NP	Category of assets
		R57	98235	GL	31	12	2002	£000		99		10
Type of asset notionally allocated			The valuation				The resilience scenario					
			Value of asset notionally allocated	Risk adjusted yield %	Value of assets notionally allocated			Risk adjusted yield %				
					On original allocation	Increase or decrease	Total under resilience scenario					
			1	2	3	4	5	6				
Land and buildings		11										
Fixed interest securities	Approved securities	12	32	5.19	32		32	8.19				
	Other	13										
Variable interest and Variable yield securities (excluding items shown at line 16)	Approved securities	14										
	Other	15										
Equity shares and holdings in collective investment schemes		16										
Loans secured by mortgages		17										
All other assets	Producing income	18										
	Not producing income	19										
Total (11 to 19)		29	32	5.19	32		32	8.19				
Gross valuation interest rate %		31										
Net valuation interest rate % (where appropriate)		32										
Mathematical reserve or other liability, net of reinsurance		33	32					32				

**Long term insurance business : Valuation result and distribution of surplus**Name of insurer **The Yorkshire Insurance Company Limited**

Global business

Financial year ended **31st December 2002**Company  
registration  
number

GL/UK/CM

Period ended  
day month year

Units

Category  
of surplusCategory of surplus **Permanent Health**

Category of surplus		Permanent Health		R58	98235	GL	31	12	2002	£000	11
Valuation result	Fund carried forward							11	89		
	Bonus payments made to policyholders in anticipation of a surplus							12			
	Transfers out of fund/ parts of fund		Transfer to non-technical account					13			
			Transfer to other funds/parts of funds					14			
	Net transfer out of funds/parts of funds (13+14)							15			
	Total (11+12+15)							16	89		
	Mathematical reserves for accumulating with profit policies							17			
	Mathematical reserves for other non linked contracts							18	32		
	Mathematical reserves for property linked contracts							19			
	Mathematical reserves for index linked contracts							20			
	Total (17 to 20)							21	32		
	Surplus including contingency and other reserves held towards the solvency margin (deficiency) (16-21)							29	57		
Composition of surplus	Balance of surplus brought forward unappropriated from last valuation							31	47		
	Transfers into fund/part of fund		Transfer from non-technical account					32			
			Transfer from other funds/parts of fund					33			
	Net transfer into fund/part of fund (32+33)							34			
	Surplus arising since the last valuation							35	10		
	Total (31+34+35)							39	57		
Distribution of surplus	Bonus payments made to policyholders in anticipation of a surplus							41			
	Allocated to policyholders by way of		Cash bonuses					42			
			Reversionary bonuses					43			
			Other bonuses					44			
			Premium reductions					45			
	Total allocated to policyholders (41 to 45)							46			
	Net transfer out of fund/part of fund							47			
	Total distributed surplus (46+47)							48			
	Balance of surplus (including contingency and other reserves held towards the solvency margin) carried forward unappropriated							49	57		
	Total (48+49)							59	57		
Percentage of distributed surplus allocated to policyholders of fund/part of fund								61			
Corresponding percentage at three immediately previous valuations	Latest		(year of valuation <b>2001</b> )					62			
	Earlier		(year of valuation <b>2000</b> )					63			
	Earliest		(year of valuation <b>1999</b> )					64			

Financial year ended **31st December 2002**

Units

[illegible]

**Supplementary accident and sickness insurance : Calculation of required margin of solvency**Name of insurer **The Yorkshire Insurance Company Limited**

Global business

Financial year ended **31st December 2002**

		Company registration number	GL/UK/CM	Period ended			Units
				day	month	year	
		<b>R61</b>	<b>98235</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2002</b>
							<b>£000</b>
				This financial year		Previous year	
				<b>1</b>		<b>2</b>	
Gross premiums written		<b>11</b>				<b>1</b>	
Premium taxes and levies (included in line 11)		<b>12</b>					
<b>Sub-total A (11-12)</b>		<b>19</b>				<b>1</b>	
Adjusted Sub-total A if financial year is not a 12 month period to produce an annual figure		<b>21</b>					
Division of Sub-total A (or adjusted Sub-total A if appropriate)	18% of amounts up to sterling equivalent of 10M EURO	<b>22</b>					
	16% of excess (if any) over 10M EURO	<b>23</b>					
<b>Sub-total B (22+23)</b>		<b>29</b>					
Claims paid		<b>31</b>					
Claims outstanding carried forward at end of this financial year		<b>32</b>					
Claims outstanding brought forward at beginning of this financial year		<b>33</b>					
<b>Sub-total C (31+32-33)</b>		<b>39</b>					
Amounts recoverable from reinsurers in respect of claims included in sub-total C		<b>41</b>					
<b>Sub-total D (39-41)</b>		<b>49</b>					
Required margin of solvency for supplementary accident and sickness insurance: Sub-total B x Sub-total D (or, if 0.5 is greater, x 0.5) Sub-total C		<b>59</b>					

**Supplementary notes**

Name of insurer **The Yorkshire Insurance Company Limited**

Global business

Financial year ended **31st December 2001**

**4601** There are no group contracts in force.

**46A0 Form omitted**

The entries on all Forms 46A are nil, accordingly these Forms are not required.

**47A0 Form omitted**

The entries on all Forms 47A are nil, accordingly these Forms are not required.

**5101 Aggregate Liabilities and Adjustments**

**Additional reserve** is a reserve to cover future expenses in excess of the expense allowance in the valuation.

**5102** The number of contracts shown in column 4 exceeds the actual number by 16.

**5200 Form omitted**

The entries on all Forms 52 are nil, accordingly these Forms are not required.

**5300 Form omitted**

The entries on all Forms 53 are nil, accordingly these Forms are not required.

**5400 Form omitted**

The entries on all Forms 54 are nil, accordingly these Forms are not required.

**5500 Form omitted**

The entries on all Forms 55 are nil, accordingly these Forms are not required.

**5600 Form omitted**

The entries on all Forms 56 are nil, accordingly these Forms are not required.

**Supplementary notes**Name of insurer **The Yorkshire Insurance Company Limited**

Global business

Financial year ended **31st December 2002****Code****0903 Other than long term insurance business assets allocated towards long term insurance business required minimum margin**

For the financial year ending 31 December 2002 the long term insurance business returns state an amount of £449,000 at Form 9 line 22, this being the amount of other than long term insurance business assets of CGU Insurance plc allocated towards the long term insurance business required minimum margin.

**1001 Reconciliation to shareholder accounts**

The reconciliation to shareholders accounts is provided in the company's general business return which includes the company's shareholder funds.

**1002 Line 65 - Other movements**

Not applicable.

**1003 Subordinated loan capital - section 68 order**

Not applicable.

**1301 Aggregate value of unlisted investments, etc. - other than long term business****1308**

Not applicable.

**1302 Aggregate value of hybrid securities****1309**

Not applicable.

**1304 Statement of amounts set off****1310**

Amounts have been set off to the extent permitted by generally accepted accounting principles.

**1305 Counterparty limits during the year****1311**

The counterparty limits in relation to the company's investments are monitored regularly and are based on 2.5% of the long-term insurance business amount.

**1306 Counterparty exposure at the year end****1312**

Counterparty exposures with deposit takers which exceeded 5% of the Long Term Insurance Business Amount as at 31 December 2002 are as follows:

**£'000**

Chase Manhattan Bank

75

**1307 Fully secured rights****1313**

Not applicable.

**1315 Other assets**

Not applicable.

**1318 Financial statements**

The financial statements of the company had not been signed by the date on which this return was signed. The reconciliation in lines 91 to 99 is to the draft financial statements.

**Supplementary notes**

Name of insurer **The Yorkshire Insurance Company Limited**

Global business

Financial year ended **31st December 2002**

**1319 Deposits with credit institutions**

Under Appendix 4.1 IPRU (INS) advantage has been taken of the option allowing an admissibility limit for debts due from approved credit institutions of £2m, rather than 20% of the long term insurance business amount. The Yorkshire Insurance Company Limited has placed deposits with Chase Manhattan Bank.

**1401 Provision for adverse changes**

No provision for adverse changes is required as no assets are held which would give rise to a future liability, which would not be covered by appropriate assets.

**1402 Contingent liabilities, etc.**

There are no charges over any assets of the business. There are no contingent liabilities, guarantees, indemnities, or other contractual commitments or other fundamental uncertainties to report.

No provision has been made in Appendices 9.1 or 9.3 for any potential liabilities to taxation on capital gains, which might arise if the company disposed of its assets. Any such potential liability has been taken into account by the appointed actuary in the valuation of the liabilities of the long-term insurance business.

**4005 Foreign currency conversion**

Not applicable.

**4008 Provision of management services**

Under a management agreement NU Life Services Limited supplies and makes a charge for the provision of management services to the Company.

Returns under the Accounts and Statements Rules

**Statement on derivatives required by IPRU (INS) 9.29**

Name of insurer **The Yorkshire Insurance Company Limited**

Global business

Financial year ended **31st December 2002**

Derivative contracts may be held for hedging purposes where this is considered advisable locally subject to authority from Group Centre. None were held within the long-term insurance business fund in 2002.



Returns under the Accounts and Statements Rules

**Statement on controllers required by IPRU (INS) 9.30**

Name of insurer **The Yorkshire Insurance Company Limited**

Global business

Financial year ended **31st December 2002**

100% of the issued shares of the Company is held by CGU Insurance plc.

100% of the issued share capital of CGU Insurance plc is held by CGU International Insurance plc.

100% of the issued share capital of CGU International Insurance plc is held by Norwich Union Holdings Limited.

100% of the issued share capital of Norwich Union Holdings Limited is held by Norwich Union plc.

100% of the issued share capital of Norwich Union plc is held by General Accident plc.

100% of the issued ordinary share capital of General Accident plc is held by the Ultimate Parent Undertaking, Aviva plc (previously known as CGNU plc).

All shares are voting shares.

On 19 November 2002, 99.99% of the share capital of CGU International Insurance plc was acquired by Norwich Union plc. On 19 November 2002, 99.99% of the share capital of CGU International Insurance plc was acquired by Norwich Union Holdings Limited.

**Statement of information on appointed actuary required by IPRU (INS) 9.36**

Name of insurer **The Yorkshire Insurance Company Limited**

Global business

Financial year ended **31st December 2002**

In accordance with rule 9.36 of the Interim Prudential Sourcebook for Insurers, J Lister, the appointed actuary of the Company, was requested to furnish and has provided the following information:

**(a)**

- (1) An interest in 5,110 ordinary shares at 31 December 2002 in Aviva plc, and an interest in 3,250 ordinary shares at 31 December 2001.
- (2) 8,159 ordinary shares are held in the Aviva Long Term Incentive Plan and 9,954 ordinary shares are held in the CGNU Deferred Bonus Plan.
- (3) Options were held at 31 December 2002 to subscribe for 37,253 ordinary shares in Aviva plc under UK Employees Savings Related and Executive Share Option Schemes:

	<b>No. of shares</b>
Options held at 31 December 2001	40,106
Options granted during the year	Nil
Options exercised or lapsed during the year	(2,853)

- (b) Two low cost endowment policies with CGNU Life Assurance Limited, with aggregate sums assured of £46,000 and monthly premiums of £259. One savings policy with a monthly premium of £30 and a sum assured plus bonus of £4,223. The actuary also holds a number of investment products managed by Norwich Union Investment Funds Limited. In addition the actuary held general insurance policies with subsidiaries of Aviva plc for which total premiums of £1,500 were paid in the year to 31 December 2002.
- (c) The aggregate amount of remuneration, bonuses and the value of other benefits (excluding pension rights) under the actuary's contract of employment with Aviva Employment Services Limited for 2002 was £206,670. Under the contract he was Appointed Actuary and Director of:

Fidelity Life Assurance Limited

*appointed actuary of:-*

The Yorkshire Insurance Company Limited

CGU Insurance plc

Tesco Personal Finance Life Limited

*And a director of:-*

The General Practice Finance Corporation Limited

The General Practice Finance Corporation Property Management Limited

Norwich Union Commercial Finance Limited

Norwich Union Commercial Mortgages Limited

Norwich Union Mortgage Finance Limited

Norwich Union Mortgages (Life) Limited

Norwich Union Mortgage Holdings Limited

- (d) Pensions and life assurance benefits as provided to all employees under the terms and conditions of the Aviva Companies' UK Pensions Schemes. Sickness and accident benefits as provided to all employees under the terms and conditions of these schemes.

**Certificate by the directors required by IPRU (INS) 9.34(a) and IPRU (INS) Appendix 9.6**

Name of insurer **The Yorkshire Insurance Company Limited**

Global business

Financial year ended **31st December 2002**

We certify:

- 1 (a)** in relation to the part of the return comprising Forms 9, 9A, 10, 13, 14, and 40 to 42, (including the supplementary notes) and the statements required by rules 9.29 and 9.30 that:

  - (i) the return has been prepared in accordance with the Accounts and Statements Rules;
  - (ii) proper accounting records have been maintained and adequate information has been obtained by The Yorkshire Insurance Company Limited (the Company); and
  - (iii) appropriate systems and controls have 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 identifying material connected-party transactions;
- (c)** that in respect of the Company's business which is not excluded by rule 7.6, the assets held throughout the financial year enabled the Company to comply with rules 7.1 to 7.5 (matching and localisation);
- (d)** in relation to the statement required by rule 9.36:

  - (i) that for the purpose of preparing the statement, proper accounts and records have been maintained; and
  - (ii) that the information given has been ascertained in conformity with that rule.
- 2** that the margin of solvency for long term insurance business required by rule 2.1 has been maintained throughout the financial year.
- 3 (a)** that the requirements of rules 3.1 to 3.4 have been fully complied with and in particular that, subject to the provisions of rules 3.2(2) to (4) and rule 3.3, assets attributable to long term insurance business, the income arising therefrom, the proceeds of any realisation of such assets and any other income or proceeds allocated to the long term insurance business funds have not been applied otherwise than for the purpose of the long term insurance business;
- (b)** that any amount payable from or receivable by the long term insurance 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 rule 3.4, 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 all guarantees given by the Company of the performance by a related company which would fall to be met by any long term insurance business fund have been disclosed in the return, and that the funds on which each such guarantee would fall has been identified therein;
- (d)** that the investment policy and practice of the Company in respect of the internal linked funds maintained was, during the financial year, consistent with any representations made to policyholders or potential policyholders of the Company;
- (e)** that the returns in respect of long term insurance business are not distorted by agreements with any other company carrying on insurance business with which the Company has financial, commercial or administrative links, or by any arrangements which could affect the apportionment of expenses and income; and
- (f)** that the Company has fully complied with the requirements of rule 3.5.

**Certificate by the directors required by IPRU (INS) 9.34(a) and IPRU (INS) Appendix 9.6**

Name of insurer **The Yorkshire Insurance Company Limited**

Financial year ended **31st December 2002**

**4 (a)** that the systems and controls established and maintained by the Company in respect of its business complied at the end of the financial year with the following published guidance:

- (i) Guidance Note P.1 – ‘Systems and controls over the investments (and counterparty exposure) of insurers with particular reference to the use of derivatives’;
- (ii) ‘The prevention of Money Laundering - Guidance Notes for the UK Financial Sector’ (revised December 2001) issued by the Joint Money Laundering Steering Group;

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

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

- (i) Guidance Note 4.1 - ‘Guidance for insurers and auditors on the Valuation of Assets Rules’;
- (ii) Guidance Note 4.2 - ‘Use of derivative contracts in insurance funds’; and
- (iii) Guidance Note 9.1 - ‘Preparation of Returns’.

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**R J HARVEY**  
Chief Executive

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**M N BIGGS**  
Director

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**P G SCOTT**  
Director

26<sup>th</sup> March 2003

**Certificate by the appointed actuary required by IPRU (INS) 9.34(b) and IPRU (INS) Appendix 9.6**

Name of insurer **The Yorkshire Insurance Company Limited**

Global business

Financial year ended **31st December 2002**

I certify:

- (a)
  - (i) that in my opinion proper records have been kept by The Yorkshire Insurance Company Limited (the Company) adequate for the purpose of the valuation of the liabilities of its long term insurance business;
  - (ii) that the mathematical reserves as shown on Form 14 constitute proper provision as at 31 December 2002 for the long term insurance business liabilities (other than liabilities which had fallen due before the end of the financial year) 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 insurance business;
  - (iii) that for the purpose of sub-paragraph (ii) above, the liabilities have been assessed in accordance with the Determination of Liabilities Rules in the context of assets valued in accordance with the Valuation of Assets Rules, as shown in Form 13;
  - (iv) that the current versions of Guidance Notes, issued by the Institute of Actuaries and the Faculty of Actuaries, numbered GN1 (effective date 1.12.01), GN2, GN7, GN8 (effective date 30.12.02), GN22 and GN25 have been complied with; and
  - (v) that in my opinion 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.
- (b) that the amount of the required minimum margin applicable to the Company's long term insurance 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) is £506,000.

J Lister

Appointed Actuary

26 March 2003

**Report of the auditors to the directors pursuant to rule 9.35 of the Accounts and Statements Rules**

Name of insurer **The Yorkshire Insurance Company Limited**

Global Business

Financial year ended **31st December 2002**

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

- Forms 9, 9A, 10, 13, 14 and 40 to 42 (including the supplementary notes) ("the Forms");
- the statement required by rule 9.29 on page 29 ("the statement"); and
- the certificate signed in accordance with rule 9.34(a) on page 32 ("the certificate").

In the case of the certificate, our examination did not extend to:

- a) paragraph 1 in relation to the statements required by rules 9.30 and 9.36 concerning controllers and Information on the appointed actuary;
- b) paragraph 3(d) concerning the investment policy and practice of internal linked funds required by paragraph 4(d) of Appendix 9.6; and
- c) paragraph 4(a) in so far as it relates to controls with respect to Money Laundering.

This report is made solely to the company's directors, in accordance with rule 9.35 of the Accounts and Statements Rules. Our examination has been undertaken so that we might state to the company's directors those matters we are required by the Rules to state to them in an auditors' report 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 for our examination, for this report, or for the opinions we have formed.

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

The company is responsible for the preparation of an annual return (including the Forms, statement and certificate) under the provisions of the Rules. Under rule 9.11 the Forms and statement 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 statement 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 statement 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 statement. It also included an assessment of the significant estimates and judgements made by the company in the preparation of the Forms and statement.

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 statement 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 involved 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.

In giving our opinion we have relied on the certificate of the actuary on page 35 with respect to the mathematical reserves and the required minimum margin.

**Opinions**

In our opinion:

- (a) the Forms and statement fairly state the information provided on the basis required by the Rules and have been properly prepared in accordance with the provisions of those Rules; 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 Rules; and
  - (ii) it was not unreasonable for the persons giving the certificate to have made the statements therein.