

REPORT & ACCOUNTS 1995

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General Accident



CHAIRMAN'S STATEMENT

I am pleased to report an operating profit of £436 million, representing a record performance for a third successive year. This reflects a continuing strong performance in the United Kingdom where, with all our insurance branch offices reporting positive results in 1995, we achieved the second highest underwriting profit ever recorded in our home market. The result was also supported by good improvements in our important North markets which more than offset a deterioration in a number of smaller markets. Once again our life assurance business made an outstanding contribution.

DIVIDEND AND RESERVES

Your board is pleased to recommend a final dividend of 20.3p (1994: 18.9p) per ordinary share, an increase of 7.4% on last year. The final dividend will bring the total dividend for the year to 31.0p (1994: 29.0p) representing an increase of 6.9% (1994: 5.5%), demonstrating your board's continuing commitment to a policy of steady and progressive dividend growth.

After deducting the cost of dividend distributions and allowing for new capital issued in the year, shareholder assets per share increased by 49% to 653p per ordinary share supported both by retained earnings of the year and by the recovery of bond and equity markets during the year.

BUSINESS DEVELOPMENT

Whilst the development of our worldwide business interests is a continuing process, we took the opportunity during 1995 to establish some strategic priorities which will enable us to focus our business development activity on those markets which we believe provide special opportunities for profitable growth.

High on our list of priorities was the development of our life business in the United Kingdom, and the acquisition on 1st January 1996 of Provident Mutual represented a major strategic advance. In combining the financial strength and efficiency of General Accident Life with the pensions expertise of Provident Mutual the acquisition places us in the position of being a leading provider of life and pensions products in the United Kingdom market, giving us a firm foundation for continued expansion and growth in the coming years. We are also examining opportunities for the international development of our life insurance interests.

Other current priorities are the emerging markets in Asia, including China and India, and selected territories in western Europe.

COMMUNITY AFFAIRS

General Accident has a history of providing support to the communities in which the Company operates through a broad mix of initiatives, including staff secondments and charitable donations, at both local and national levels. We are particularly pleased with the success of our current association with Neighbourhood Watch in the United Kingdom, which serves to highlight the extent to which our interests are closely bound to the general well-being of the communities from which our customers and staff are drawn. This major project, which commenced in 1992, will continue for the next four years.

CORPORATE GOVERNANCE

The board of General Accident attaches great importance to the area of corporate governance, and shareholders will see from the statement which appears on page 18 of this document that the Company complies fully in this respect with the provisions of the Code of Best Practice as set out by the Cadbury Committee.

This year, the report and accounts includes for the first time a report prepared by the Remuneration Committee of the board. This report, which appears on page 19 and reflects the requirements of the Stock Exchange Listing Rules, sets out the Company's broad remuneration policies for its directors and senior managers.

SUMMARY FINANCIAL STATEMENT

The increasing complexity of reporting requirements has prompted us to publish this year a summary financial statement in addition to our normal statutory report and accounts. I hope that shareholders will welcome this innovation, which seeks to communicate in a less complex but nevertheless comprehensive manner the key elements of the Company's activities and performance during 1995.

DIRECTORS AND STAFF

Lord Macfarlane of Bearsden will retire as a non-executive director at the close of the forthcoming annual general meeting, having at that time reached retirement age. We are most grateful for the valuable contribution he has made to General Accident since he became a director in 1984.

On 31st December 1995 Mr W N Robertson retired as a director and Group Chief Executive of the Company, having reached normal retirement age. During his six years as Group Chief Executive, he steered the Company through the difficult operating environment of the early 1990s, which was followed by record profits for the last three years. We are greatly indebted to him for the outstanding contribution he made to the Company during his 38 years of distinguished service, and were delighted to note that he received the award of CBE in the 1996 New Year's Honours List for his services to the insurance industry. Mr Robertson is succeeded as Group Chief Executive by Mr R A Scott who began his career with the NZI Group in 1959 and joined General Accident when it acquired the NZI Group in 1988. Since that time his principal responsibility has been the Company's general insurance operations in the United Kingdom. He was appointed a director of the Company in 1992. On behalf of the board I would like to extend to Mr Robertson best wishes for a long and happy retirement and wish Mr Scott every success in his new appointment.

The sudden death of Mr Barrie Holder, the Company's finance director, on 30th November last year was a source of great sadness throughout General Accident. He gave outstanding service to the Company over a period of 34 years and in the latter period played a key role in the development of the Company's business worldwide. As a colleague he will be greatly missed, as will his special skills and expertise.

Mr G N Morris who, as vice-chairman of the Group's companies in the United States was responsible for the management of the whole of our investment portfolio in that territory, retired as a director on 31st May 1995 after five years' service on the board, having reached normal retirement age. His valuable contribution to the Company is greatly appreciated.

As always, excellent results are not achieved without the hard work, skills and commitment of the management and staff at all levels throughout the organisation and therefore on behalf of my board colleagues I must express my heartfelt thanks and appreciation to all those whose combined efforts produced such an excellent performance in 1995.

CONCLUSION

The record results we have recorded in the last three years reflect in part the exceptionally favourable conditions prevailing in the United Kingdom market, but they are also due to our consistent and disciplined approach to underwriting and the management of our costs.

Competitive pressures continue, and will increase in the United Kingdom. However, with clear strategies in place and a strong commitment to compete successfully in all our chosen markets, we aim to achieve a further good operating performance in the current year.



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OPERATING AND FINANCIAL REVIEW

The improvement in results reported by the market in 1994 continued throughout 1995. The further progress achieved once again reflects favourable underwriting experience in the United Kingdom, despite the cost of weather-related losses incurred at the end of the year, supported by increasingly positive trends in other important areas, notably the United States.

Advances in major stock markets in 1995 added substantially to the insurance market's capacity to write additional volumes of business and this, together with the benefits gained from two years of strong trading performance, will inevitably increase further competitive pressures in the market.

General Accident, however, remains committed to the application of underwriting principles and pricing structures which fully and fairly reflect the risks assumed, and we will continue to compete through the quality and value of the products and services we provide.

UNITED KINGDOM

Our United Kingdom general insurance business was re-structured during the year into separate personal and commercial lines divisions to ensure that our organisation maintains the focus and flexibility required to meet the changing and increasingly divergent needs of our principal customer groupings.

PERSONAL LINES

The signs of increasing competition evident a year ago strengthened in both motor and home insurance in 1995, in the light of good underwriting results. Direct writers, intermediaries and financial institutions all made great efforts to maintain or increase their market share.

Despite the competitive market, the personal motor account produced a good result for the year. Careful risk selection and target marketing contributed to this result, and also established sound foundations for the future growth and development of the account when the market becomes less volatile. High levels of retention of business, which are critical to sustained successful performance, were also achieved.

The relative absence of severe weather-related losses until the last week of the year benefited the home insurance

account, but experience over the Christmas period provided a timely warning that the performance of this account can be influenced by sudden and unexpected events. Nevertheless the account produced an excellent underwriting result for the year. As with the motor account, considerable attention has been paid to careful pricing and risk selection and this, supported by our efforts to provide high levels of customer service, has impacted favourably on an already high retention of business at renewal. We were pleased to record a significant increase in our special Neighbourhood Watch home business in 1995, and we are confident that our strategy for the further expansion of this profitable market in the current year will be successful. Our direct home account enjoyed strong growth despite the competitive nature of this section of the market.

The local knowledge gained through our extensive branch network, in particular our ability to analyse our exposures to subsidence and flood risk, has given valuable support to a number of initiatives. Investment in a new comprehensive management information system, supported by training, for all our distribution channels, will greatly assist our staff in the analysis of our business.

Financial institutions continue to increase their interest and subsequent involvement in personal lines insurance. Many are reviewing their current arrangements and a number of building societies are considering the establishment of their own insurance company or the restructuring of their current insurance arrangements. General Accident is well positioned to provide maximum support to its major clients and to establish new joint business initiatives, through the implementation of strategies which will ensure that both the Company and its business partners can grow profitably.

Technology will continue to exercise a major influence on the transaction of business in the personal lines market, resulting in an increasing use of electronic trading. There is a marked increase in the use of the Internet for the promotion and selling of insurance products, and touch screen technology, interactive TV and a continuing use of telemarketing techniques and technology are indicative of an evolving marketplace. General Accident will exploit the potential of such technologies.

COMMERCIAL LINES

The improving trend in trading results during 1993 and 1994 subsequently put premium levels in the marketplace under pressure. In particular, rates for good quality property risks were subject to significant reductions from early in 1995. The liability classes were much more stable with the market being particularly cautious over reducing premiums for employers' liability risks. The adoption by General Accident of segmentation and differentiation strategies allowed us to continue to grow our customer base in these market conditions, achieving a satisfactory increase in our premium income.

Claim frequencies remain relatively stable across the commercial account despite an increase in the number of large individual losses. In the last few days of the year the property account sustained a surge of weather damage claims due to the short period of very severe frost, particularly in Scotland and Northern England.

Nevertheless, the property-related sector of our business produced a substantial underwriting profit, aided both by the success of our Special Investigation Unit in combating fraudulent claims and our continued emphasis upon innovative risk management practices.

The specialist engineering, fidelity and transit accounts also maintained their historical record of excellent results. Commercial liability overall returned virtually the same profit as in the previous year but professional indemnity showed an underwriting loss. The performance of the motor account was disappointing, and has been addressed by remedial rating action.

Substantial progress was made in 1995 towards the implementation of a new computer system for our subsidiary company, GA Bonus. This is the forerunner of the development of new systems to support all of our UK commercial businesses. These developments, allied to our progressive training programmes, will lead to reduced cost ratios, improved productivity and efficiency and enhanced skills for all staff.

We continue to benefit from our widespread branch network which provides excellent local service and support both to intermediaries and their clients, and gives us the local knowledge so valuable for effective local underwriting.

Market conditions remain competitive but we are committed to soundly-based strategies for profitable growth which we consider will keep General Accident at the forefront of the UK commercial lines market.

UNITED STATES

The United States property and casualty insurance industry experienced a modest improvement in 1995. Catastrophe losses decreased over 1994, but continued at a high level. The soft market continued in commercial lines and many companies strengthened their reserves for asbestos and environmental losses. The private passenger automobile and workers' compensation lines both continued to show good results in 1995. Premium growth for the industry improved slightly to 3.9% as compared to 3.7% in the previous year.

General Accident of America recorded an operating ratio of 104.9 in 1995, which represents an improvement of three points over the previous year, and measures well against a projected industry ratio of over 107. All major lines of business showed improvement during the year, including the personal automobile results despite the continued burdens of the involuntary business written in New York and New Jersey. Personal and commercial property lines showed significant improvement, assisted by lower catastrophe losses during the year. Property lines continue, however, to be hampered by strong competition, inadequate rates and weather-related losses. Commercial casualty business continued the positive trend of the previous year, led mainly by the workers' compensation line.

Our premium income in original currency increased during the year by 1.4%, with growth in commercial lines of business partially offset by a welcome decrease in the volume of private passenger automobile involuntary premium which will benefit our results in future years.

The outlook for the United States economy remains one of modest growth, accompanied by stable inflation and a reduction in the volatility in interest rates experienced in the two previous years. Annual premium growth for the industry is expected to remain in the range of 3% to 4%.

As the United States market continues to experience consolidations, mergers and acquisitions, General Accident's independent agents continue to value highly the company's stability, allowing us to take advantage of opportunities in the market. Our ability to attract highly skilled staff, together with a broadened commercial lines product portfolio, has generated interest among larger commercial agencies and brokerage firms. The implementation of new technology initiatives supports our aim of achieving growth whilst reducing acquisition and processing costs in the periods ahead.

Against this background, and following a strong improvement in the underwriting result in the year under review, the outlook for General Accident of America is favourable, as the various initiatives we are taking continue to strengthen our operations.

CANADA

The property and casualty insurance industry recorded good results in 1995, with premium growth expected to exceed 10%, well in excess of the rate of inflation, while the increase in claims was considerably lower.

Following the integration of the portfolio acquired from Prudential Assurance of Canada in 1992, we have re-structured our Canadian business. The overall underwriting result for 1995 was disappointing and, whilst the actions previously taken on the large private auto account have improved the result, further rating action has been taken to correct other major lines of business.

In the Province of Ontario, our largest trading area, a new government was elected in 1995. Its legislative agenda includes a revised automobile insurance schedule removing many of the excesses of the existing Ontario plan, which should be ready for introduction towards the end of the current year. A satisfactory underwriting profit was again reported by our Quebec Region, representing more than twenty percent of our business.

Market consolidation has continued, with a few major acquisitions by already significant companies and withdrawal by some insurers from selected markets. Banking institutions have gained a foothold in the industry and continue to press for expanded distribution powers in

the 1997 revision to the Bank Act. To meet the challenges of new entrants to the business and direct marketing initiatives, we have strengthened the support given to our insurance brokers through partnership programmes which will develop joint business plans for profit and growth. We have also continued to invest in technology which will permit electronic exchange of data with brokers and allow for point-of-sale issue of documents.

Product innovation has continued, with a roadside assistance benefit added to the personal automobile policy, strengthening our position with our customers. At the same time a 24-hour claims help line was introduced. Other new products have been developed to target specific market segments. Our initiative to control insurance fraud was expanded in 1995 and nine experienced fraud specialists now investigate suspected fraudulent activity across the country, with valuable savings achieved.

Overall, the outlook for General Accident of Canada is favourable as benefits accrue from our recent acquisitions, our strengthened emphasis on profitability over premium growth and our initiatives to become a market of choice for both brokers and policyholders.

Pilot Insurance Company, which is mainly involved in personal lines business in Ontario, achieved another outstanding performance in 1995. Good premium growth in the automobile account reflected continuing improvement in levels of retention of business, together with positive trends in new business.

ASIA-PACIFIC

All markets in the region are experiencing pressure on rates, with a consequent impact on growth.

The excellent general insurance performance was sustained in New Zealand in terms both of premium growth and underwriting result.

In Australia, performance was adversely affected by a substantial deterioration in the compulsory third party account in New South Wales. Recent legislative changes and rating action will assist in correcting this poorly performing account. However, good results were achieved in other areas.

Excellent results in Asia reflect outstanding performances in Hong Kong, Malaysia and Singapore. The result

achieved in Hong Kong was particularly pleasing, in view of the strength of competition in that market.

Encouraging growth and good results were achieved in Indonesia and Thailand and a satisfactory result was recorded in the Philippines, despite the impact of hurricane-related losses in the later part of the year.

Development work continues in our endeavours to achieve an operating licence in China. Our existing representative office in Beijing will be complemented by the opening of additional representative offices in Shanghai and Guangzhou in the current year. We are working towards establishment of a representative office in India, having recently signed a Memorandum of Understanding with the Wadia Group, a leading manufacturing and trading company based in Bombay. Options for appropriate representation in South Korea and Vietnam are also under review.

CONTINENTAL EUROPE

The major elements of the European Union's liberalisation programme for general insurance were implemented in the year under review, further increasing competitive pressures in many European countries. Whilst General Accident has maintained progress in areas of existing business in an environment of greater freedom, there has been a significant deterioration in our overall underwriting result, caused principally by adverse developments on discontinued business. Disappointing results in France and Denmark, which account for more than half of the overall underwriting loss for the region, were mainly due to substantial costs incurred on lines of business which are no longer written.

Favourable results were reported in Ireland, Greece and Norway, and tangible progress continues to be made in Belgium. Excellent premium growth in Germany was again recorded in the year under review, and our operation is well placed to take advantage of the increasing levels of liberalisation emerging in this market.

We are currently restructuring the key central supports and co-ordination mechanisms for our European business and selected development and strongly-focused business improvement plans are being implemented.

INTERNATIONAL

The underwriting result for the other overseas territories represents a further improvement over the previous year, despite the continued underwriting losses experienced by our South African company and a sharp deterioration in performance in Puerto Rico, where the results were impacted by the cost of Hurricane Marilyn. Elsewhere, satisfactory results were achieved, notably in Brazil, in other areas of the Caribbean, and in the Middle East.

Following the provision of additional capital to the South African company, considerable effort was directed towards the achievement of improved results and, with a number of necessary rating increases successfully applied, some encouraging signs are emerging. However, levels of crime have not abated, and continue to undermine our efforts, particularly in the personal lines account. A comprehensive review of our markets, distribution channels and business processes is being undertaken in the current year.

In Brazil, economic stability and a dramatic reduction in inflation following the introduction of the new currency in 1994 continued to benefit our operations, which recorded further strong growth and an improvement in the underwriting performance.

Conditions in the London marine market remained competitive in 1995, with increased interest in good quality business re-emerging from Continental European markets and the United States. The impact of the deterioration in experience on risks underwritten before 1992 remains severe and further strengthening of the marine fund has been considered prudent. Following the successful restructuring of our cargo and treaty accounts, similar action being applied to the hull and energy accounts is well advanced. As a result of these measures, the volume of business written by General Accident in the London Market has been reduced.

The limited amount of facultative reinsurance underwritten in the London Underwriting Centre produced excellent results.

LONG TERM BUSINESS

UNITED KINGDOM

General Accident Life recorded a strong performance in the year under review, despite market trends and against the background of the introduction of disclosure of commission and expenses.

New business premium income increased by 57% to £962 million, with pensions business single premiums up 53% to £212 million and life business single premiums increasing by 68% to £707 million. Annual life premiums were down 19% to £43 million in line with market trends, reflecting an extremely competitive term assurance market and a depressed housing market.

Strong investment performance has enabled General Accident Life to maintain a leading position in the With Profit past performance tables, declaring an average annual return of over 13.5% on twenty-five year With Profit endowment policies maturing in 1996. Despite the considerable expansion over recent years, General Accident Life's With Profit fund continues to rank amongst the strongest in the market. This enables us to adopt a very flexible investment policy and a long term approach to bonus rates and maturity values.

Our distribution capability remained a key strength in 1995 and, whilst the Independent Financial Adviser (IFA) market contributed the largest proportion of our new business, strong support was received from our important building society connections and our salaried direct sales force. We continue to invest heavily in the training and development of our staff and our compliance operation. This has resulted in another year free from compliance difficulties, low levels of staff turnover and high quality new business.

During 1995 we continued to be a substantial supplier of third party administration, which contributed to profits and reduced unit costs. This is an increasingly important activity in a very competitive market.

Investment in technology in recent years has enabled us to continue to reduce our unit costs and provide improved customer service levels. We expect that the benefits of this investment will continue to emerge in the current year.

On 1st January 1996, General Accident completed the acquisition of the specialist pensions office Provident Mutual, and that company's business was transferred to General Accident Linked Life. Under the terms of the transfer General Accident will meet substantial reorganisation costs which are likely to be matched broadly by the additional shareholder profits generated by the Provident Mutual fund in the current year, with the full benefits of the transfer emerging in 1997 and subsequent years.

Following the acquisition of Provident Mutual and to ensure we retain focus within an increasingly large business we have restructured our total operation into three separate divisions comprising IFA, Retail and Partnership sectors. Each of these businesses contains sales, marketing and customer service activities.

The United Kingdom life market continues to be dominated by the regulatory debate, the need for reduction in unit costs and increased competition. Whilst we do not preclude the possibility of further acquisitions, we believe we have a life assurance business with a critical mass, structure, product range and strength of distribution which gives us confidence in achieving continuing success into the future.

OVERSEAS

Our life operations in New Zealand experienced a much improved result, achieving good investment returns and a further increase in shareholder earnings. However, in a very competitive environment the level of sales recorded was below that of the previous year.

A significant increase in earnings, and in the embedded value of the company, was achieved in Puerto Rico.

Plans are in place to strengthen our operations in France and Germany through the establishment of General Accident Life branches.

PROPERTY SERVICES

1995 was a difficult trading year, with the key indicators of activity in the housing market falling to their lowest level for more than twenty years. Whilst General

Accident Property Services recorded an operating loss of £16 million, the division continued to increase its share of the residential sales market.

Good progress was recorded in increasing the number of leads provided to our United Kingdom life operation, despite a reduction in sales activity.

As economic conditions for house purchase improve, the market may experience a modest recovery in housing transaction levels. This would produce a better result in the current year.

INVESTMENTS AND FINANCE

INVESTMENTS

In 1995 the developed countries of the world experienced a return to more subdued economic growth, with consumer price inflation remaining at generally acceptable levels. Reductions in budget and trade deficits provided scope for an easing of monetary and fiscal policies, which to some extent helped cushion the effects of slowdown. The United Kingdom and the United States, followed by western Europe, reduced interest rates and Japan responded to deflationary pressures with a series of fiscal injections. The improvement in underlying liquidity conditions as the year progressed had a notable impact on values of financial assets, with United Kingdom equities growing in capital value by 19% and United States equities advancing by as much as 34%. At the same time, slackening economic conditions gave support to bond markets, with bond yields on both sides of the Atlantic falling to the lowest levels seen for a number of years. Currently the outlook for equity investment remains attractive but bond yields may be expected to experience some further limited falls.

General Accident's net investment income in sterling terms increased from £467 million in 1994 to £523 million in the year under review, an increase of 11% in original currencies and 12% in sterling. In part, the growth derived from higher dividends payable on portfolio equity exposures but the investment of new money during a year of strong positive cash flows for the Group was also a contributory factor.

ACCOUNTING POLICIES

A number of accounting policy changes have been made, reflecting the implementation of the Insurance Companies Accounts Regulations. As a result, realised investment gains, amounting to £123 million in the year (1994: £70 million), are now being reported in the profit and loss account. Life profits in the United Kingdom are now stated gross of the full rate of UK corporation tax, resulting in an increase in 1995 operating profits and tax of £7 million (1994: £6 million). The value attributed to long term business, previously carried at a 1992 valuation of £340 million, is now carried at a current value of £448 million. Movements in the value attributed to long term business are taken directly to reserves. Comparative figures have been restated and, accordingly, shareholder funds as at the end of 1994 increased from £2,182 million as reported last year to £2,236 million.

The Group has adopted the "modified statutory" basis for determining profit and technical provisions for the life business rather than the "statutory" basis previously used. This change had no impact on the life profit reported in 1994 or 1995 as reserves identified within the long term fund and deferred acquisition costs have both been taken to the fund for future appropriations with no allocation to shareholders. Accordingly the manner in which life funds are presented in the balance sheet has changed. Life funds are now analysed over three headings: technical provisions, which are the actuarially estimated value of the policyholder liabilities; deferred acquisition costs, an asset arising from the matching of the initial costs of acquiring insurance policies, such as commission, against income flows from these policies; and the fund for future appropriations, being the balance of funds, the allocation of which either to policyholders or shareholders has not been determined at the balance-sheet date.

The accounts of an insurance company reflect a mix of objective and subjective judgements in a number of key areas, such as the amounts shown in the balance sheet under "Technical Provisions". These amounts are estimates of outstanding liabilities to policyholders arising from

insurance contracts underwritten in the financial year under review and in all previous years. The liabilities include estimates of the value of known claims and claims yet to be notified arising from incidents which have occurred prior to the end of the financial year, as well as the amounts of premium which are deferred and matched against exposures arising in future periods. General Accident uses the expertise and knowledge of its staff, together with the assistance of external parties, to assess the necessary provisions using both individual case estimates and statistical and actuarial methods as appropriate. Any variance arising from over and under provisions of previous years is dealt with in the accounts of the year as part of the profit or loss arising from normal operating activity.

EARNINGS PER SHARE

The profit for the year attributable to ordinary shareholders is £382 million (1994: £362 million), equivalent to 82.8p per ordinary share (1994: 80.0p per ordinary share). The directors have also shown as 'operating earnings per share' the earnings per share excluding realised profits on the sale of investments. They consider this is an appropriate measure of the earnings per share generated from the insurance activities of the business.

DIVIDENDS

The principal markets in which General Accident operates are both very competitive and relatively open. This applies particularly in the United Kingdom, and the level of profits achieved over time is influenced by the prevailing conditions in each market.

In recommending the amount of dividend payable in any one year, the directors have regard to the capacity of the Group to maintain distributions at a level which is sustainable over time and which reflects the longer term growth of the financial strength of the Group.

Consideration is therefore given to market conditions, the level of capital required to sustain the growth of the

business and the level of security offered to policyholders as reflected in the amount of shareholder funds retained in the business.

RETURNS TO SHAREHOLDERS

Shareholder funds increased in the year by £1,144 million, to £3,380 million, equivalent to an increase in net assets per ordinary share of 215p to 653p. Taking into account dividends paid and proposed in the period, the return to shareholders was 56%, more than offsetting the reduction in 1994 and giving a total return over the last two years of 14%. Over one quarter of the return in 1995 was generated from general insurance business and long term profit flows, the balance being generated by the strong capital performance of the Group's investment portfolio.

CAPITAL STRUCTURE

When compared with shareholder funds, the amount of debt carried by the Group is not significant. Funding for operational purposes is supplied primarily by shareholders in the form of both ordinary and preference capital, together with resources retained in the business as reserves. The maturity profile of borrowings, which are denominated primarily in US Dollars, is shown in Note 23 on page 51. The Group has a number of borrowing facilities available to it, should these be required.

CONCLUSION AND OUTLOOK

Our worldwide underwriting loss in the year under review was higher by £59 million than that recorded in 1994, with an increase in weather related losses and a reduced but still strong underwriting performance in the United Kingdom. North American underwriting results showed a pleasing improvement. With a record level of investment income and a further outstanding contribution from our United Kingdom life assurance business, we have been able to report a record pre-tax profit for a third successive year. Once again, this performance represents a rate of return on allocated capital comfortably above the minimum required rate of return we have established for our worldwide operations.

General Accident's underwriting results, and those of the market generally, have in recent years reflected an increase in the cost of losses arising from major weather-related events. It is therefore critical that we continue to develop both our understanding of the potential impacts of changing weather patterns and our skills in managing the weather-related risk exposures we assume within our core underwriting activity. We were therefore pleased to be a founding signatory last year of the United Nations-sponsored Statement of Environmental Intent for the insurance industry. We will continue to play our full part in selected initiatives which address key environmental issues affecting the insurance industry, also giving due attention to additional ways in which, through effective management of our internal activities, we can contribute positively to the protection and conservation of the environment.

Strategically, our internal focus remains on the development of our skills and capabilities for the benefit of our worldwide organisation. In order to build further on our achievements to date, we have recently established a corporate development team to identify new opportunities for, and develop new approaches to, the sharing of expertise across the Group in key operational and functional areas, including underwriting, marketing and claims management. By further developing our skills in these core areas and deploying them to maximum effect, we intend that the General Accident product

should rank among the highest value offerings available to existing and potential customers in all markets in which we choose to compete.

We are reviewing from a worldwide perspective the ways in which we use and exploit the potential of technology, which is playing an increasingly important role in the effective delivery of our products and services to our customers, and in the efficiency with which we execute our business processes. We have also established a central mechanism to co-ordinate and support the sharing across the Group of our most successful approaches to training, development, career planning and remuneration policy, and are making increasing use of international secondments and assignments at senior levels to develop the breadth of knowledge and experience applied to the management of all our businesses.

We anticipate an increasingly competitive United Kingdom market in the period ahead, but with continuing improvement in conditions in North America further benefits should accrue to our important operations in that part of the world. Our United Kingdom life assurance business is well-placed to exploit its particular strengths, with a financial capability, a product range and a level of operational efficiency which position it among the most effective operators at a time when a number of competitors are engaged in devising plans to secure their continuing viability in an environment undergoing fundamental and radical change.

We believe that the gains we have made over recent years, and on which we continue to build, position General Accident to deliver our goal of maintaining superior returns for our shareholders in the periods ahead.



R A Scott
Group Chief Executive

DIRECTORS AND MANAGEMENT

CHAIRMAN

The Rt Hon The Earl of Airlie, KT GCVO PC

DEPUTY CHAIRMEN

The Rt Hon The Lord Nickson, KBE DL

Sir Alick Rankin, CBE

DIRECTORS

L Bolton

E L Botting, CBE

Sir Anthony Cleaver

W E Farnam

The Rt Hon Lord Macfarlane of Bearsden

The Rt Hon The Earl of Mansfield, DL JP

Sir Peter Middleton, GCB BA

The Hon F R Noel-Paton

R A Scott, AAI

GROUP CHIEF EXECUTIVE

R A Scott, AAI

EXECUTIVE

R Evans

W E Farnam

SECRETARY

R A Whitaker, LLB DMS FCII



Audit Committee

Sir Peter Middleton (*Chairman*)

L Bolton

Sir Anthony Cleaver

The Hon F R Noel-Paton

Remuneration Committee

The Lord Nickson (*Chairman*)

The Earl of Airlie

Lord Macfarlane of Bearsden

E L Botting

The Hon F R Noel-Paton

Sir Alick Rankin

Nomination Committee

The Earl of Airlie (*Chairman*)

The Lord Nickson

Lord Macfarlane of Bearsden

Sir Peter Middleton

Sir Alick Rankin

R A Scott

THE RT HON THE EARL OF AIRLIE, KT GCVO PC

is 69 years of age and was appointed to the board of General Accident in 1962, becoming Chairman in 1987. Lord Chamberlain of the Queen's Household. Until 1984 was Chairman of Schroders plc.

MR L BOLTON

is 59 years of age and was appointed to the board of General Accident in 1982. Managing Director of Alliance Trust up to 1995, Chairman of TSB Group Pension Trust Limited.

MRS E L BOTTING, CBE

is 56 years of age and was appointed to the board of General Accident in 1992. A financial adviser. Chairman of Douglas Deakin Young Limited and of New 102 Limited and a director of Trinity International Holdings plc.

SIR ANTHONY CLEAVER

is 57 years of age and was appointed to the board of General Accident in 1988. Chairman of the United Kingdom Atomic Energy Authority and General Cable plc and a director of Smith & Nephew plc, The Cable Corporation Limited and Loral (Europe) Limited.

MR W E FARNAM*

is 54 years of age and was appointed to the board of General Accident in 1991. Chairman and Chief Executive of General Accident companies in the USA.

THE RT HON
LORD MACFARLANE OF BEARSDEN

is 70 years of age and was appointed to the board of General Accident in 1984. Chairman of Macfarlane Group (Clansman) plc, United Distillers plc, American Trust plc and the Fine Arts Society plc. A director of Edinburgh Fund Managers plc. A former Deputy Chairman of Clydesdale Bank plc.

**Executive Director*

THE RT HON THE EARL OF MANSFIELD, DL JP

is 65 years of age and was first appointed to the board of General Accident in 1972. Director of American Trust plc. Former First Crown Estates Commissioner and Chairman. Former Minister of State, Scottish Office, 1979-83 and Northern Ireland 1983-84.

SIR PETER MIDDLETON, GCB BA

is 61 years of age and was appointed to the board of General Accident in 1992. Permanent Secretary to the Treasury 1983-1991. Chairman of Barclays de Zoete Wedd Limited and Deputy Chairman of Barclays Bank plc. A director of Bass plc and United Utilities PLC.

THE RT HON THE LORD NICKSON, KBE DL

is 66 years of age and was appointed to the board of General Accident in 1971 becoming Deputy Chairman in 1993. Chairman of Clydesdale Bank plc, past Chairman of Scottish Enterprise and past President of the Confederation of British Industry. A director of Hambros plc and a former director of National Australia Bank Limited.

THE HON F R NOEL-PATON

is 57 years of age and was appointed to the board of General Accident in 1987. Managing Director of John Menzies plc and a director of Pacific Assets Trust plc and Macallan-Glenlivet plc.

SIR ALICK RANKIN, CBE

is 61 years of age and was appointed to the board of General Accident as a joint Deputy Chairman in 1995. Chairman of Scottish & Newcastle plc and Christian Salvesen plc. A director of Bank of Scotland plc, Sears PLC, Securities Trust of Scotland and James Finlay plc.

MR R A SCOTT, AAIH*

is 54 years of age and was appointed to the board of General Accident in 1992, becoming Group Chief Executive in January 1996.

DIRECTORS' REPORT

The directors submit the annual report and accounts of General Accident plc for the year ended 31st December 1995.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 11.00 am at the Company's Head Office, Pitheavlis, Perth PH2 0NH on Wednesday 1st May 1996.

The Notice of Meeting and an explanation of the business to be conducted at the meeting are set out in the separate letter from the Chairman which accompanies this document.

PRINCIPAL ACTIVITIES

General Accident plc is the holding company of the General Accident group of companies whose principal activities are the transaction of insurance business of all classes, other than industrial life business, and the provision of financial services. A review of the business of the group for the period is contained in the Operating and Financial Review on pages 4 to 11 which, together with the Chairman's Statement on pages 2 and 3, is deemed to be part of this report.

GOING CONCERN

After making enquiries, the directors have a reasonable expectation that the Company and the Group as a whole have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

RESULTS

The Group result for the year is shown in the consolidated profit and loss account: non technical account on page 30. Further details of the Group's general insurance and long term assurance businesses are contained in the technical accounts on pages 28 and 29.

DIVIDENDS

An interim dividend of 10.7p per ordinary share (1994: 10.1p) amounting to £51 million (1994: £46 million) was appropriated for shareholders on 3rd January 1996.

The directors recommend a final dividend of 20.3p per ordinary share (1994: 18.9p) amounting to £97 million (1994: £85 million) payable on or after 1st July 1996.

Together with preference dividends of £21 million (1994: £21 million) the total appropriation from retained earnings in the year in respect of dividends was £169 million (1994: £152 million). The total of retained earnings carried forward is £1,216 million (1994: £952 million).

SHARE CAPITAL

Details of the share capital and shares under option at 31st December 1995 and share issues during the year ending on that date are given in note 19 on page 48.

SUBSTANTIAL INTERESTS IN ORDINARY SHARES

The register maintained by the Company in accordance with the provisions of section 211 of the Companies Act 1985 shows that, as at 27th March 1996, no person had reported a notifiable interest in the ordinary share capital of the Company.

DIRECTORS

The present members of the board are shown on page 12 and brief biographical notes appear on page 13.

The directors retiring by rotation at the forthcoming annual general meeting are Sir Anthony Cleaver, The Rt Hon The Lord Nickson, The Hon F R Noel-Paton and Mr R A Scott. All being eligible, they each offer themselves for re-appointment and the board, having received a recommendation from the Nomination Committee, supports their re-appointment. Mr Scott, who is seeking re-appointment, has a service contract on the basis described on page 20.

The Rt Hon Lord Macfarlane of Bearsden retires as a director of the Company at the conclusion of the forthcoming annual general meeting, it being the first such meeting following his attaining the age of 70.

The following changes to the directorate have taken place during the year:

Sir Alick Rankin was appointed to the board on 25th January 1995 as a Joint Deputy Chairman.

Sir Nicholas Goodison resigned as a director of the Company on 26th April 1995, the date of the last annual general meeting.

Mr G N Morris retired as a director on 31st May 1995 and Mr W N Robertson retired as the Group Chief Executive and as a director on 31st December 1995 upon each having reached his service retirement age.

Mr B Holder, a Deputy Chief Executive of the Company, died on 30th November 1995.

DIRECTORS' INTERESTS

The following table shows the interests held by each person who was a director at the end of the financial year in the ordinary share capital of the Company as recorded in the register maintained by the Company in accordance with the provisions of section 325 of the Companies Act 1985. Details of any options held through the Company's share option schemes are shown in note 8 on page 40. All the disclosed interests are beneficial.

	<i>At 1st January 1995 (or appointment if later)</i>	<i>At 31st December 1995</i>
The Earl of Airlie	2,299	2,299
L Bolton	2,872	2,872
E L Botting	1,675	1,723
Sir Anthony Cleaver	3,986	4,182
W E Farnam	2,000	2,000
Lord Macfarlane of Bearsden	41,100	43,132
The Earl of Mansfield	5,454	5,454
Sir Peter Middleton	2,362	2,416
The Lord Nickson	10,000	10,000
The Hon F R Noel-Paton	1,548	1,330
Sir Alick Rankin	1,000	1,000
W N Robertson	24,946	29,202
R A Scott	2,750	4,239

On 28th February 1996 Mrs E L Botting acquired an interest in a further 16 ordinary shares (total: 1,739), on the same date Sir Peter Middleton acquired an interest in a further 19 ordinary shares (total: 2,435). No other director has reported any changes in their interests during the period 1st January 1996 to 27th March 1996.

EMPLOYEES

The Group's employment policies worldwide are designed to allow each business unit the flexibility to meet local conditions and practices in each country of operation. The Group maintains health and safety arrangements as required by law. It is also Group policy and practice to offer employment opportunities which are free from all forms of unfair discrimination. Both in the treatment of existing employees and in recruitment the Group adopts policies to ensure that people are treated equally, regardless of gender, race, colour or physical ability.

The information given below is in respect of employees of the Group in the UK.

During the year staff and, where applicable, their representatives were consulted on a wide range of matters affecting their interests. Staff are kept informed of the affairs of the Group or their business unit through a variety of communication media, including team meetings, video presentations, electronic mail and special issues of the staff newspaper advising them of the financial progress of the Group on a quarterly basis. In addition, many employees receive the annual report and accounts as shareholders.

In furtherance of General Accident's concern for staff welfare, eligible insurance employees continue to take part in a comprehensive health education and screening programme.

As part of its commitment to improving the standard of customer care General Accident has continued to enhance the capability of its staff through training and development programmes, including investment in technology based training. Remuneration for insurance staff is determined according to individual performance within a merit pay system. Further involvement by staff in the performance of the Group has been encouraged through participation, where eligible, in employee profit sharing and the SAYE share option schemes.

In 1996 an allocation of 1995 profits amounting to £12 million (1995: £11 million) in aggregate was made by way of a profit sharing bonus to eligible employees in the UK and Ireland.

CORPORATE CODE OF CONDUCT

General Accident's corporate policy provides guidance for every employee to act with integrity in all business relationships. The Group recognises its responsibilities to all those with whom its business brings it into contact, including customers, employees, shareholders, suppliers and the community.

The Group is concerned with the conservation of the environment in its broadest sense, recognising its role in this by maintaining responsibly its assets and minimising the use of finite resources through effective and efficient waste and energy management practices.

During 1995, General Accident signed the Statement of Environmental Commitment by the Insurance Industry and was selected by the United Nations to be on the Steering Committee for its Environment Programme.

Each of the Group's business units is required to have, and to monitor the effectiveness of, a code of conduct covering ethics, the environment and its role in the community based on the Group guidelines adjusted for local laws and customs where appropriate.

CHARITABLE AND POLITICAL DONATIONS

General Accident has continued to support actively community initiatives and charitable causes worldwide, with a total commitment of £2.5 million.

In the UK the sum of £0.4 million (1994: £0.4 million) was donated during the year to charitable organisations and, in addition, £1.1 million (1994: £0.7 million) was contributed to other community involvement projects.

The Group's charitable giving covers a wide range of sectors and organisations, including many aspects of medical research, social welfare, the young, the elderly and the arts.

No political donations were made during the year (1994: nil).

VOTING RIGHTS

As an institutional investor, General Accident's policy is to exercise, wherever possible, the voting rights attaching to shares under its control having fully considered the item of business to be voted upon.

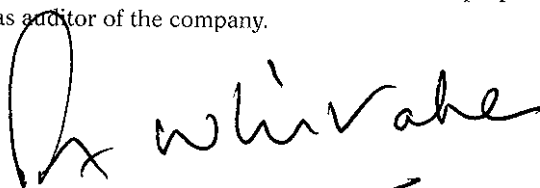
DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Throughout the year the Company has maintained insurance to cover directors' and officers' liability as defined by Section 310(3)(a) of the Companies Act 1985.

AUDITORS

The Company's auditors, KPMG, have indicated that a limited liability company, KPMG Audit Plc, is to undertake the audit engagements for their listed company clients. Accordingly, a resolution is to be proposed at the annual general meeting for the appointment of KPMG Audit Plc as auditor of the company.

By order of the Board

A handwritten signature in black ink, appearing to read 'R A Whitaker', with a horizontal line drawn underneath the signature.

R A Whitaker, *Secretary*
27th March 1996

CORPORATE GOVERNANCE – DIRECTORS' STATEMENT

Throughout the accounting period under review the Company complied with all of the aspects of the Code of Best Practice, contained in the report on the Financial Aspects of Corporate Governance prepared by the Cadbury Committee, on which it is required to report.

NON-EXECUTIVE DIRECTORS

Over two-thirds of board members are non-executive directors who collectively provide a wide range of business expertise for the benefit of the Company. These directors not only provide a valuable source of independent and objective decision making but also play a vital role in maintaining the system of checks and balances necessary to protect shareholders' interests. They approve the overall strategic direction of the Group, actively reviewing and challenging where necessary the direction taken by executive management. There are ten scheduled board meetings each year.

NOMINATION COMMITTEE

Each year one-third of the board, including executive directors, retire by rotation as required by the Articles of Association. Those who are eligible are considered for re-appointment by shareholders at the Company's annual general meeting. Prior to this the Nomination Committee, under the chairmanship of Lord Airlie, reviews the continuing contribution of the directors concerned to ensure that their re-appointment is justified. This committee also considers more general issues of appointments to the board and succession planning.

AUDIT COMMITTEE

The Audit Committee consists of four non-executive directors, under the chairmanship of Sir Peter Middleton. The committee has four scheduled meetings each year and, on behalf of the board, it deals with accounting, legal, compliance, internal control and security issues, and meets regularly with the external auditors.

REMUNERATION COMMITTEE

The Remuneration Committee (previously named Compensation Committee) consists of six independent non-executive directors, under the chairmanship of Lord Nickson. The committee has four scheduled meetings each year and establishes the remuneration policy for senior management including executive directors. In particular it reviews, and recommends to the board, the levels of remuneration including bonuses payable to executive directors, the terms of service contracts and the operation of the executive share option scheme. The committee also determines the amount of available profits for appropriation to the employee profit sharing schemes and approves the terms of offers made under the SAYE share option scheme.

INTERNAL CONTROL

The board is responsible for the Group's system of internal financial control. The framework of internal financial controls is considered to be appropriate to the risks arising from all business activities and is designed to provide reasonable but not absolute assurance against material avoidable loss or mis-statement of financial information. The key features of the control system are as follows:

The board approves financial and other business strategies, plans and objectives and then regularly monitors the performance of the Group's business units against these plans and objectives.

The Group also operates a comprehensive financial control system including quarterly financial reports to the board, incorporating business reviews and a comparison of actual results against plan, supported by periodic in-depth management reviews of each of the areas of business activity.

The Audit Committee reviews self certification statements confirming the adequacy of the internal financial controls operating within each business unit. These reports are submitted by the senior manager in each business unit and are also reviewed by group management and external auditors.

It is the practice of the board to consider and approve the Group policy for the control of risk in relation to underwriting, investment and other business risks. Compliance with each aspect of Group policy is monitored by the Audit Committee on behalf of the board on a world-wide basis.

Management of the Group is delegated to the Group Chief Executive to whom business unit heads are responsible and accountable.

REPORT OF THE REMUNERATION COMMITTEE

This report, which is made on behalf of the board of General Accident plc, sets out the Group's broad remuneration policies for its directors and senior managers and outlines the various elements of their remuneration package. It should be read in conjunction with note 8 on page 40. The membership of the Remuneration Committee (the Committee), which is drawn from the non-executive directors of the board, is stated on page 12.

EXECUTIVE DIRECTORS AND SENIOR MANAGERS

REMUNERATION POLICY

General Accident's remuneration policy and the levels and various elements of remuneration paid to its executive directors are determined by the Committee subject to approval by the board. The remuneration policy for senior managers is also determined by the Committee, but the level and basis of their remuneration is set by the Group Chief Executive, taking into account the competitive requirements and practices of the territories in which these senior managers are based.

The general philosophy underlying the Group's remuneration policy for its senior officials is the same as that applied for all employees, i.e. to attract and retain quality staff and to encourage and reward superior performance. For executive directors and senior managers i.e. those whose actions directly influence the Group's performance, there is a greater emphasis on rewarding outstanding ability and aligning their interests with those of shareholders through the use of longer term and performance-related rewards.

REMUNERATION ELEMENTS

The various elements which constitute total remuneration are carefully chosen to produce a balance between short/long term and fixed/variable rewards. The cyclical nature of the insurance industry is taken into account in determining this balance, so as to provide an element of security and an incentive to achieve the targets which drive the Company's strategic objectives.

SHORT TERM REWARDS

Basic Salaries

Each year a survey is conducted of the salaries and benefits paid to senior officials performing comparable jobs within the insurance industry and generally. This survey obtains information from several different sources including external consultants. Using the survey as a benchmark, salary levels are determined for each individual which take into account their experience, skills, development, performance and other potential rewards. Salary levels paid by the Group generally are also considered.

Bonuses

The Committee believes that a significant portion of total remuneration should be attained through an incentive bonus scheme which links rewards directly to performance.

Senior officials participate in schemes which can provide annual bonuses of up to a maximum of 30% of salaries (60% in the USA), provided specific targets are attained. The actual amounts paid to each individual are determined by the Committee and are subject to the approval of the board. In determining bonuses the Committee takes into account performance against targets set at the beginning of the year. The assessment of performance varies between individuals depending upon their particular responsibilities and usually comprises a mixture based on performance against targets for group, business unit and individual achievement. The schemes are reviewed regularly by the Committee to ensure that they are fair, reasonable and achieve their purpose.

The Company believes that it is appropriate to disclose in the annual accounts the bonuses in the year in which they were earned, even though not paid until the succeeding year. Accordingly, the table on page 40 sets out bonuses relating to 1995 performance although they were not actually paid in that year.

LONG TERM REWARDS

Share Options

General Accident believes in the value of employee participation in share option and share purchase schemes to align employees' interests with those of shareholders.

General Accident's senior officials in the UK receive options under an Executive Share Option Scheme, which was approved by shareholders in 1990. In line with the policy laid down by the Committee, options are granted to the value of once times salary each year until the maximum of four times salary is reached. Further grants are made to "top-up" the value of grants to the maximum as salaries increase. Accordingly, option grants are spread over at least four years and at various exercise prices.

There has been no change in this practice over the previous year. The Committee operates a policy for replacing those options which have been exercised provided that a number of stringent conditions have been met.

The exercise of options granted under the Scheme is not at the present time subject to the attainment of performance measures as the Committee has so far found that appropriate measures are not easily determined in such a cyclical industry as insurance. However, it is aware of current views and trends on this particular matter and is keeping the position under review. The spread of options over various years and exercise prices does mean, however, that options are granted throughout the stages of the insurance cycle. The options are normally exercisable over a period of 3 to 10 years from the date of grant.

In the United States the Company operates a Stock Appreciation Rights Plan for its senior staff which mirrors in all material respects the above Executive Share Option Scheme, save that the benefit to the participant is a cash bonus based on the gain on notional shares. Mr Farnam participates in this Scheme.

Neither the share options nor stock appreciation rights referred to above are issued at a discount to the market value on the date of the grant.

Senior officials in the UK participate in the Company's Inland Revenue approved Profit Sharing and Save As You Earn share option schemes on the same basis as other eligible employees.

Pension Benefits

In the UK principal group companies fund the General Accident Companies UK Pension Scheme (1980) in which all eligible employees participate. The benefits accrue at the rate of one-sixtieth for each year of service up to age 62 and include a contingent spouse's pension equal to two-thirds of the member's pension. Pension benefits are based on a member's basic salary during the 12 month period prior to his/her date of retirement. In addition to the above benefits, the scheme provides a death in service benefit of four times a member's salary. Mr Scott participates in this scheme.

Mr Farnam participates in the US Pension Plan on the same terms as other eligible employees in that territory. The benefits provided by the Plan are in general terms similar to the UK scheme, with the pension based on length of service and "average annual compensation" which, as is common in the US, includes bonus payments. There is also the provision of a contingent spouse's pension of 50% of the member's pension.

The benefits paid from both the UK and US schemes are subject to Inland Revenue/Internal Revenue limits. There are in place unfunded pension top-up arrangements to ensure that all executive directors receive the scheme benefits as if certain Inland Revenue/Internal Revenue limits did not apply. Mr Scott, who joined the UK Scheme in 1990, is affected by the "earnings cap" applicable to UK schemes.

OTHER BENEFITS

In addition to the above, senior officials in the UK receive the benefits of a company car (towards which they make a contribution), fuel and telephone rental. A mortgage subsidy is available on the same terms as for all other eligible staff. In the United States Mr Farnam receives the benefit of a company car and participates in the US Company's health care, long-term disability and life assurance schemes and savings plan on the same terms as other eligible US employees.

SERVICE CONTRACTS

Service contracts for executive directors based in the UK were introduced in March 1993 on the basis that they protect the Group from the loss at short notice of key individuals and the confidential and strategic information which they inevitably hold. Consequently a director wishing to leave the Group must give 12 months' notice. Should the Group wish to terminate a director's employment, the notice period is 24 months. The committee believes that these notice periods provide an appropriate balance. The terms given to future executive directors will be considered at the time of their appointment. Mr Farnam does not have a service contract and Mr Robertson's service contract terminated on 31st December 1995 upon his reaching normal retirement date.

Mr Scott, who is the only director with a contract on the above basis, will be retiring by rotation at the forthcoming annual general meeting and will be offering himself for re-appointment.

NON-EXECUTIVE DIRECTORS

The board has 10 scheduled meetings per annum and is required to meet on additional occasions from time to time. Non-executive directors receive a basic annual fee in respect of their board and board committee duties, with an additional fee being paid to those directors, other than the chairman and deputy chairman, who have the additional responsibility of chairing the meetings of board committees.

The fees are reviewed, but not necessarily increased, annually and are set by the board to attract quality individuals with a broad range of appropriate skills and experience. In determining the level of fees recommendations of executive management are carefully considered as is the time commitment expended in preparing for and attending the meetings. Note is also taken of fees paid within both the insurance industry and major companies generally.

The non-executive directors participated in a pension scheme prior to 1st January 1994. The scheme, however, was closed to new entrants from that date and, in respect of existing members, no further entitlements will accrue in respect of service after that date. Those directors who were appointed prior to 31st December 1993 will on retirement receive a pension based on one-sixtieth for each year of service to that date and their pensionable fees at their actual date of retirement. This change has resulted in no further regular contributions being required by the scheme other than a nominal annual amount. The need for future special contributions to maintain the fully funded position will be assessed by the scheme's actuary from time to time.

The non-executive directors receive no benefits in addition to those mentioned above save that the Chairman is provided with a company car and fuel towards which he made a full contribution in 1995.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The following statement, which should be read in conjunction with the auditors' report set out on page 23, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the financial statements.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of the profit or loss for the financial year and which comply with the provisions of the Companies Act 1985.

The directors consider that in preparing the financial statements on pages 24 to 55, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and that all accounting standards which they consider to be applicable have been followed. The directors are required to use a going concern basis in preparing the financial statements unless this is inappropriate.

The directors are responsible for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at all times the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors, having prepared the financial statements on pages 24 to 55, have requested the auditors to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to form an audit opinion.

REPORT OF THE AUDITORS TO THE MEMBERS OF GENERAL ACCIDENT PLC

We have audited the financial statements on pages 24 to 55.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 22 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 financial statements.

It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st December 1995 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

CORPORATE GOVERNANCE MATTERS

In addition to our audit of the financial statements, we have reviewed the directors' statement on page 18 on the Company's compliance with the paragraphs of the Code of Best Practice specified for our review by the Listing Rules. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code which is not disclosed.

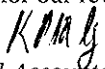
BASIS OF OPINION

We carried out our review in accordance with Bulletin 1995/1 'Disclosures relating to corporate governance' issued by the Auditing Practices Board. That bulletin does not require us to perform any additional work necessary to express a separate opinion on the effectiveness of either the Company's system of internal financial control or corporate governance procedures, or on the ability of the Group to continue in operational existence.

OPINION

With respect to the directors' statements on internal financial control on page 18 and going concern on page 14, in our opinion the directors have provided the disclosures required by paragraph 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the Company and examination of relevant documents, in our opinion the directors' statement on page 18 appropriately reflects the Company's compliance with the other paragraphs of the Code specified for our review.

KPMG 
Chartered Accountants
Registered Auditors

24 Blythswood Square, Glasgow G2 4QS

27th March 1996.

ACCOUNTING POLICIES

BASIS OF PREPARATION

The consolidated accounts are prepared in accordance with sections 255 and 255A of, and Schedule 9A (as amended by the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993) to, the Companies Act 1985 and with the requirements of applicable accounting standards.

The balance sheet of the parent company is prepared in accordance with the provisions of section 226 of, and Schedule 4 to, the Companies Act 1985. As permitted by section 230 of the Companies Act 1985, no profit and loss account of the parent company is presented.

CHANGES IN ACCOUNTING POLICIES AND PRESENTATION

Following the amendments to the Companies Act 1985 consequent on the implementation in the UK of the EU Insurance Accounts Directive, the presentation of the financial statements and certain accounting policies has been changed as outlined below. Where necessary, comparative figures have been restated.

Consolidated Profit and Loss Accounts

General Business Underwriting

The general business underwriting result is now detailed in the technical account – general business on page 28. There were no significant changes in accounting policies or presentation, other than a reclassification of certain levies from claims to expenses, and the underwriting result is unchanged.

Long Term Business

The long term business revenue account is detailed in the technical account – long term business on page 29. In 1995, the Group adopted the “modified statutory” basis for determining technical provisions rather than the “statutory” basis previously used. This change had no impact on the life profit reported in 1994 or 1995.

Non-Technical Account

Life profits in the UK are now stated gross of the full rate of corporation tax. The effect of this change is to increase reported life profits before tax and the tax on profit on ordinary activities by £7 million (1994: £6 million).

The amendments to the Companies Act require the reporting of realised profits or losses on sale of investments in the profit and loss account. Previously these profits or losses, together with unrealised profits or losses arising from the revaluation of investments, were dealt with in reserves. The effect of this change is to increase profit on ordinary activities before tax by £123 million (1994: £70 million) and tax on profit on ordinary activities by £47 million (1994: £16 million).

Neither of these changes had any effect on shareholders funds.

Balance Sheet

The amendments to the Companies Act require the balance sheet (see pages 32 and 33) to be presented on a basis which combines general business and long term business activity (“Combined with Long Term Business” balance sheet). In order to assist shareholders in their understanding of the business, information relating primarily to non life or general business (“General Business and Shareholder Activity” balance sheet) is also given on pages 32 and 33.

Provisions for claims outstanding and amounts recoverable from reinsurers now exclude amounts relating to structured settlements where payments arising from the settlement are being made out of an annuity purchased from a life assurance company. Technical provisions have also been adjusted to reflect the recognition of pipeline premiums arising from business written in the London Market and have been grossed up to reflect estimated amounts receivable for salvage and subrogation recoveries. In respect of long term business, reserves and provisions relating to this business have been analysed between technical provisions, the fund for future appropriations and deferred acquisition costs. Information regarding the change in presentation of technical provisions is given in note 21 on page 50.

The opening revaluation reserve has been restated reflecting the transfer to profit and loss account of net realised gains, principally relating to investments. These amounts were formerly dealt with in the revaluation reserve under the statutory exemptions previously available to insurance companies.

The value attributed to long term business, which was previously based on an actuarial review of life policies in force within the principal UK long term businesses at 31st December 1992, is now revalued annually based on an actuarial review of principal life operations of the Group. The value attributed to this shareholder asset at 31st December 1995 is £448 million. The value at 31st December 1994 has been restated to £401 million from £340 million as previously reported (being the value at 31st December 1992). Movements in value are taken to revaluation reserve and hence have no effect on the profit for the financial year.

The overall effect of these changes to the balance sheet is to increase total assets and liabilities by £899 million (1994: £723 million).

CONSOLIDATION BASIS

The results of all subsidiary companies are included in the consolidated accounts. The results of subsidiary companies acquired during the year are brought into the accounts from the date of purchase and any goodwill arising is written off against reserves.

The accounts of certain overseas subsidiary companies do not conform with the Group's accounting policies because of local statutory requirements. In order to present the accounts on a uniform basis any necessary adjustments are made on consolidation.

In the parent company's balance sheet shares in subsidiary companies, other than interests in the long term business companies, are stated at net asset value. Long term business companies are carried at directors' valuation. This valuation excludes any estimate of the value of profits arising from business to be written in the future.

ASSOCIATED UNDERTAKINGS

The results of certain companies which might be deemed to be associated undertakings are omitted from the accounts, except to the extent of dividends received, the directors being of the opinion that the amounts involved are not material.

PREMIUMS

General Business

General business premiums written, which are stated gross of commission and are exclusive of taxes and duties levied therewith, are accounted for in the year in which the risk commences or, if earlier, the date on which the premium is due.

The provisions for unearned premiums have been calculated on a monthly pro-rata fraction or on a more accurate basis with appropriate provision for longer term contracts.

Long Term Business

Premiums in respect of investment linked policies are accounted for in the period in which the liability is established, other premiums are accounted for as they fall due for payment. Premiums are stated gross of commission and are exclusive of taxes and duties levied therewith.

DEFERRED ACQUISITION COSTS

Acquisition costs comprise all direct and indirect costs arising from the conclusion of insurance contracts. Deferred acquisition costs comprise the costs of acquiring insurance policies which are incurred during a financial year but which relate to a subsequent financial year.

General Business

A proportion of acquisition expense is deferred commensurate with the unearned premium provision.

Long Term Business

An explicit deferred acquisition costs asset has been established in the balance sheet. The basis of amortisation is proportional to margins in respect of the related policies. Deferral of costs has been limited to the extent that there are available margins. Costs have not been deferred after appropriate margins have been materially received.

CLAIMS

General Business

Provisions for notified claims as at 31st December each year are based on case estimates after taking into account handling costs, salvage and subrogation recoveries, anticipated inflation and trends in settlements. Provision is also made in respect of claims incurred but not reported at 31st December based on statistical methods. In accordance with local industry practice provisions for certain workers' compensation claims in overseas territories are reported after taking into account estimated future investment earnings relating to these provisions.

Provisions for claims are based upon information available at the balance sheet date. Subsequent information and events may show that the ultimate liability is less than, or in excess of, the amount provided. The methods used and estimates made are continually reviewed and resulting adjustments are reflected in the underwriting result in the financial year in which they are made.

As there is insufficient information available to recognise profit on a one year basis, the result of an underwriting year for marine, aviation and transit business written in the London market is determined after a period of two years from the end of the year of account and after making due allowance for the estimated cost of all remaining liabilities attributable to that year. The provisions for underwriting years prior to their closure date are augmented, when necessary.

Long Term Business

Claims arising from death or maturity are charged against revenue when the insured event is notified or becomes due.

Surrenders are charged when payment is made, and annuities are charged in the period in which each payment becomes due.

PROVISION FOR UNEXPIRED RISKS

In respect of general business products, provision is made for unexpired risks where the cost of claims arising after the end of the financial year from contracts concluded before that date is expected to exceed the unearned premiums and premiums receivable. Investment income is taken into account in calculating this provision. Provisions are made on the basis of claims notified and other information available at 31st December and any resulting surpluses or deficits arising on products which are considered to be managed together are offset.

LONG TERM BUSINESS

With the exception of profits from business in the Americas which are determined in accordance with local generally accepted accounting principles, long term business profits are determined annually by means of an actuarial valuation and the long term business provision has been computed having due regard to the principles laid down in Council Directive 92/96/EEC. In particular, a prospective net premium valuation method has been adopted for all major classes of business, with the exception of linked contracts where the provisions are based on the market value of the related assets.

Surpluses arising on with-profits funds and funds which include unit-linked and participating business are determined by actuarial valuation of the assets and liabilities relating to these funds. These surpluses are appropriated by the directors, for the purpose of preparing these financial statements, to participating policyholders by way of bonuses and to shareholder interests by way of transfers to the non technical account from the technical account-long term business. The balance of these funds, the allocation of which between policyholders and shareholders has not been determined at the end of the financial year, is carried forward in the fund for future appropriations.

The transfer of shareholders' profit included in the profit and loss account is stated gross of the full rate of corporation tax in the UK or, as appropriate, the estimated overseas taxation applicable.

The long term businesses of the UK based companies are carried at directors' valuation in the balance sheet. This valuation excludes any estimate of the value of profits arising from business to be written in the future. Resulting revaluation adjustments are dealt with through revaluation reserve – value attributable to long term business.

PENSIONS AND OTHER POST RETIREMENT BENEFITS

Employers' contributions to defined benefit pension schemes are charged to revenue on a basis which spreads the costs over the service lives of the members. Contributions to defined contribution schemes are charged to revenue when incurred. The cost of providing other post retirement benefits is charged to revenue based on the service lives of the members.

INVESTMENT INCOME, EXPENSES AND CHARGES

Investment income is recognised on an accruals basis and is shown after grossing for related tax credits. Realised gains and losses on the disposal of investments represent sale proceeds less cost.

DEFERRED TAXATION

Deferred taxation is provided at the rates expected to apply when the liabilities crystallise on all timing differences, other than those considered likely to continue in the foreseeable future.

EXCHANGE RATES

The assets, liabilities and revenue transactions in currencies other than sterling are translated at the rates of exchange ruling at the year end. Exchange differences arising from the translation of the net investment in foreign business undertakings are taken to reserves. Exchange differences arising from transactions are dealt with in the profit and loss account in which the underlying transaction is reported.

INVESTMENTS

All investments, including those classified under assets held to cover linked liabilities, are stated at their current value.

Listed securities are included in the balance sheets at their middle market value.

Properties are revalued annually at open market value as determined by the Group's professionally qualified internal valuers and by external valuers for a proportion of these properties. Properties which are wholly or partially occupied by group companies are included as investments and do not form a material proportion of total assets.

Unrealised gains and losses on investments represent the difference between the valuation of the investments at the balance sheet date and their purchase price or, if they have been previously valued, their valuation at the last balance sheet date.

Unrealised gains and losses arising on revaluation of land and buildings and other financial investments held in respect of long term business are dealt with in the profit and loss account: technical account for long term business and those held in respect of shareholders and general business are dealt with in revaluation reserve. The change in unrealised gains and losses on investments recognised in the year includes adjustments in respect of unrealised gains and losses recorded in prior years that were realised in the current year, and are reported as realised gains.

DEPRECIATION

Expenditure on fixtures, fittings, tools and equipment including computer hardware is capitalised and depreciated on a straight line basis over the estimated useful lives of the assets, which range from three to ten years.

In accordance with Statement of Standard Accounting Practice 19, no provision is made for depreciation or amortisation of freehold properties and leasehold properties with over 20 years to run, as these properties are held for investment and not consumption.

It is Group practice to ensure all properties are maintained in a sound state of repair and, accordingly, the directors consider that the lives of these assets are so long and residual values, based on the latest valuation, are so high that depreciation is insignificant. Any permanent diminution in the value of properties is charged to the appropriate profit and loss account.

No depreciation is provided in respect of self-occupied property since it does not form a material proportion of total assets.

CONSOLIDATED PROFIT AND LOSS ACCOUNT: TECHNICAL ACCOUNT—GENERAL BUSINESS

for the year ended 31st December 1995

		1995	1994
		£m	<i>As restated</i> £m
Earned premiums, net of reinsurance			
Gross premiums written	<i>see note 1</i>	4,723	4,614
Outward reinsurance premiums		314	361
Net premiums written		4,409	4,253
Change in the gross provisions for unearned premiums		81	118
Change in the provision for unearned premium, reinsurer's share		(8) 89	4 114
		4,320	4,139
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		3,055	3,026
Reinsurers' share		214	190
		2,841	2,836
Change in provision for claims			
Gross amount		141	111
Reinsurers' share		(36)	53
		177 3,018	58 2,894
Other charges			
Net operating expenses	2	1,432	1,316
		4,450	4,210
Sub-total (balance on the technical account—general business)— transferred to the non-technical account	3	(130)	(71)

CONSOLIDATED PROFIT AND LOSS ACCOUNT: TECHNICAL ACCOUNT—LONG TERM BUSINESS

for the year ended 31st December 1995

		1995	1994
		£m	<i>As restated</i> £m
Earned premiums, net of reinsurance			
Gross premiums written	<i>see note 6(a)</i>	1,529	1,073
Outward reinsurance premiums		21	186
Net premiums written		1,508	887
Investment income	4	594	479
Unrealised gains on investments		447	—
		2,549	1,366
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		661	480
Reinsurers' share		24	15
		637	465
Change in the provision for claims			
Gross amount		6	2
Reinsurers' share		—	—
		6	2
Change in other technical provisions, net of reinsurance, not shown under other headings		643	467
Long term business provision, net of reinsurance			
Gross amount		591	222
Reinsurers' share		20	(1)
		571	223
Other technical provisions, including linked business, net of reinsurance		422	64
Other charges		993	287
Bonuses and rebates, net of reinsurance		215	174
Net operating expenses	2	245	175
Investment expenses and charges	5	27	17
Unrealised losses on investments		—	639
Tax attributable to the long term business	12	51	14
Transfers to (from) the fund for future appropriations		326	(448)
		2,500	1,325
Sub-total (balance on the technical account—long term business)—transferred to the non-technical account		49	41

CONSOLIDATED PROFIT AND LOSS ACCOUNT: NON-TECHNICAL ACCOUNT

for the year ended 31st December 1995

		1995		1994	
		£m		As restated £m	
Profit from continuing operations					
Balance on the general business technical account			(130)		(71)
Balance on the long term business technical account	see note 6 (c)	49		41	
Tax credit attributable to balance on the long term business technical account		22		18	
Pre-tax profit arising on long term business			71		59
Investment income	4	680		573	
Investment expenses and charges	5	34	646	36	537
Other charges					
Property services result	7		(16)		(10)
Employee profit sharing			(12)		(11)
Profit on ordinary activities before tax comprising					
Operating profit		436		434	
Realised gains on investments		123	559	70	504
Tax on profit on ordinary activities	12		151		119
Profit on ordinary activities after tax			408		385
Minority interests			5		2
Profit for the financial year attributable to shareholders			403		383
Dividends for the year					
Preference		21		21	
Ordinary-interim		51		45	
-final		97	169	86	152
Retained profit for the financial year			234		231
Earnings per ordinary share	13		82.8p		80.0p
Operating earnings per ordinary share	13		66.5p		68.1p

There is no material difference between the results for the current year and the previous year as described in the profit and loss account and the results on an unmodified historical cost basis. Accordingly a note of the historical cost profits and losses for the year is not given.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31st December 1995

	1995 £m	1994 <i>As restated</i> £m
Profit for the financial year	403	383
Increase (decrease) in revaluation reserve	681	(682)
Increase in value attributed to long term business	47	16
Currency translation differences on foreign currency net investments	27	(89)
Total recognised gains and (losses) relating to the year	1,158	(372)
Prior year adjustment	54	38
Total gains and losses recognised since last annual report	1,212	(334)

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the year ended 31st December 1995

	1995 £m	1994 <i>As restated</i> £m
Profit for the financial year	403	383
Dividends – preference shares	21	21
– ordinary shares	148	131
	169	152
	234	231
Increase (decrease) in revaluation reserve	681	(682)
Increase in value attributed to long term business	47	16
Currency translation differences on foreign currency net investments	27	(89)
New ordinary share capital issued	155	12
Movement in shareholders' funds	1,144	(512)
Opening shareholders' funds	2,182	2,710
Restatement of opening value attributed to long term business	54	38
	2,236	2,748
Closing shareholders' funds	3,380	2,236

CONSOLIDATED BALANCE SHEET

as at 31st December 1995

		General Business and Shareholder Activity		Combined with Long Term Business	
		1995	1994	1995	1994
		£m	As restated £m	£m	As restated £m
ASSETS					
Investments					
Land and buildings	see note 14	406	449	1,059	1,063
Other financial investments	14	7,565	6,427	13,246	11,013
Other-value attributed to long term business	6(e)	448	401	448	401
		8,419	7,277	14,753	12,477
Assets held to cover linked liabilities					
	15	-	-	1,038	609
Reinsurers' share of technical provisions					
Provision for unearned premiums		47	60	47	60
Long term business provision		-	-	75	68
Claims outstanding		396	446	398	447
Technical provisions for linked liabilities		-	-	177	152
		443	506	697	727
Debtors					
Debtors arising out of direct insurance operations	16	988	918	1,012	939
Debtors arising out of reinsurance operations		150	151	151	151
Other debtors	16	162	168	376	204
Deposits with long term funds		92	64	-	-
		1,392	1,301	1,539	1,294
Other assets					
Tangible assets	17	128	113	133	117
Cash at bank and in hand		457	251	545	282
		585	364	678	399
Prepayments and accrued income					
Accrued interest and rent		96	90	150	136
Salvage and subrogation recoveries		79	75	79	75
Deferred acquisition costs	18	470	423	697	651
Other prepayments and accrued income		57	55	76	73
Advance corporation tax recoverable		34	28	34	28
		736	671	1,036	963
Total assets		11,575	10,119	19,741	16,469

CONSOLIDATED BALANCE SHEET *continued*

		General Business and Shareholder Activity		Combined with Long Term Business	
		1995	1994	1995	1994
		£m	As restated £m	£m	As restated £m
LIABILITIES					
Capital and reserves					
Called up share capital	<i>see note 19</i>	370	363	370	363
Share premium account	20	236	88	236	88
Revaluation reserve—value attributable to long term business	20	448	401	448	401
—other	20	1,110	432	1,110	432
Profit and loss account	20	1,216	952	1,216	952
Total shareholders' funds		3,380	2,236	3,380	2,236
<i>which are made up of</i>					
Equity interests		3,130	1,986	3,130	1,986
Non equity interests	19	250	250	250	250
		3,380	2,236	3,380	2,236
Minority interests		33	27	35	29
Fund for future appropriations		—	—	1,680	1,315
Technical provisions					
Provision for unearned premiums		2,178	2,079	2,178	2,079
Long term business provision		—	—	4,934	4,105
Claims outstanding		4,997	4,790	5,030	4,819
		7,175	6,869	12,142	11,003
Technical provision for linked liabilities		—	—	1,211	772
Provision for other risks and charges	22	62	67	66	67
Deposits received from reinsurers		—	3	47	33
		62	70	113	100
Creditors					
Creditors arising out of direct insurance operations		54	29	94	65
Creditors arising out of reinsurance operations		60	66	63	75
Debenture loans	23	130	126	130	126
Amounts owed to credit institutions	23	49	104	49	104
Other creditors including taxation and social security		399	338	444	378
Proposed final dividend		97	86	97	86
		789	749	877	834
Accruals and deferred income		136	168	303	180
Total liabilities		11,575	10,119	19,741	16,469

CASH FLOW STATEMENT

for the year ended 31st December 1995–excluding Long Term Business

	1995 £m	1994 <i>As restated</i> £m
Operating activities		
Net cash inflow from operating activities <i>see note 24(a)</i>	625	617
Servicing of finance		
Interest paid	(13)	(12)
Dividends paid – including £1 million (1994: £1 million) to minorities	(148)	(144)
Net cash outflow from servicing of finance	(161)	(156)
Taxation		
Corporate taxes paid—including £77 million (1994: £34 million) paid in UK	(96)	(88)
Net cash inflow from operations after tax	368	373
Investing activities		
Purchases of investments	(6,653)	(5,752)
Sales of investments	6,378	5,488
Tangible assets—purchases	(57)	(61)
— sales	8	8
Net cash outflow from investing activities	(324)	(317)
Net cash inflow before financing	44	56
Financing		
Issue of share capital <i>24(b)</i>	138	1
Net repayment of borrowings <i>24(b)</i>	(47)	(87)
Net cash inflow (outflow) from financing	91	(86)
Increase (decrease) in cash and cash equivalents <i>24(c)</i>	135	(30)

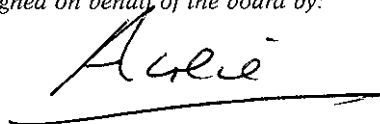
BALANCE SHEET (PARENT COMPANY)

as at 31st December 1995

		1995 £m	1994 As restated £m
Fixed assets			
Shares in group undertakings	see note 26	3,205	2,222
Current assets			
Amounts due from subsidiary undertakings		307	134
Debtors		32	28
		<u>339</u>	<u>162</u>
Creditors: amounts falling due within one year			
Creditors	12	7	8
Interim ordinary and preference dividends		60	54
Proposed final ordinary dividend		97	86
		<u>164</u>	<u>148</u>
Net current assets		<u>175</u>	<u>14</u>
Net assets		<u>3,380</u>	<u>2,236</u>
Shareholders' capital and reserves			
Share capital	19	370	363
Share premium account	27	236	88
Revaluation reserve	27	2,694	1,711
Profit and loss account	27	80	74
		<u>3,380</u>	<u>2,236</u>
Made up of			
Equity interests		3,130	1,986
Non-equity interests	19	250	250
		<u>3,380</u>	<u>2,236</u>

The financial statements on pages 24 to 55 were approved by the board of directors on 27th March 1996.

Signed on behalf of the board by:



Airlie
Chairman



R A Scott
Group Chief Executive

NOTES

I SEGMENTAL ANALYSIS

(a) Class of Business

	1995	1994
	£m	As restated £m
<i>Turnover</i>		
General business premiums written		
Property	2,093	2,091
Accident and liability	859	777
Motor	1,771	1,746
	4,723	4,614
Reinsurance premiums	314	361
	4,409	4,253
Long term business premiums written	1,529	1,073
Reassurance premiums	21	186
	1,508	887
Property services	58	62
	5,975	5,202
<i>Profit/(Loss) before Taxation, Interest Payable and Employee Profit Sharing</i>		
General business	528	480
Long term business	71	59
Property services	(16)	(10)
	583	529
<i>Segmental Net Assets</i>		
General business	3,129	2,072
Long term business	591	525
Property services	28	36
	3,748	2,633

(b) Geographical Segmentation

<i>Turnover</i>		
UK (incl. London market and internal reinsurance)	3,119	2,722
USA	1,346	1,328
Canada	638	603
Asia-Pacific	550	556
Continental Europe	384	302
Other overseas	273	238
	6,310	5,749
Reinsurance premiums	335	547
	5,975	5,202
<i>Profit/(Loss) before Taxation, Interest Payable and Employee Profit Sharing</i>		
UK (incl. London market and internal reinsurance)	299	372
USA	166	126
Canada	24	(42)
Asia-Pacific	59	47
Continental Europe	5	17
Other overseas	30	9
	583	529

	1995	1994 <i>As restated</i>
<i>Segmental Net Assets</i>	<i>£m</i>	<i>£m</i>
UK (incl. London Market and internal reinsurance)*	1,061	654
USA	1,455	955
Canada	385	280
Asia-Pacific	558	512
Continental Europe	108	83
Other overseas	181	149
	<u>3,748</u>	<u>2,633</u>

* The UK companies own, directly or indirectly, the overseas Segmental Net Assets.

Segmental Net Assets are stated before the deduction of the following items:

Minority interests	33	27
Group borrowings	179	230
Dividends payable and proposed	156	140
	<u>368</u>	<u>397</u>
Group net assets	<u>3,380</u>	<u>2,236</u>

There is no material difference between turnover analysed by source and destination. There are no discontinued operations or acquisitions which require disclosure under the terms of FRS3.

2 NET OPERATING EXPENSES

	<i>Technical account General business</i>		<i>Technical account Long term business</i>	
	1995	1994 <i>As restated</i>	1995	1994 <i>As restated</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Acquisition costs				
Commission	891	822	79	76
Others	240	229	85	80
	<u>1,131</u>	<u>1,051</u>	<u>164</u>	<u>156</u>
Change in deferred acquisition costs	(43)	(40)	10	(14)
Administrative expenses	382	351	66	49
Reinsurance commission and profit participation	(38)	(46)	5	(16)
	<u>1,432</u>	<u>1,316</u>	<u>245</u>	<u>175</u>

3 GENERAL BUSINESS - GEOGRAPHIC ANALYSIS OF NET WRITTEN PREMIUMS AND UNDERWRITING RESULT

	1995		1994	
	<i>Premiums (net of reinsurance) £m</i>	<i>Underwriting Result £m</i>	<i>Premiums (net of reinsurance) £m</i>	<i>Underwriting Result £m</i>
UK	1,534	92	1,521	200
USA	1,275	(66)	1,249	(112)
Canada	622	(58)	584	(74)
Asia-Pacific	442	(19)	423	(12)
Continental Europe	226	(27)	200	(15)
Other overseas	197	(11)	152	(12)
London Market business incl. internal reins.	113	(41)	124	(46)
	<u>4,409</u>	<u>(130)</u>	<u>4,253</u>	<u>(71)</u>

4 INVESTMENT INCOME

	<i>Technical account</i>		<i>Non-technical account</i>	
	<i>Long term business</i>			
	1995	1994 <i>As restated</i>	1995	1994 <i>As restated</i>
	£m	£m	£m	£m
Income from investments				
Land and buildings	46	45	29	23
Listed investments	303	221	395	376
Other financial investments	25	63	133	104
Gains less losses on the realisation of investments	220	150	123	70
	<u>594</u>	<u>479</u>	<u>680</u>	<u>573</u>

Any income from interests which may be deemed to be participating interests is reported within the appropriate analysis of income from investments. The amounts involved are not material and have not therefore been separately disclosed.

5 INVESTMENT EXPENSES AND CHARGES

	<i>Technical account</i>		<i>Non-technical account</i>	
	<i>Long term business</i>			
	1995	1994 <i>As restated</i>	1995	1994 <i>As restated</i>
	£m	£m	£m	£m
Investment management expenses	27	17	22	22
Interest on bank and other loans				
wholly repayable within five years	–	–	11	13
not wholly repayable within five years	–	–	1	1
	<u>27</u>	<u>17</u>	<u>34</u>	<u>36</u>

6 LONG TERM BUSINESS

(a) Gross Premium Written

After deducting reinsurance acceptances of £10 million (1994: £10 million), gross written premiums relating to direct assurance of £1,519 million (1994 £1,063 million) can be analysed as follows:

	1995	1994
	£m	£m
Periodic premiums	485	441
Single premiums	1,034	622
	<u>1,519</u>	<u>1,063</u>
Premiums from non-participating contracts	230	221
Premiums from participating contracts	745	483
Premiums from investment linked contracts	544	359
	<u>1,519</u>	<u>1,063</u>

(b) New Business

	1995	1994
	£m	£m
New annual premiums		
UK	43	53
Overseas	73	39
	<u>116</u>	<u>92</u>
New single premiums		
UK	919	558
Overseas	104	63
	<u>1,023</u>	<u>621</u>

(c) Profit Transfer

The amount credited to the consolidated profit and loss account: non technical account in respect of shareholders profits is as follows:

	1995	1994
	£m	As restated £m
Shareholders' share of profit before taxation	71	59
Taxation	22	18
	<u>49</u>	<u>41</u>
Comprising:		
General Accident Life Assurance	28	23
General Accident Linked Life Assurance	15	12
Other funds	6	6
	<u>49</u>	<u>41</u>

(d) Technical Provision

The principal assumptions underlying the calculation of the long term business provision are:

(i) Rates of Interest	1995	1994
Assurances		
with profit	2.75 to 4.5	2.75 to 4.5
without profit	3.50 to 4.0	3.50 to 4.5
Annuities		
with profit – deferred	3.25 to 4.0	3.25 to 4.5
– vested	3.50 to 5.0	3.50 to 4.5
without profit – deferred	4.00 to 5.0	4.00 to 5.0
– vested	4.00 to 6.5	3.00 to 7.5
(ii) Mortality Tables		
In the UK	1995	1994
Assurance and deferred annuities	AM80/AF80	AM80/AF80
Vested annuities – group contracts	PA80 (C = 2010)	PA80 (C = 2010)
– personal contracts	IM80/IF80 (C = 2000)	IM80/IF80 (C = 2000)

Other funds

Local generally accepted actuarial tables are used in overseas long term business operations as appropriate. No details are given as the list would be too complex and would not provide any useful additional information.

(e) Value attributable to long term business

Embedded value results have been prepared on the basis of best estimate forecasts of future rates of investment return, policy discontinuances, mortality, expenses, expense inflation and taxation. The assumed pre-tax investment returns are 8% for UK government fixed interest securities and 10% for real assets. The shareholders' interests in future profits arising have been discounted at 11%.

In calculating the embedded value the market value of assets has been smoothed over five years using appropriate market indices. This is consistent with using long term economic assumptions.

7 PROPERTY SERVICES RESULT

The result is made up as follows:

	1995	1994
	£m	£m
Fee income	58	62
Operating expenses	74	72
	<u>(16)</u>	<u>(10)</u>

8 DIRECTORS AND EMPLOYEES

(a) Emoluments of Directors

The report of the Remuneration Committee on the Group's remuneration policy for its directors and senior managers is presented on pages 19 to 21.

(i) Executive Directors

The remuneration payable to executive directors who held office for any part of the financial year, including amounts paid to them as directors of subsidiary companies, was:

	W N Robertson		R A Scott		B Holder		W E Farnam		G N Morris	
	1995	1994	1995	1994	1995*	1994	1995	1994	1995*	1994
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Basic salary	334	293	182	137	165	155	327	301	98	223
Bonus	90	91	42	44	42	49	196	124	29	79
Profit sharing	8	8	8	8	8	8	-	-	-	-
Other Benefits	11	10	8	9	8	9	31	28	20	27
	443	402	240	198	223	221	554	453	147	329
Pension Contributions										
Funded	51	62	23	29	25	33	29	27	9	19
Unfunded	-	-	303	-	-	-	3	3	144	2
Long term incentive gains realised	4	-	-	-	3	-	-	-	-	-
	498	464	566	227	251	254	586	483	300	350

*Up to the date of ceasing to be a director. Mr Holder died on 30th November 1995 and Mr Morris retired on 31st May 1995.

"Other benefits" are the taxable benefits arising from the provision of company car and fuel, telephone and mortgage subsidy and in respect of the directors based in the United States, the cost of medical, disability and life assurance and savings plan. The remuneration of Mr Farnam and Mr Morris who are based in the United States is payable in US dollars. Sterling comparatives have been restated at the current year end rate of exchange.

The Greenbury Committee recommended that pension entitlements earned by each individual director during the year, calculated on a basis to be recommended by the Faculty and the Institute of Actuaries, should be disclosed. As these recommendations have yet to be finalised, the Company has continued to disclose pension information on the same basis as last year. Such disclosures are essentially based on contributions or their equivalents paid by the Company and satisfy the requirements of the Companies Act and the Cadbury Code of Best Practice.

During the year the board agreed that Mr Scott's pension entitlement be augmented gradually over the period of his UK service up to his normal retirement date so that at that date he will receive a pension from the Group as if the whole of his service had been in the United Kingdom. The cost to the company of the part of this augmentation which has accrued to date and to which he is now entitled is equivalent to a one-off contribution of £299,000. Mr Scott has worked for General Accident group companies for the whole of his career and prior to moving to the United Kingdom in 1990, his service had been in the Pacific region where it had been the practice for pensions to be provided on a contribution basis. Mr Scott will transfer the value of benefits earned in the Pacific region amounting to £570,000 to the Company on or before 30th June 1996. The cost to the Company of the augmentation takes account of Mr Scott's agreement to make this transfer.

At retirement Mr Morris was granted the benefit of an enhanced contingent spouses pension.

The following directors who held executive office for any part of the financial year hold or held options to subscribe for ordinary shares of the Company under the Executive Share Option and SAYE Schemes as follows:

Date from which exercisable	Expiry Date	Option Price (p)	W N Robertson		B Holder		R A Scott		Options Granted in Year	Balance of Options at 31.12.95
			Balance of Options at 01.01.95	Options Granted in Year	Balance of Options at 01.01.95	Options Granted in Year	Balance of Options at 01.01.95	Options Granted in Year		
22.08.92	21.08.99	505	-	-	-	20,010	-	20,010	-	-
14.08.93	13.08.00	495	64,647	-	64,647	35,352	-	35,352	14,575	14,575
19.08.94	18.08.01	554	13,237	-	13,237	13,236	-	13,236	21,092	21,092
17.08.95	16.08.02	420	13,761	-	13,761	8,921	-	8,921	27,900	27,900
16.08.96	15.08.03	694	22,360	-	22,360	7,185	-	7,185	22,790	22,790
15.08.97	14.08.04	571	56,592	-	56,592	29,185	-	29,185	19,741	19,741
21.08.98	20.08.05	624	-	51,222	51,222	-	29,710	29,710	32,880	32,880

Executive Share Options

		W N Robertson			B Holder			R A Scott			
Date from which exercisable	Expiry Date	Option Price (p)	Options			Options			Options		
			Balance of Options at 01.01.95	Granted (Exercised) in Year	Balance of Options at 31.12.95	Balance of Options at 01.01.95	Granted (Exercised) in Year	Balance of Options at 31.12.95	Balance of Options at 01.01.95	Granted (Exercised) in Year	Balance of Options at 31.12.95
SAYE Share Options											
01.05.95	31.10.95	412.5	2,180	(2,180)	-	1,744	(1,744)	-	-	-	-
01.05.98	31.10.98	440	-	-	-	-	-	-	3,068	-	3,068
01.05.97	31.10.97	355	-	-	-	2,112	-	2,112	2,112	-	2,112
01.05.99	31.10.99	355	2,535	-	2,535	-	-	-	-	-	-
01.05.98	31.10.98	480	377	-	377	755	-	755	-	-	-
01.05.00	31.10.00	435	-	1,982	1,982	-	1,586	1,586	-	-	-

The following directors who held executive office during the year hold or held rights to subscribe for notional share units in the Company under the United States Stock Appreciation Rights Plan, as follows:

Date from which exercisable	Expiry Date	Unit Price (p)	W E Farnam			G N Morris		
			Balance of Units at 01.01.95	Granted in Year	Balance of Units at 31.12.95	Balance of Units at 01.01.95	Granted in Year	Balance of Units at retirement
01.06.91	01.06.98	484.5	42,000	-	42,000	35,000	-	35,000
01.06.92	01.06.99	509.5	44,000	-	44,000	36,000	-	36,000
01.06.93	01.06.00	545	25,000	-	25,000	25,000	-	25,000
01.06.94	01.06.01	441	2,000	-	2,000	1,000	-	1,000
01.06.96	01.06.03	626	30,000	-	30,000	30,000	-	30,000
01.06.97	01.06.04	534	-	70,000	70,000	-	-	-

No options/units lapsed during the year. The options held by Mr B Holder are now exercisable by his estate.

The middle market price of a share at 31st December 1995 was 650.5p and the range during the year was from 499p to 707p.

(ii) Non-Executive Directors

	Emoluments	
	1995 £000's	1994 £000's
The Earl of Airlie	85	80
The Lord Nickson	34	32
Sir Alick Rankin	32	nil (appointed 25.1.95)
L Bolton	23	19
E L Botting	19	18
Sir Anthony Cleaver	19	18
Sir Nicholas Goodison	6	18 (resigned 26.4.95)
Lord Macfarlane of Bearsden	19	18
The Earl of Mansfield	19	18
Sir Peter Middleton	21	19
The Hon FR Noel-Paton	19	18
	<u>296</u>	<u>258</u>

With effect from 31st December 1993 the non-executive directors' pension scheme was closed to new entrants and no further entitlements will accrue to members in respect of service after that date. Those directors who were appointed before that date will on retirement receive a pension based on service to 31st December 1993 and their pensionable fees at the date of their retirement. The change has resulted in no further regular contributions being required by the scheme other than a nominal annual amount of £1,000. The need for future special contributions to maintain the fully funded position will be assessed by the scheme's actuary from time to time.

Other than as stated above, no non-executive director received any other benefit in 1995 except the Chairman who received the benefit of a Company car and fuel towards which he made a full contribution. The value of this benefit was therefore nil (1994: £4,972).

Mr Bolton joined the boards of the Group's life assurance subsidiaries in the UK on 28th September 1995. The fee paid to non-executive directors on these boards totals £6,000 per annum.

(iii) Retired Executive Directors

	1995 £'000	1994 £'000
Pension payments by subsidiaries to retired executive directors	49	6

The above figures relate to unfunded unapproved top-up pension arrangements which were paid out of revenue during the year to certain former directors who were unable to receive from the pension schemes the benefits promised.

(iv) Companies Act Disclosures

The Greenbury Committee has recommended that certain of the Companies Act disclosure requirements relating to directors' remuneration be waived for companies giving the fuller disclosure as set out in the Report and Accounts. The directors support this recommendation. In the meantime the following information is given solely in compliance with the Companies Acts. Because of different definitions and bases of measurement used these figures are not the same as those disclosed elsewhere in this document.

Total directors' emoluments as defined by the Companies Act were £2.5 million (1994: £2.2 million). Emoluments excluding pension contributions of the highest paid UK director were £0.4 million (1994: £0.4 million).

Excluding pension contributions and long term incentive gains, the UK directors' remuneration falls into the following bands:

£	Number of Directors	
	1995	1994
5,001- 10,000	1	-
15,001- 20,000	5	8
20,001- 25,000	2	-
30,001- 35,000	2	1
75,001- 80,000	-	1
80,001- 85,000	1	-
180,001-185,000	-	1
205,001-210,000	-	1
225,001-230,000	1	-
240,001-245,000	1	-
375,001-380,000	-	1
440,001-445,000	1	-

(b) Loans to Directors

The following loans were granted by a subsidiary company to executive directors of the Company under the staff house purchase scheme on the same terms and conditions as were applicable to all eligible members of staff at an annual rate of 5.0%. These loans are secured by mortgages on private residences and policies of assurance maturing at various dates or on the earlier death of the borrower.

	at 1st January 1995, maximum loan during the year £'000	at 31st December 1995 £'000
R A Scott	30	30
B Holder	30	-

(c) Directors' Other Interests

No director of the Company had a material interest in any contract of significance to the business of the Company or its subsidiaries at any time during the year.

(d) Loans to Other Officers

As at 31st December 1995, 8 officers of the Company other than directors, had secured loans outstanding amounting in the aggregate to £0.5 million (1994: 10 officers £0.5 million).

(e) Staff numbers and costs

The average number of persons employed by the Group during the year, analysed by category, was as follows:

	<i>Number of employees</i>	
	<i>1995</i>	<i>1994</i>
General business	18,590	18,186
Long term business	2,957	2,949
Other activities	3,403	3,697
	<u>24,950</u>	<u>24,832</u>

The aggregate payroll costs of these persons were as follows:

	<i>1995</i>	<i>1994</i>
	<i>£m</i>	<i>£m</i>
Wages and salaries	441	406
Social security costs	23	21
Other pension costs	20	26
	<u>484</u>	<u>453</u>

9 PENSION BENEFITS

The principal pension schemes operate in the UK and North America. These schemes are of the defined benefit type and are funded. Each of the schemes has been subject to actuarial valuation or review in the last twelve months using the 'Projected Unit Credit' method. The actuarial valuation of the UK defined benefit scheme was carried out by a qualified actuary who is an employee of the Group.

The principal assumptions underlying these valuations were:

	<i>UK</i>	<i>North America</i>
Salary increases	6.9%	5.0%-6.5%
Pension increases	5.0%	-
Investment return	9.0%	4.0%-9.0%

At the date of the last actuarial valuations the market value of the investments of the UK and North American schemes was £1,025 million (1994: £978 million). The value of the schemes' assets expressed as a percentage of the liability for benefits accruing to date calculated on an actuarial basis was 114% (1994: 108%) for the UK scheme and from 100% to 167% (1994: 110% to 173%) in respect of North American schemes.

The total pension cost to the Group was £20 million (1994: £26 million). The 1995 UK pension cost fell by £5 million as a result of changes to certain assumptions not considered to be principal ones.

At 31st December 1995 balances amounting to a net prepayment of £5 million (1994: provision of £3 million) were carried in the Group balance sheet. This prepayment represents the difference between the amounts recognised as cost and the amounts funded or paid directly to the schemes.

A provision of £2 million (1994: £2 million) is held in respect of ex-gratia pensions granted in the UK, of which £0.3 million (1994: £0.3 million) is in respect of past directors.

10 OTHER POST RETIREMENT BENEFITS

Other post retirement benefits provided by the Group relate to the provision of health care in respect of retired employees and their eligible dependents, primarily in North America. Approximately 9,000 employees are eligible to receive these benefits. These costs are accounted for in accordance with Financial Accounting Standard 106 published by the Financial Accounting Standards Board in the USA. The significant schemes, which are of the defined benefit type, have been subject to actuarial valuation in the last twelve months using the 'Projected Unit Cost' method.

The principal assumptions underlying the review of the main scheme, which is operated in the USA and is funded, are:

	<i>%</i>	
Return on assets	5.0	
Compensation increases	5.0	
Healthcare cost increases	Under 65	Over 65
Current	12.0%	9.3%
Ultimate (in 7 years)	6.0%	6.0%

At the date of the last actuarial valuation the market value of the investments was £2 million (1994: £2 million). The value of the scheme's assets expressed as a percentage of the liability for benefits accruing to date calculated on an accrued basis was 8.0% (1994: 9.8%).

The total cost to the Group of providing post retirement benefits other than pensions was £4 million (1994: £4 million).

NOTES continued

At 31st December 1995 a provision of £13 million (1994: £11 million) was carried in the Group balance sheet. This provision represents the difference between the amounts recognised as cost and the amounts funded or paid directly.

After taking account of deferred tax relief of £6 million (1994: £5 million) the estimated liability in respect of post retirement benefit obligations not provided at 31st December 1995 was £10 million (1994: £9 million). In accordance with Financial Accounting Standard 106, provision is being made for the initial unprovided liability through the revenue account over a 20 year period. This treatment is consistent with the requirements of Urgent Issues Task Force Abstract 6.

II AUDITORS' REMUNERATION

The total remuneration payable by the Group, excluding VAT and any overseas equivalent thereof, in respect of the audit of these financial statements is shown below together with fees paid to the auditors of the parent company and their associated firms in respect of other work.

	1995	1994
	£m	£m
Auditing financial statements	1.9	1.8
Other work – UK	0.6	0.2
– Non UK	1.6	0.8
	<u>4.1</u>	<u>2.8</u>

Other work includes fees payable of £0.6 million (1994: £0.6 million) in respect of the audit of regulatory and other statutory returns.

12 TAXATION

The charges in respect of UK corporation and income taxes and overseas taxes, computed in accordance with current legislation applicable to insurance companies and based on the results of the year, are made up as follows:

	<i>Technical account</i>		<i>Non technical account</i>	
	<i>Long term business</i>			
	1995	1994	1995	1994
		<i>As restated</i>		<i>As restated</i>
	£m	£m	£m	£m
UK corporation tax at 33%	9	7	69	100
Double tax relief	–	–	5	4
	<u>9</u>	<u>7</u>	<u>64</u>	<u>96</u>
Tax attributable to UK dividends received	17	13	6	6
Overseas taxation	13	(2)	68	20
Deferred taxation	4	–	(5)	(1)
Advance corporation tax (ACT)	–	–	–	(20)
Taxation attributable to long term business	<u>–</u>	<u>–</u>	<u>22</u>	<u>18</u>
	43	18	155	119
Adjustments in respect of prior years	<u>8</u>	<u>(4)</u>	<u>(4)</u>	<u>–</u>
Per consolidated profit and loss account	<u>51</u>	<u>14</u>	<u>151</u>	<u>119</u>

The ACT shown in 1994 is the write back of previously irrecoverable ACT.

In the consolidated balance sheet the ACT balance of £34 million is recoverable in 1996 (1994: £28 million, recoverable in 1995) and tax provisions of £185 million (1994: £155 million) are included in other creditors including taxation and social security.

In the parent company balance sheet, corporation tax of £7 million is included in creditors (1994: £8 million).

The Close Company provisions of the Income and Corporation Taxes Act 1988 do not apply.

13 EARNINGS PER ORDINARY SHARE

Earnings per ordinary share are calculated using a weighted average number of shares in issue of 460,977,187 (1994: 452,414,184). The difference between this basis and the fully diluted basis is not material. Earnings per ordinary share are based on a profit, including realised gains and after preference dividends, of £382 million (1994: £362 million).

Operating earnings per ordinary share, which are the headline earnings per share, exclude realised gains and losses on investments and the tax thereon and are therefore a more consistent measure of revenue earnings.

	1995	1994
Earnings per ordinary share	82.8p	80.0p
Realised profits per ordinary share	(26.5p)	(15.5p)
Tax on realised profits per ordinary share	10.2p	3.6p
Operating earnings per ordinary share	66.5p	68.1p

14 INVESTMENTS AND INVESTMENT RETURNS

(a) Investments by Principal Category

	General Business		Long term Business		Total	
	1995	1994 <i>As restated</i>	1995	1994 <i>As restated</i>	1995	1994 <i>As restated</i>
At market value	£m	£m	£m	£m	£m	£m
Land and buildings (i) (iii)						
Freehold	394	433	410	410	804	843
Long leasehold	12	16	238	199	250	215
Short leasehold	-	-	5	5	5	5
	<u>406</u>	<u>449</u>	<u>653</u>	<u>614</u>	<u>1,059</u>	<u>1,063</u>

Other Financial Investments (ii) (iii)

Shares and other variable-yield securities and units in unit trusts	2,665	2,149	3,686	2,960	6,351	5,109
Debt securities and other fixed income securities	4,488	3,758	1,774	1,357	6,262	5,115
Loans secured by mortgage	111	155	29	49	140	204
Loans secured by policies	-	-	110	55	110	55
Other loans	12	11	27	45	39	56
Deposits with credit institutions	289	354	55	120	344	474
	<u>7,565</u>	<u>6,427</u>	<u>5,681</u>	<u>4,586</u>	<u>13,246</u>	<u>11,013</u>

(i) The value of land and buildings occupied by the group for its own use is £171 million (1994: £219 million).

(ii) Other financial investments in total comprise:

	1995	1994 <i>As restated</i>
	£m	£m
Listed investments	12,245	9,853
Unlisted investments	1,001	1,160
	<u>13,246</u>	<u>11,013</u>

(iii) The purchase price of total land and buildings and other financial investments is £11,426 million (1994: £11,162 million).

(b) Managed Funds

The Group ceased its managed fund operations during the year, and existing clients surrendered business in accordance with the Group's terms and conditions. As a result the following details of the assets and liabilities of group pension funds administered on behalf of others but included in the 'Combined with Long Term Business' balance sheet apply to the comparative amounts only:

	1995 £m	1994 £m
Assets:		
Land and buildings	-	6
Shares and other variable-yield securities and units in unit trusts	-	134
Debt securities and other fixed income securities	-	2
Deposits with credit institutions	-	8
Net current liabilities	-	(3)
Net funds	-	147

(c) Return on Investments

During the year under review the return on investments was made up as follows:

	<i>Attributable to Long term business</i>		<i>Attributable to other than Long term business</i>	
	1995 £m	1994 £m	1995 £m	1994 £m
Investments (including cash at bank and on hand) at start of period	5,231	5,291	7,127	7,712
Investment income	374	329	557	503
Investment management charges including interest	27	17	34	36
Gains less losses on realisation of investments	347	312	523	467
Movement in unrealised investment gains less losses	220	150	123	70
	447	(639)	681	(682)
Net investment return	1,014	(177)	1,327	(145)

The investment return has been dealt with in the financial statement as follows:

Consolidated Profit and Loss Account				
Technical account: General Business	-	-	-	-
Technical account: Long term Business	1,014	(177)	-	-
Non-technical account	-	-	646	537
Revaluation reserve	-	-	681	(682)
	1,014	(177)	1,327	(145)

15 ASSETS HELD TO COVER LINKED LIABILITIES

The purchase price of investments included under assets held to cover linked liabilities is £948 million (1994: £531 million).

16 DEBTORS

(a) Arising out of Direct Insurance Operations

	1995	1994
	£m	As restated £m
General business	988	918
Long term business	24	21
	<u>1,012</u>	<u>939</u>
representing:		
Amounts owed by policyholders	314	287
Amounts owed by intermediaries	698	652
	<u>1,012</u>	<u>939</u>

Advantage has been taken of the transitional provision available to insurers as detailed in the amendment to Financial Reporting Standard (FRS) 5. This states that insurers need not apply paragraph 29 of FRS 5 in respect of balances arising from insurance broking transactions until accounting periods ending after 21st September 1996. Accordingly, certain amounts due to and from the Group arising from insurance broking transactions continue to be reported on a net basis.

(b) Other Debtors

Assets were disposed of during the year under unconditional contracts which provide for payment of the consideration in future years. "Other debtors" of £376 million include £542 million in respect of amounts due to the Group in future years arising from these contracts, reduced by an amount of £387 million, being balances owed by the Group where there is a right of offset. Recognition of the realised gains and losses relating to these transactions and totalling a net gain of £172 million has been spread over the period to settlement on a straight line basis. The balance of net realised gains not recognised in the current year, £155 million, has been included within "Accruals and deferred income".

17 TANGIBLE ASSETS

The net book value of fixtures, fittings, tools and equipment including computer hardware is made up as follows:

	£m
Cost	
At beginning of year	313
Exchange	13
Additions	64
Disposals	(28)
At end of year	<u>362</u>
Depreciation	
At beginning of year	196
Exchange	6
Charged in year	49
On disposals	(22)
At end of year	<u>229</u>
Net book value	
At 31 December 1995	<u>133</u>
At 31 December 1994	<u>117</u>

18 DEFERRED ACQUISITION COSTS

	1995	1994
	£m	£m
General business	470	423
Long term business	227	228
	<u>697</u>	<u>651</u>

19 SHARE CAPITAL

	1995 £m	1994 £m
Authorised		
544,000,000 ordinary shares of 25p	136	136
300,000,000 preference shares of £1	300	300
	<u>436</u>	<u>436</u>
Issued and fully paid		
Ordinary shares of 25p	120	113
Preference shares of £1	250	250
	<u>370</u>	<u>363</u>
Ordinary Shares in issue		
As at 1st January	453,057,576	451,147,687
Issued in year in respect of		
Employee share schemes	2,899,801	1,660,829
Scrip dividends	908,205	249,060
Proposed acquisitions	22,660,000	-
As at 31st December	<u>479,525,582</u>	<u>453,057,576</u>

(a) Ordinary Shares

The aggregate nominal value of shares issued in the year was £7 million (1994: £1 million) and the total consideration received for shares issued was £155 million (1994: £12 million).

Employee Share Schemes

During the year 2,899,801 (1994: 1,660,829) ordinary shares were issued in respect of the various share schemes operated by the Company.

In 1995 options over ordinary shares were granted as follows:

<i>Scheme</i>	<i>Date of Grant</i>	<i>No of Shares</i>	<i>Exercise Price</i>
SAYE Scheme	30.03.95	1,449,268	435p
Executive Scheme	21.08.95	826,031	624p

At 31st December 1995 options over ordinary shares existed as follows:

	<i>Year Options Granted</i>	<i>No of Shares</i>	<i>Normal period before exercise</i>	<i>Exercise Price</i>
SAYE Schemes	1988	9,914	7 years	410p
	1989	44,550	7 years	435p
	1990	220,228	5 or 7 years	412.5p
	1991	381,816	5 or 7 years	440p
	1992	1,421,166	5 or 7 years	355p
	1993	789,327	5 or 7 years	480p
	1994	791,340	5 or 7 years	520p
	1995	1,390,894	5 or 7 years	435p
	<i>Year Options Granted</i>	<i>No of Shares</i>	<i>Normal period before exercise</i>	<i>Exercise Price</i>
Executive Schemes	1989	31,298	3 to 10 years	505p
	1990	166,061	3 to 10 years	495p
	1991	151,625	3 to 10 years	554p
	1992	163,623	3 to 10 years	420p
	1993	136,280	3 to 10 years	694p
	1994	731,213	3 to 10 years	571p
	1995	826,031	3 to 10 years	624p

Scrip Dividends

During 1995 ordinary shares were allotted in accordance with elections by shareholders to receive shares in lieu of cash dividends as follows:

	<i>No of elections and mandates</i>	<i>No of shares allotted</i>
1994 Interim dividend	9,584	138,452
1994 Final dividend and subsequent to the year end	10,595	769,753
1995 Interim dividend	10,370	265,173
(b) Preference Shares	<i>1995</i>	<i>1994</i>
	<i>£m</i>	<i>£m</i>
140,000,000 (1994: 140,000,000) 8%% cumulative irredeemable preference shares of £1	140	140
110,000,000 (1994: 110,000,000) 7%% cumulative irredeemable preference shares of £1	110	110
Non-equity interests	250	250

The holders of the cumulative irredeemable preference shares have prior rights to ordinary shareholders in respect of both payment of a dividend and repayment of capital on winding up. There are no voting rights attaching to these shares unless the dividend is in arrears or a resolution affects the rights and priorities of the preference shareholders.

20 GROUP RESERVES

	<i>Share Premium £m</i>	<i>Revaluation Reserve value attributable to long term business £m</i>	<i>other £m</i>	<i>Profit and Loss Account £m</i>	<i>Total £m</i>
At beginning of year	88	340	1,069	322	1,819
Reclassify opening reserves	-	-	(637)	637	-
Restate opening value of in-force life business	-	61	-	(7)	54
	88	401	432	952	1,873
Currency translation	-	-	(3)	30	27
Share issues	148	-	-	-	148
Revaluations	-	-	-	-	-
land and buildings	-	-	(67)	-	(67)
other investments	-	-	748	-	748
Revalue in-force life business	-	47	-	-	47
Transfer from consolidated profit and loss account: non-technical account	-	-	-	234	234
	236	448	1,110	1,216	3,010

Before taking account of merger relief utilised the cumulative goodwill written off to reserves in respect of acquisitions is £655 million (1994: £655 million). The total revaluation reserve is £1,558 million (1994: £833 million as restated).

Revaluation Reserve – Value Attributable to Long Term Business

This represents the surplus arising from the revaluation in 1995 of the long term business of the group. This revaluation was made having regard to an actuarial review of policies in force as at 31st December 1995.

21 TECHNICAL PROVISIONS

Insurance funds and reserves and other technical provisions as at 31st December 1994 have been restated in accordance with the provisions of the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993 as follows:

	<i>General business £m</i>	<i>Long term business £m</i>	<i>Total £m</i>
Outstanding claims	4,729	32	4,761
Unearned premiums	2,073	-	2,073
Funds and reserves	-	5,750	5,750
Opening technical provisions	6,802	5,782	12,584
Adjustments to recognise:			
Reinsurers' share of technical provisions	-	221	221
Deposits from reinsurers	-	(30)	(30)
Deferred acquisition costs	3	228	231
Change in treatment of structured settlements	(70)	-	(70)
Additional pipeline business (before reinsurance)	59	-	59
Salvage and subrogation recoveries	75	-	75
Others	-	20	20
	6,869	6,221	13,090
Restated as:			
Provision for unearned premiums	2,079	-	2,079
Long term business provision	-	4,105	4,105
Claims outstanding	4,790	29	4,819
	6,869	4,134	11,003
Technical provisions for linked liabilities	-	772	772
Fund for future appropriation	-	1,315	1,315
	6,869	6,221	13,090

Provisions for general business outstanding claims in respect of certain workers' compensation business overseas have been discounted at a rate of 4.75%. The mean term of the liabilities calculated using local statutory requirements is 30 years. Investment income attributable to the above provisions has been credited to claims incurred but the effect of discounting on the profit and loss account is not significant. As a result, general business outstanding claims have been reduced from £4,934 million (1994: £4,729 million) to £4,918 million (1994: £4,715 million).

22 PROVISION FOR OTHER RISKS AND CHARGES

	<i>At 1 January 1995 £m</i>	<i>Exchange, payments & other movements £m</i>	<i>Charge to Profit and Loss Account £m</i>	<i>At 31 December 1995 £m</i>
Deferred taxation				
long term business	-	-	4	4
other than long term business	39	-	(5)	34
	39	-	(1)	38
Pension benefit (including post retirement benefits)				
other than long term business	28	(23)	23	28
	67	(23)	22	66

The provision for deferred taxation has been calculated using the partial provision basis and is made up as follows:

	1995	1994
	£m	£m
SSAP 24 – Pension provisions	(6)	(6)
Accumulated bond discount	22	21
Other short term timing differences	22	24
	<u>38</u>	<u>39</u>

Advance corporation tax recoverable has not been dealt with by deduction from deferred tax but is disclosed separately in the balance sheets.

No provision has been made out of either revaluation reserves or profit and loss account for taxation which would arise if the investments were sold at the middle market value stated in Note 14, nor has provision been made for taxation which might arise in the event of the distribution of profits retained by overseas subsidiaries, as these events are considered to be remote. The potential liability for deferred taxation on the unrealised appreciation of investments is £596 million (1994: £273 million) of which £371 million (1994: £138 million) relates to investments held within the shareholder consolidated balance sheet.

23 DEBENTURE LOANS AND AMOUNTS OWED TO CREDIT INSTITUTIONS

Group borrowings are represented by:

	1995	1994
	£m	£m
Debenture loans	130	126
Amounts owed to credit institutions	49	104
	<u>179</u>	<u>230</u>
4% Swiss franc unsecured bonds 1996	33	30
8¼% US dollar unsecured loan notes 1997	97	96
	<u>130</u>	<u>126</u>
7% mortgage loan 1996 (secured on an overseas property)	–	1
Variable interest US secured loans 2003/16 (secured on an overseas property)	23	23
	<u>153</u>	<u>150</u>
Short term loans and overdrafts	26	80
	<u>179</u>	<u>230</u>
<i>Bank loans and overdrafts repayable in:</i>		
one year or less, or on demand	15	16
between two and five years	–	1
	<u>15</u>	<u>17</u>
<i>Other borrowings repayable in:</i>		
one year or less, or on demand	44	64
between one and two years	97	30
between two and five years	–	96
five years or more	23	23
	<u>164</u>	<u>213</u>
	<u>179</u>	<u>230</u>

Borrowings include £23 million (1994: £25 million) in respect of a liability arising from currency hedging in respect of certain borrowings for which the Group has the right to a matching asset. Excluding this adjustment, net group borrowings amount to £156 million (1994: £205 million). All borrowings relate to subsidiary companies.

24 CASH FLOW

(a) Reconciliation of operating profit to

net cash inflow from operating activities

	1995	1994 <i>As restated</i>
	£m	£m
Operating profit before taxation	436	434
Employee profit sharing	12	11
Interest on borrowings	12	14
Depreciation charges	44	43
Gain on sale of operating equipment	(1)	(2)
Increase in net insurance funds and outstanding claims	223	168
(Increase) Decrease in sums due from life business	(28)	5
Movement in other debtors and creditors	(73)	(56)
Net cash inflow from operating activities	625	617

(b) Financing

Changes in financing during the year were:

Share capital and share premium as at 1st January	451	439
Issue of ordinary shares:		
for cash	138	1
employee profit sharing	11	9
scrip	6	2
As at 31st December	606	451
<i>Borrowings</i>		
As at 1st January	215	311
Adjustments for foreign exchange	(2)	(9)
New borrowings raised	-	1
Borrowings repaid	(47)	(88)
As at 31st December	166	215

(c) Cash and cash equivalents

As at 1st January	591	627
Exchange	8	(6)
Increase (Decrease) in cash and cash equivalents during year	135	(30)
As at 31st December	734	591
represented by		
Cash on deposit	289	354
Cash at bank and in hand	457	251
Short term overdrafts	(12)	(14)
	734	591

25 EXCHANGE RATES

The principal exchange rates used were USA \$1.55 (1994: \$1.56), Canada \$2.12 (1994: \$2.19) and New Zealand \$2.37 (1994: \$2.44).

26 PRINCIPAL SUBSIDIARY, ASSOCIATED AND OTHER UNDERTAKINGS

Details of the principal shareholdings of the Group at 31st December 1995 are listed on pages 54 and 55. The amount of non equity interests in minority interests is not material.

Subsidiary companies are engaged in insurance and financial services or other insurance related business. In addition to those listed there are a number of other subsidiary companies which neither contributed significantly to the Group result nor whose assets were material.

Shares in subsidiary companies, other than the principal UK company's long term businesses, which are carried at directors' valuation, are carried in the Company's balance sheet at net asset value.

	1995 £m	1994 £m
Shares in group undertakings		
At cost	540	540
less amounts written off	29	29
	<u>511</u>	<u>511</u>
At carrying value	<u>3,205</u>	<u>2,222</u>

In addition to the principal associated undertaking shown on page 55 the Company has holdings exceeding 10%, and in certain cases 20%, of the issued share capital of a number of other companies, but these holdings do not materially affect the result or assets of the Group.

27 PARENT COMPANY RESERVES

	Share premium £m	Revaluation reserve £m	Profit and loss account £m	Total £m
At beginning of year	88	1,657	74	1,819
Restate opening value of in-force life business	—	54	—	54
	88	1,711	74	1,873
Arising from issue of ordinary shares	148	—	—	148
Revaluation of group undertakings	—	983	—	983
Profit attributable to shareholders	—	—	6	6
At end of year	<u>236</u>	<u>2,694</u>	<u>80</u>	<u>3,010</u>

Before deducting dividends paid and proposed of £169 million (1994: £152 million), the profit attributable to shareholders dealt with in the accounts of the parent company for the year ended 31st December 1995 amounted to £175 million (1994: £151 million).

28 POST BALANCE SHEET EVENT

The Boards of General Accident and Provident Mutual Life Assurance Association ('Provident Mutual') announced on 28th September 1995 that an agreement had been reached to transfer the existing business and policies of Provident Mutual to General Accident Linked Life Limited, a wholly owned subsidiary of General Accident plc. The agreement was approved by Provident Mutual's voting members on 15th November 1995 and by the Court on 20th December – consequently the proposals became effective from 1st January 1996.

In connection with this transfer General Accident Linked Life transferred, on 1st January 1996, £170 million in cash into the Provident Mutual Fund (the separate sub-fund of the long term fund of General Accident Linked Life to which the business and policies of the Provident Mutual were transferred). This comprised an amount of £145 million in respect of the fair value of the assets transferred (the fund's estimated embedded value) and £25 million which will be available to fund special bonuses for With Profit policyholders over the next three years.

General Accident is entitled to 10% of the future profits distributable from the Provident Mutual Fund, which has been closed to new business except for incremental business from existing policyholders. General Accident will continue to write new life insurance and pensions business in other sub-funds including new pension assured business.

Of the £170 million cash paid into the Provident Mutual Fund, £135 million was raised in October 1995 from the issue of ordinary shares in the Group by way of a placing, with the balance being funded from group resources.

29 CONTINGENT LIABILITIES

The Group has purchased annuities to settle certain structured settlement claims. As at 31st December 1995 the estimated value of outstanding payments arising from such settlements was £80 million (1994: £70 million).

The Company has guaranteed borrowing facilities of up to £84 million (1994: £73 million) in respect of a subsidiary company.

The long term business technical provision includes an amount in respect of potential compensation payments arising from the review of the advice given to all customers who purchased personal pensions from company representatives, together with the costs associated with the review. A contingent liability exists in respect of future levies under the Investors Compensation Scheme, in so far as they relate to defaults arising from the mis-selling of personal pensions by independent intermediaries. There is no basis at the present time for assessing the likely extent of any such levy.

PRINCIPAL GROUP COMPANIES

<i>Country of incorporation and principal operation</i>	<i>Name</i>	<i>Percentage of Ordinary Share Capital held</i>
UNITED KINGDOM	General Accident Fire and Life Assurance Corporation p.l.c.	100 (i)
	General Accident Life Assurance Ltd.*	100
	General Accident Linked Life Assurance Ltd.*	100
	The Guarantee Society Ltd.*	100
	Scottish Boiler & General Insurance Co. Ltd.	100
	Scottish General Insurance Co. Ltd.	100
	GA Bonus plc	100
	Scottish Insurance Corporation Ltd.	100
	The Yorkshire Insurance Co. Ltd.*	100
	GA Property Services Ltd.*	100
	General Accident Credit Services Ltd.*	100
	GA Investment Management Services Ltd.*	100 (i)
	General Accident Executor and Trustee Co. Ltd.*	100
	The Lancashire & Yorkshire Reversionary Interest Co. Ltd.*	100
	<i>* registered in England</i>	
UNITED STATES OF AMERICA	General Accident Insurance Company of America	100
	The Camden Fire Insurance Association	100
	Hawkeye-Security Insurance Company	100
	Pennsylvania General Insurance Company	100
	The Potomac Insurance Company of Illinois	100
	Oregon Automobile Insurance Company	100
	Silvey Corporation	100
AUSTRALIA	NZI Insurance Australia Ltd.	100
BRAZIL	General Accident Companhia de Seguros	86
CANADA	The General Accident Assurance Company of Canada	100
	Pilot Insurance Company	100
KENYA	General Accident Insurance Company Kenya Ltd.	51

<i>Country of incorporation and principal operation</i>	<i>Name</i>	<i>Percentage of Ordinary Share Capital held</i>
MALAYSIA	Straits & Island General Insurance Sdn Bhd.	60
NEW ZEALAND	NZI Corporation Ltd.	100
	General Accident Asia-Pacific Ltd.	100
	NZI Insurance New Zealand Ltd.	100
	The New Zealand Insurance Co. Ltd.	100
	The New Zealand Insurance Life Ltd.	100
	The South British Insurance Co. Ltd.	100
NORWAY	Aktiv Forsikring AS	100
PUERTO RICO	General Accident Insurance Company Puerto Rico Ltd.	88
	General Accident Life Assurance Company of Puerto Rico Inc.	87
SOUTH AFRICA	General Accident Insurance Company South Africa Ltd.	100
ZIMBABWE	General Accident Insurance Company (Zimbabwe) Ltd.	56

PRINCIPAL INTERESTS IN OTHER COMPANIES

Group interests exceeding 10% of the issued share capital.

<i>Name</i>	<i>Issued Capital £m</i>	<i>Total Reserves £m</i>	<i>Class of Shares</i>	<i>Percentage of Shares held</i>	<i>Principal Country of Operation</i>
McKay Securities PLC	6	59	Ordinary	23	UK

McKay Securities PLC is registered in England and is engaged in property investment and development, primarily in the UK. As at 31st December 1995 amounts totalling £3 million (1994 £3 million) were due to the Group.

(i) Held directly by General Accident plc. All other interests are held by subsidiary companies.

TEN YEAR FINANCIAL SUMMARY

	1995 £m	1994 £m	1994 £m
PREMIUM INCOME		<i>As restated</i>	
General business	4,409	4,253	4,253
Long term business	1,508	887	887
	<u>5,917</u>	<u>5,140</u>	<u>5,140</u>
PROFIT AND LOSS			
Investment income	535	481	481
General business underwriting result	(130)	(71)	(71)
Long term business profits	71	59	53
Property services result	(16)	(10)	(10)
Banking business result	-	-	-
	<u>460</u>	<u>459</u>	<u>453</u>
Interest on loans	12	14	14
Employee profit sharing	12	11	11
Operating profit	<u>436</u>	<u>434</u>	<u>428</u>
Realised gains on investment (i)	123	70	-
Profit (Loss) before taxation	<u>559</u>	<u>504</u>	<u>428</u>
Taxation	151	119	96
Profit (Loss) after taxation	<u>408</u>	<u>385</u>	<u>332</u>
Long term business profits - GA Life 1988 Valuation	-	-	-
	<u>408</u>	<u>385</u>	<u>332</u>
Minority interests and preference dividends	26	23	24
Profit (Loss) attributable to ordinary shareholders	<u>382</u>	<u>362</u>	<u>308</u>
Ordinary dividends	<u>148</u>	<u>131</u>	<u>131</u>
Movement in retained earnings	<u>234</u>	<u>231</u>	<u>177</u>
Operating earnings (loss) per ordinary share (ii)	66.5p	68.1p	68.1p
Dividend per ordinary share (ii)	31.0p	29.0p	29.0p
SHAREHOLDERS' FUNDS			
Share capital	370	363	363
Share premium and capital reserve	236	88	88
Long term business reserve	448	401	340
Other reserves	2,326	1,384	1,391
Total capital and surplus	<u>3,380</u>	<u>2,236</u>	<u>2,182</u>
Net asset value per ordinary share (ii)	653p	438p	427p

- (i) Prior to restatement of 1994 figures, realised gains and losses on sale of investments were dealt with in other reserves.
- (ii) General Accident plc became the holding company of the Group in 1990 following the acquisition of the entire share capital of General Accident Fire and Life Assurance Corporation p.l.c. under a Scheme of Arrangement. Amounts shown for 1989 and prior years are in respect of General Accident Fire and Life Assurance Corporation p.l.c. and, where appropriate, have been restated to reflect the effects of the Scheme of Arrangement.

1993 £m	1992 £m	1991 £m	1990 £m	1989 £m	1988 £m	1987 £m	1986 £m
4,182	3,832	3,219	3,046	3,100	2,554	2,169	2,185
866	790	552	413	381	293	214	203
5,048	4,622	3,771	3,459	3,481	2,847	2,383	2,388
509	505	449	430	463	353	293	296
(229)	(510)	(569)	(462)	(204)	(33)	(98)	(181)
49	35	27	25	27	18	15	13
(9)	(19)	(18)	(23)	(20)	1	6	2
-	-	(1)	(6)	(48)	(17)	-	-
320	11	(112)	(36)	218	322	216	130
16	40	60	85	65	20	4	2
9	-	-	-	6	8	4	2
295	(29)	(172)	(121)	147	294	208	126
-	-	-	-	-	-	-	-
295	(29)	(172)	(121)	147	294	208	126
50	(4)	(34)	(25)	32	80	44	13
245	(25)	(138)	(96)	115	214	164	113
-	-	-	-	9	-	-	-
245	(25)	(138)	(96)	124	214	164	113
20	6	1	(3)	(14)	(1)	2	2
225	(31)	(139)	(93)	138	215	162	111
124	120	117	116	106	93	67	52
101	(151)	(256)	(209)	32	122	95	59
50.0p	(7.0p)	(32.1p)	(21.7p)	32.6p	53.8p	43.1p	30.3p
27.5p	26.75p	26.75p	26.75p	25.0p	22.0p	17.5p	14.0p
363	252	109	108	53	53	48	46
76	69	3	-	86	76	72	70
340	-	-	-	-	-	-	-
1,931	1,308	1,261	1,322	2,413	1,793	1,589	1,895
2,710	1,629	1,373	1,430	2,552	1,922	1,709	2,011
545p	331p	316p	330p	599p	458p	448p	545p

SHAREHOLDER INFORMATION

SHAREHOLDER PROFILE

Categories of ordinary shareholders and ranges of size of shareholding as at 1st March 1996 are set out below.

ANALYSIS OF SHAREHOLDERS	<i>Number of shareholders</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Individuals	31,333	81.7	40,059,187	8.4
Banks and Nominee Companies	5,455	14.2	366,912,688	76.5
Insurance Companies	78	0.2	38,940,887	8.1
Pension Fund Managers	30	0.1	3,466,080	0.7
Other Corporate Bodies	1,475	3.8	30,418,086	6.3
	<u>38,371</u>	<u>100.0</u>	<u>479,796,928</u>	<u>100.0</u>
RANGE OF SHAREHOLDINGS	<i>Number of shareholders</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
1-1,000	24,167	63.0	9,484,908	2.0
1,001-5,000	11,156	29.1	23,149,134	4.8
5,001-10,000	1,184	3.1	8,317,033	1.7
10,001-200,000	1,505	3.9	74,205,628	15.5
over 200,000	359	0.9	364,640,225	76.0
	<u>38,371</u>	<u>100.0</u>	<u>479,796,928</u>	<u>100.0</u>

CAPITAL GAINS TAX

The market value for capital gains tax purposes of General Accident's ordinary shares at 31st March 1982, allowing for the effects of the scheme of arrangement on 5th July 1990, was 157.5p per share. When disposing of shares, shareholders are also entitled to indexation relief, which is calculated on the 31st March 1982 value and the cost of subsequent acquisitions from the date of purchase. Further adjustments must be made where a shareholder has chosen to receive shares instead of cash for dividends. The middle market price of General Accident's ordinary shares at 31st December 1995 was 650.5p.

SHAREHOLDER SERVICES

Registrar & Transfer Office

Any enquiries relating to shareholdings should be addressed to: Lloyds Bank Registrars, The Causeway, Worthing, West Sussex BN99 6DA. Telephone: (01903) 502541, Facsimile: (01903) 702481.

Personal Equity Plans

The Company operates a General PEP and a Single Company PEP enabling shareholders to hold their General Accident shares in a tax advantageous manner.

Low Cost Dealing Service

The company offers a low cost dealing service for the benefit of shareholders.

For details of the PEP's, or the Low Cost Dealing Service, contact: Barclays Stockbrokers Limited, The Guildhall, 57 Queen Street, Glasgow G1 3DT. Telephone Helpdesk: (0345) 581250.

Dividend Mandates

The company offers to pay dividends using BACS (an automated clearing service), which credits shareholders' bank/building society accounts on the payment date. The appropriate tax voucher is sent direct to the registered address. Further information on this facility can be obtained from the Registrar.

FINANCIAL CALENDAR

1st May 1996	Annual General Meeting
14th May 1996	Announcement of first quarter results to 31st March 1996
1st July 1996	Payment of final dividend for 1995
13th August 1996	Announcement of interim results to 30th June 1996 and declaration of interim dividend
12th November 1996	Announcement of third quarter results to 30th September 1996
3rd January 1997	Payment of interim dividend for 1996

The financial results referred to above will appear in the national press on the day following the announcement date, which in each case is provisional.

General Accident plc
Registered in Scotland No 119505
Registered Office: Pitheavlis, Perth, Scotland PH2 0NH

Primary Financial Statement 1998

General Accident plc (Registered No. 119505)



General Accident plc
Registered No. 119505

Primary Financial Statement 1998

SUMMARY FINANCIAL STATEMENT 1995

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MISSION STATEMENT

OUR GOAL

Our goal is to create long term value for shareholders, by producing superior sustained returns.

OUR SCOPE

The core of our business will be satisfying customer needs for insurance products and services.

In addition, we will offer financial and related services where they support those needs.

We will have a global capability, aiming to be a significant operator in attractive markets.

OUR FOCUS

We will focus on the needs of our customers, both intermediaries and policyholders.

We will do this by:

- ◆ Providing those products and services that meet our customers' requirements for quality.
- ◆ Controlling our costs so that we offer customers maximum value.
- ◆ Strengthening our access to our customers through effective means of distribution.

OUR VALUES

We will strive to achieve this goal by promoting the corporate values of:

- ◆ Financial strength and stability.
- ◆ Integrity and dedication.
- ◆ Teamwork and effective communication.
- ◆ Innovation.
- ◆ Personal development.
- ◆ Planning, accountability and rewards linked to performance.

Promoting these values will foster an environment in which all our employees can play their full part.

FINANCIAL HIGHLIGHTS 1995

*“Operating profit of £436 million compares with
£434 million in 1994”*

*“Including realised investment gains of £123 million
(1994: £70 million) total pre-tax profit of £559 million
increased by £55 million from £504 million”*

*“Improved underwriting results in both
USA and Canada”*

“Underwriting profits in both New Zealand and Asia”

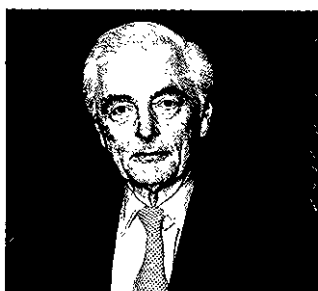
*“Continued progress in UK life assurance with excellent
new business production in both life and pensions”*

*“Solvency margin of 77% and net assets
per ordinary share increased to 653p”*



General Accident

CHAIRMAN'S STATEMENT



I am pleased to report an operating profit of £436 million, representing a record performance for a third successive year. This reflects a continuing strong performance in the United Kingdom where, with all our insurance branch offices reporting positive results in 1995, we achieved the second highest underwriting profit ever recorded in our home market. The result was also supported by good improvements in our important North American markets which more than offset a deterioration in a number of smaller markets. Once again our life assurance business made an outstanding contribution.

DIVIDEND AND RESERVES

Your board is pleased to recommend a final dividend of 20.3p (1994: 18.9p) per ordinary share, an increase of 7.4% on last year. The final dividend will bring the total dividend for the year to 31.0p (1994: 29.0p) representing an increase of 6.9% (1994: 5.5%), demonstrating your board's continuing commitment to a policy of steady and progressive dividend growth.

After deducting the cost of dividend distributions and allowing for new capital issued in the year, shareholder assets per share increased by 49% to 653p per ordinary share supported both by retained earnings of the year and by the recovery of bond and equity markets during the year.

BUSINESS DEVELOPMENT

Whilst the development of our worldwide business interests is a continuing process, we took the opportunity during 1995 to establish some strategic priorities which will enable us to focus our business development activity on those markets which we believe provide special opportunities for profitable growth.

High on our list of priorities was the development of our life business in the United Kingdom, and the acquisition on 1st January 1996 of Provident Mutual represented a major strategic advance. In combining the financial strength and efficiency of General Accident Life with the pensions expertise of Provident Mutual the acquisition places us in the position of being a leading provider of life and pensions products in the United Kingdom market, giving us a firm foundation for continued expansion and growth in the coming years. We are also examining opportunities for the international development of our life insurance interests.

Other current priorities are the emerging markets in Asia, including China and India, and selected territories in western Europe.

COMMUNITY AFFAIRS

General Accident has a history of providing support to the communities in which the Company operates through a broad mix of initiatives, including staff secondments and charitable donations, at both local and national levels. We are particularly pleased with the success of our current association with Neighbourhood Watch in the United Kingdom, which serves to highlight the extent to which our interests are closely bound to the general well-being of the communities from which our customers and staff are drawn. This major project, which commenced in 1992, will continue for the next four years.

CORPORATE GOVERNANCE

The board of General Accident attaches great importance to the area of corporate governance and the Company complies fully in this respect with the provisions of the Code of Best Practice as set out by the Cadbury Committee.

This year, the report and accounts includes for the first time a report prepared by the Remuneration Committee of the board. This report, which appears on page 18 and reflects the requirements of the Stock Exchange Listing Rules, sets out the Company's broad remuneration policies for its directors and senior managers.

SUMMARY FINANCIAL STATEMENT

The increasing complexity of reporting requirements has prompted us to publish this year a summary financial statement in addition to our normal statutory report and accounts. I hope that shareholders will welcome this innovation, which seeks to communicate in a less complex but nevertheless comprehensive manner the key elements of the Company's activities and performance during 1995.

DIRECTORS AND STAFF

Lord Macfarlane of Bearsden will retire as a non-executive director at the close of the forthcoming annual general meeting, having at that time reached retirement age. We are most grateful for the valuable contribution he has made to General Accident since he became a director in 1984.

On 31st December 1995 Mr W N Robertson retired as a director and Group Chief Executive of the Company, having reached normal retirement age. During his six years as Group Chief Executive, he steered the Company through the difficult operating environment of the early 1990s, which was followed by record profits for the last three years. We are greatly indebted to him for the outstanding contribution he made to the Company during his 38 years of distinguished service, and were delighted to note that he received the award of CBE in the 1996 New Year's Honours List for his services to the insurance industry. Mr Robertson is succeeded as Group Chief Executive by Mr R A Scott who began his career with the NZI Group in 1959 and joined General Accident when it acquired the NZI Group in 1988. Since that time his principal responsibility has been the Company's general insurance operations in the United Kingdom. He was appointed a director of the Company in 1992. On behalf of the board I would like to extend to Mr Robertson best wishes for a long and happy retirement and wish Mr Scott every success in his new appointment.

The sudden death of Mr Barrie Holder, the Company's finance director, on 30th November last year was a source of great sadness throughout General Accident. He gave outstanding service to the Company over a period of 34 years and in the latter period played a key role in the development of the Company's business worldwide. As a colleague he will be greatly missed, as will his special skills and expertise.

Mr G N Morris who, as vice-chairman of the Group's companies in the United States was responsible for the management of the whole of our investment portfolio in that territory, retired as a director on 31st May 1995 after five years' service on the board, having reached normal retirement age. His valuable contribution to the Company is greatly appreciated.

As always, excellent results are not achieved without the hard work, skills and commitment of the management and staff at all levels throughout the organisation and therefore on behalf of my board colleagues I must express my heartfelt thanks and appreciation to all those whose combined efforts produced such an excellent performance in 1995.

CONCLUSION

The record results we have recorded in the last three years reflect in part the exceptionally favourable conditions prevailing in the United Kingdom market, but they are also due to our consistent and disciplined approach to underwriting and the management of our costs.

Competitive pressures continue, and will increase in the United Kingdom. However, with clear strategies in place and a strong commitment to compete successfully in all our chosen markets, we aim to achieve a further good operating performance in the current year.



Airlie

OPERATING AND FINANCIAL REVIEW

OPERATING REVIEW



R A Scott
Group Chief Executive

The improvement in results reported by the market in 1994 continued throughout 1995. The further progress achieved once again reflects favourable underwriting experience in the United Kingdom, despite the cost of weather-related losses incurred at the end of the year, supported by increasingly positive trends in other important areas, notably the United States.

Advances in major stock markets in 1995 added substantially to the insurance market's capacity to write additional volumes of business and this, together with the benefits gained from two years of strong trading performance, will inevitably increase further competitive pressures in the market.

General Accident, however, remains committed to the application of underwriting principles and pricing structures which fully and fairly reflect the risks assumed, and we will continue to compete through the quality and value of the products and services we provide.

UNITED KINGDOM

Our United Kingdom general insurance business was re-structured during the year into separate personal and commercial lines divisions to ensure that our organisation maintains the focus and flexibility required to meet the changing and increasingly divergent needs of our principal customer groupings.

PERSONAL LINES

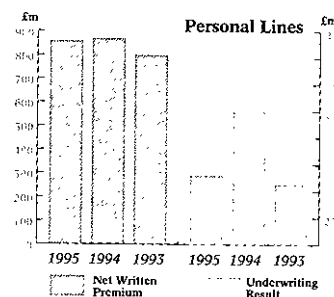
R Newton
General Manager
(UK Personal)



The signs of increasing competition evident a year ago strengthened in both motor and home insurance in 1995, in the light of good underwriting results. Direct writers, intermediaries and financial institutions all made great efforts to maintain or increase their market share.

Despite the competitive market, the personal motor account produced a good result for the year. Careful risk selection and target marketing contributed to this result, and also established sound foundations for the future growth and development of the account when the market becomes less volatile. High levels of retention of business, which are critical to sustained successful performance, were also achieved.

The relative absence of severe weather-related losses until the last week of the year benefited the home insurance account, but experience over the Christmas period provided a timely warning that the performance of this account can be influenced by sudden and unexpected events. Nevertheless the account produced an excellent underwriting result for the year. As with the motor account, considerable attention has been paid to careful pricing and risk selection and this, supported by our efforts to provide high levels of customer service, has impacted favourably on an already high retention of business at renewal. We were pleased to record a significant increase in our special Neighbourhood Watch home business in 1995, and we are confident that our strategy for the further expansion of this profitable market in the current year will be successful. Our direct home account enjoyed strong growth despite the competitive nature of this section of the market.



The local knowledge gained through our extensive branch network, in particular our ability to analyse our exposures to subsidence and flood risk, has given valuable support to a number of initiatives. Investment in a new comprehensive management information system, supported by training, for all our distribution channels, will greatly assist our staff in the analysis of our business.

Financial institutions continue to increase their interest and subsequent involvement in personal lines insurance. Many are reviewing their current arrangements and a number of building societies are considering the establishment of their own insurance company or the restructuring of their current insurance arrangements. General Accident is well positioned to provide maximum support to its major clients and to establish new joint business initiatives, through the implementation of strategies which will ensure that both the Company and its business partners can grow profitably.

Technology will continue to exercise a major influence on the transaction of business in the personal lines market, resulting in an increasing use of electronic trading. There is a marked increase in the use of the Internet for the promotion and selling of insurance products, and touch screen technology, interactive TV and a continuing use of telemarketing techniques and technology are indicative of an evolving marketplace. General Accident will exploit the potential of such technologies.

COMMERCIAL LINES

The improving trend in trading results during 1993 and 1994 subsequently put premium levels in the marketplace under pressure. In particular, rates for good quality property risks were subject to significant reductions from early in 1995. The liability classes were much more stable with the market being particularly cautious over reducing premiums for employers' liability risks. The adoption by General Accident of segmentation and differentiation strategies allowed us to continue to grow our customer base in these market conditions, achieving a satisfactory increase in our premium income.

Claim frequencies remain relatively stable across the commercial account despite an increase in the number of large individual losses. In the last few days of the year the property account sustained a surge of weather damage claims due to the short period of very severe frost, particularly in Scotland and Northern England. Nevertheless, the

property-related sector of our business produced a substantial underwriting profit, aided both by the success of our Special Investigation Unit in combating fraudulent claims and our continued emphasis upon innovative risk management practices.

The specialist engineering, fidelity and transit accounts also maintained their historical record of excellent results. Commercial liability overall returned virtually the same profit as in the previous year but professional indemnity showed an underwriting loss.

The performance of the motor account was disappointing, and has been addressed by remedial rating action.

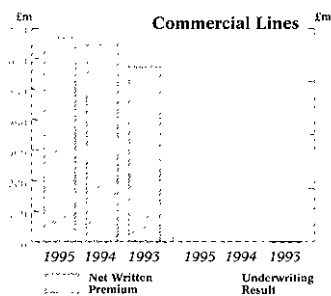
Substantial progress was made in 1995 towards the implementation of a new computer system for our subsidiary company, GA Bonus. This is the forerunner of the development of new systems to support all of our UK commercial businesses. These developments, allied to our progressive training programmes, will lead to reduced cost ratios, improved productivity and efficiency and enhanced skills for all staff.

We continue to benefit from our widespread branch network which provides excellent local service and support both to intermediaries and their clients, and gives us the local knowledge so valuable for effective local underwriting.

Market conditions remain competitive but we are committed to soundly-based strategies for profitable growth which we consider will keep General Accident at the forefront of the UK commercial lines market.



N G Lister
General Manager
(UK Commercial)



UNITED STATES

W E Farnam
Chairman and CEO
US Companies



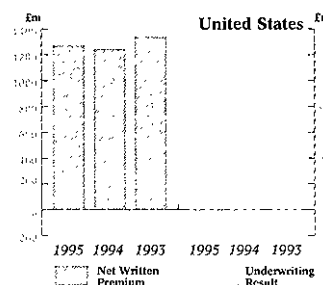
The United States property and casualty insurance industry experienced a modest improvement in 1995. Catastrophe losses decreased over 1994, but continued at a high level. The soft market continued in commercial lines and many companies strengthened their reserves for asbestos and environmental losses. The private passenger automobile and workers' compensation lines both continued to show good results in 1995. Premium growth for the industry improved slightly to 3.9% as compared to 3.7% in the previous year.

General Accident of America recorded an operating ratio of 104.9 in 1995, which represents an improvement of three points over the previous year, and measures well against a projected industry ratio of over 107. All major lines of business showed improvement during the year, including the personal automobile results despite the continued burdens of the involuntary business written in New York and New Jersey. Personal and commercial property lines showed significant improvement, assisted by lower catastrophe losses during the year.

Property lines continue, however, to be hampered by strong competition, inadequate rates and weather-related losses.

Commercial casualty business continued the positive trend of the previous year, led mainly by the workers' compensation line.

Our premium income in original currency increased during the year by 1.4%, with growth in commercial lines of business partially offset by a welcome decrease in the volume of private passenger automobile involuntary premium which will benefit our results in future years.



The outlook for the United States economy remains one of modest growth, accompanied by stable inflation and a reduction in the volatility in interest rates experienced in the two previous years. Annual premium growth for the industry is expected to remain in the range of 3% to 4%.

As the United States market continues to experience consolidations, mergers and acquisitions, General Accident's independent agents continue to value highly the company's stability, allowing us to take advantage of opportunities in the market. Our ability to attract highly skilled staff, together with a broadened commercial lines product portfolio, has generated interest among larger commercial agencies and brokerage firms. The implementation of new technology initiatives supports our aim of achieving growth whilst reducing acquisition and processing costs in the periods ahead.

Against this background, and following a strong improvement in the underwriting result in the year under review, the outlook for General Accident of America is favourable, as the various initiatives we are taking continue to strengthen our operations.

CANADA

The property and casualty insurance industry recorded good results in 1995, with premium growth expected to exceed 10%, well in excess of the rate of inflation, while the increase in claims was considerably lower.

Following the integration of the portfolio acquired from Prudential Assurance of Canada in 1992, we have re-structured our Canadian business.

The overall underwriting result for 1995 was disappointing and, whilst the actions previously taken on the large private auto account have improved the result, further rating action has been taken to correct other major lines of business.

In the Province of Ontario, our largest trading area, a new government was elected in 1995. Its legislative agenda includes a revised automobile insurance schedule removing many of the excesses of the existing Ontario plan, which should be ready for introduction towards the end of the current year. A satisfactory underwriting profit was again reported by our Quebec Region, representing more than twenty percent of our business.

Market consolidation has continued, with a few major acquisitions by already significant companies and withdrawal by some insurers from selected markets. Banking institutions have gained a foothold in the industry and continue to press for expanded distribution powers in the 1997 revision to the Bank Act. To meet the challenges of new entrants to the business and direct marketing initiatives, we have strengthened the support given to our insurance brokers through partnership programmes which will develop joint business plans for profit and growth. We have also continued to invest in technology which will permit electronic exchange of data with brokers and allow for point-of-sale issue of documents.

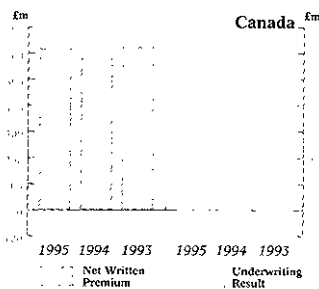
Product innovation has continued, with a roadside assistance benefit added to the personal automobile policy, strengthening our position with our customers. At the same time a 24-hour claims help line was introduced. Other new products have been developed to target specific market segments. Our initiative to control insurance fraud was expanded in 1995 and nine experienced fraud specialists now investigate suspected fraudulent activity across the country, with valuable savings achieved.

Overall, the outlook for General Accident of Canada is favourable as benefits accrue from our recent acquisitions, our strengthened emphasis on profitability over premium growth and our initiatives to become a market of choice for both brokers and policyholders.

Pilot Insurance Company, which is mainly involved in personal lines business in Ontario, achieved another outstanding performance in 1995. Good premium growth in the automobile account reflected continuing improvement in levels of retention of business, together with positive trends in new business.



*H Moran
President
GA of Canada*



ASIA-PACIFIC

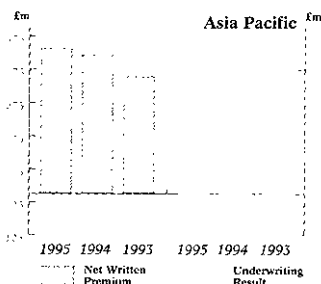
All markets in the region are experiencing pressure on rates, with a consequent impact on growth.

The excellent general insurance performance was sustained in New Zealand in terms both of premium growth and underwriting result.

In Australia, performance was adversely affected by a substantial deterioration in the compulsory third party account in New South Wales. Recent legislative changes and rating action will assist in correcting this poorly performing account. However, good results were achieved in other areas.



*R D Parker
Managing Director
GA Asia Pacific Limited*



Excellent results in Asia reflect outstanding performances in Hong Kong, Malaysia and Singapore. The result achieved in Hong Kong was particularly pleasing, in view of the strength of competition in that market.

Encouraging growth and good results were achieved in Indonesia and Thailand and a satisfactory result was recorded in the Philippines, despite the impact of hurricane-related losses in the later part of the year.

Development work continues in our endeavours to achieve an operating licence in China. Our existing representative office in Beijing will be complemented by the opening of additional representative offices in Shanghai and Guangzhou in the current year. We are working towards establishment of a representative office in India, having recently signed a Memorandum of Understanding with the Wadia Group, a leading manufacturing and trading company based in Bombay. Options for appropriate representation in South Korea and Vietnam are also under review.

CONTINENTAL EUROPE

The major elements of the European Union's liberalisation programme for general insurance were implemented in the year under review, further increasing competitive pressures in many European countries. Whilst General Accident has maintained

progress in areas of existing business in an environment of greater freedom, there has been a significant deterioration in our overall underwriting result, caused principally by adverse developments on discontinued business.

Disappointing results in France and Denmark, which account for more than half of the overall underwriting loss for the region, were mainly due to substantial costs incurred

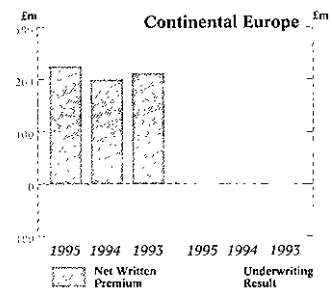
on lines of business which are no longer written.

Favourable results were reported in Ireland, Greece and Norway, and tangible progress continues to be made in Belgium. Excellent premium growth in Germany was again recorded in the year under review, and our operation is well placed to take advantage of the increasing levels of liberalisation emerging in this market.

We are currently restructuring the key central supports and co-ordination mechanisms for our European business and selected development and strongly-focused business improvement plans are being implemented.



D Blyth
General Manager
Europe



INTERNATIONAL

The underwriting result for the other overseas territories represents a further improvement over the previous year, despite the continued underwriting losses experienced by our South African company and a sharp deterioration in performance in Puerto Rico, where the results were impacted by the cost of Hurricane Marilyn. Elsewhere, satisfactory results were achieved, notably in Brazil, in other areas of the Caribbean, and in the Middle East.

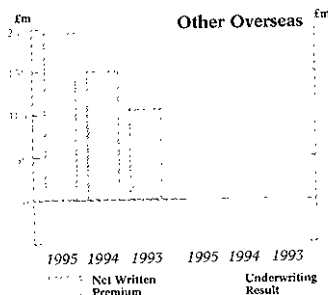
Following the provision of additional capital to the South African company, considerable effort was directed towards the achievement of improved results and, with a number of necessary rating increases successfully applied, some encouraging signs are emerging. However, levels of crime have not abated, and

continue to undermine our efforts, particularly in the personal lines account. A comprehensive review of our markets, distribution channels and business processes is being undertaken in the current year.

In Brazil, economic stability and a dramatic reduction in inflation following the introduction of the new currency in 1994 continued to benefit our operations, which recorded further strong growth and an improvement in the underwriting performance.



*C R Barker Bennett
General Manager
International*



Conditions in the London marine market remained competitive in 1995, with increased interest in good quality business re-emerging from Continental European markets and the United States. The impact of the deterioration in experience on risks underwritten before 1992 remains severe and further strengthening of the marine fund has been considered prudent. Following the successful restructuring of our cargo and treaty accounts, similar action being applied to the hull and energy accounts is well advanced. As a result of these measures, the volume of business written by General Accident in the London Market has been reduced.

The limited amount of facultative reinsurance underwritten in the London Underwriting Centre produced excellent results.

LONG TERM BUSINESS

UNITED KINGDOM

General Accident Life recorded a strong performance in the year under review, despite market trends and against the background of the introduction of disclosure of commission and expenses.

New business premium income increased by 57% to £962 million, with pensions business single premiums up 53% to £212 million and life business single premiums increasing by 68% to £707 million. Annual life premiums were down 19% to £43 million in line with market trends, reflecting an extremely competitive term assurance market and a depressed housing market.

Strong investment performance has enabled General Accident Life to maintain a leading position in the With Profit past performance tables, declaring an average annual return of over 13.5% on twenty-five year With Profit endowment policies maturing in 1996. Despite the considerable expansion over recent years, General Accident Life's With Profit fund continues to rank amongst the strongest in the market. This enables us to adopt a very flexible investment policy and a long term approach to bonus rates and maturity values.

Our distribution capability remained a key strength in 1995 and, whilst the Independent Financial Adviser (IFA) market contributed the largest proportion of our new business, strong support was received from our important building society connections and our salaried direct sales force. We continue to invest heavily in the training and development of our staff and our compliance operation. This has resulted in another year free from compliance difficulties, low levels of staff turnover and high quality new business.

During 1995 we continued to be a substantial supplier of third party administration, which contributed to profits and reduced unit costs. This is an increasingly important activity in a very competitive market.

Investment in technology in recent years has enabled us to continue to reduce our unit costs and provide improved customer service levels. We expect that the benefits of this investment will continue to emerge in the current year.

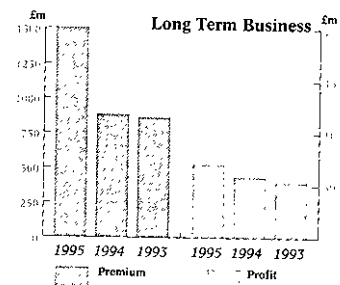


*W H Jack
General Manager
GA Life*

On 1st January 1996, General Accident completed the acquisition of the specialist pensions office Provident Mutual, and that company's business was transferred to General Accident Linked Life. Under the terms of the transfer General Accident will meet substantial reorganisation costs which are likely to be matched broadly by the additional shareholder profits generated by the Provident Mutual fund in the current year, with the full benefits of the transfer emerging in 1997 and subsequent years.

Following the acquisition of Provident Mutual and to ensure we retain focus within an increasingly large business we have restructured our total operation into three separate divisions comprising IFA, Retail and Partnership sectors. Each of these businesses contains sales, marketing and customer service activities.

The United Kingdom life market continues to be dominated by the regulatory debate, the need for reduction in unit costs and increased competition. Whilst we do not preclude the possibility of further acquisitions, we believe we have a life assurance business with a critical mass, structure, product range and strength of distribution which gives us confidence in achieving continuing success into the future.



OVERSEAS

Our life operations in New Zealand experienced a much improved result, achieving good investment returns and a further increase in shareholder earnings. However, in a very competitive environment the level of sales recorded was below that of the previous year.

A significant increase in earnings, and in the embedded value of the company, was achieved in Puerto Rico.

Plans are in place to strengthen our operations in France and Germany through the establishment of General Accident Life branches.

PROPERTY SERVICES

1995 was a difficult trading year, with the key indicators of activity in the housing market falling to their lowest level for more than twenty years. Whilst General Accident Property Services recorded an operating loss of £16 million, the division continued to increase its share of the residential sales market.

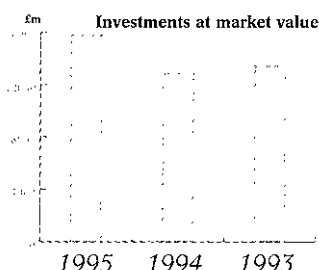
Good progress was recorded in increasing the number of leads provided to our United Kingdom life operation, despite a reduction in sales activity.

As economic conditions for house purchase improve, the market may experience a modest recovery in housing transaction levels. This would produce a better result in the current year.

INVESTMENTS AND FINANCE

INVESTMENTS

In 1995 the developed countries of the world experienced a return to more subdued economic growth, with consumer price inflation remaining at generally acceptable



levels. Reductions in budget and trade deficits provided scope for an easing of monetary and fiscal policies, which to some extent helped cushion the effects of slowdown. The United Kingdom and the United States, followed by western Europe, reduced interest rates and Japan responded to deflationary pressures with a series of fiscal injections. The improvement in underlying liquidity conditions as the year progressed had a notable impact on values of financial assets, with United Kingdom equities growing in capital value by 19% and United States equities advancing by as much as 34%. At the same

time, slackening economic conditions gave support to bond markets, with bond yields on both sides of the Atlantic falling to the lowest levels seen for a number of years. Currently the outlook for equity investment remains attractive but bond yields may be expected to experience some further limited falls.

General Accident's net investment income in sterling terms increased from £467 million in 1994 to £523 million in the year under review, an increase of 11% in original currencies and 12% in sterling. In part, the growth derived from higher dividends payable on portfolio equity exposures but the investment of new money during a year of strong positive cash flows for the Group was also a contributory factor.

ACCOUNTING POLICIES

A number of accounting policy changes have been made, reflecting the implementation of the Insurance Companies Accounts Regulations.

As a result, realised investment gains, amounting to £123 million in the year (1994: £70 million), are now being reported in the profit and loss account.

Life profits in the United Kingdom are now stated gross of the full rate of UK corporation tax, resulting in an increase in 1995 operating profits and tax of £7 million (1994: £6 million). The value attributed to long term business, previously carried at a 1992 valuation of £340 million, is now carried at a current value of £448 million. Movements in the value attributed to long term business are taken directly to reserves. Comparative figures have been restated and, accordingly, shareholder funds as at the end of 1994 increased from £2,182 million as reported last year to £2,236 million.

The Group has adopted the "modified statutory" basis for determining profit and technical provisions for the life business rather than the "statutory" basis previously used. This change had no impact on the life profit reported in 1994 or 1995 as reserves identified within the long term fund and deferred acquisition costs have both been taken to the fund for future appropriations with no allocation to shareholders. Accordingly the manner in which life funds are presented in the balance sheet has changed. Life funds are now analysed over three headings: technical provisions, which are the actuarially estimated value of the policyholder liabilities; deferred acquisition costs, an asset arising from the matching of the initial costs of acquiring insurance policies, such as commission, against income flows from these policies; and the fund for future appropriations, being the balance of funds, the allocation of which either to policyholders or shareholders has not been determined at the balance-sheet date.

The accounts of an insurance company reflect a mix of objective and subjective judgements in a number of key areas, such as the amounts shown in the balance sheet under "Technical Provisions". These amounts are estimates of outstanding liabilities to policyholders arising from insurance contracts underwritten in the financial year under review and in all previous years. The liabilities include estimates of the value of known claims and claims yet to be notified arising from incidents which have occurred prior to the end of the financial year, as well as the amounts of premium which are deferred and matched against exposures arising in future periods. General Accident uses the expertise and knowledge of its staff, together with the assistance of external parties, to assess the necessary provisions using both individual case estimates and statistical and actuarial methods as appropriate. Any variance arising from over and under provisions of previous years is dealt with in the accounts of the year as part of the profit or loss arising from normal operating activity.

EARNINGS PER SHARE

The profit for the year attributable to ordinary shareholders is £382 million (1994: £362 million), equivalent to 82.8p per ordinary share (1994: 80.0p per ordinary share). The directors have also shown as 'operating earnings per share' the earnings per share excluding realised profits on the sale of investments. They consider this is an appropriate measure of the earnings per share generated from the insurance activities of the business.

DIVIDENDS

The principal markets in which General Accident operates are both very competitive and relatively open. This applies particularly in the United Kingdom, and the level of profits achieved over time is influenced by the prevailing conditions in each market.

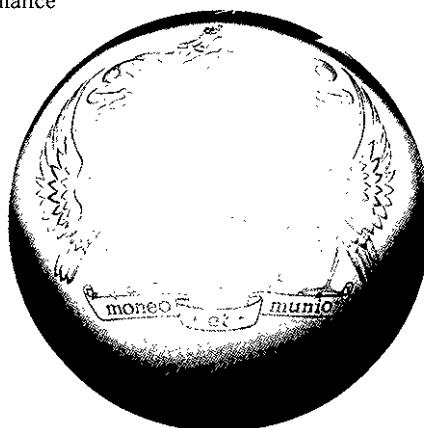
In recommending the amount of dividend payable in any one year, the directors have regard to the capacity of the Group to maintain distributions at a level which is sustainable over time and which reflects the longer term growth of the financial strength of the Group. Consideration is therefore given to market conditions, the level of capital required to sustain the growth of the business and the level of security offered to policyholders as reflected in the amount of shareholder funds retained in the business.

RETURNS TO SHAREHOLDERS

Shareholder funds increased in the year by £1,144 million, to £3,380 million, equivalent to an increase in net assets per ordinary share of 215p to 653p. Taking into account dividends paid and proposed in the period, the return to shareholders was 56%, more than offsetting the reduction in 1994 and giving a total return over the last two years of 14%. Over one quarter of the return in 1995 was generated from general insurance business and long term profit flows, the balance being generated by the strong capital performance of the Group's investment portfolio.

CAPITAL STRUCTURE

When compared with shareholder funds, the amount of debt carried by the Group is not significant. Funding for operational purposes is supplied primarily by shareholders in the form of both ordinary and preference capital, together with resources retained in the business as reserves. The total amount of borrowings at 31st December 1995, which are denominated primarily in US Dollars, was £179 million (1994: £230 million). The Group has a number of borrowing facilities available to it, should these be required.



CONCLUSION AND OUTLOOK

Our worldwide underwriting loss in the year under review was higher by £59 million than that recorded in 1994, with an increase in weather related losses and a reduced but still strong underwriting performance in the United Kingdom. North American underwriting results showed a pleasing improvement. With a record level of investment income and a further outstanding contribution from our United Kingdom life assurance business, we have been able to report a record pre-tax profit for a third successive year. Once again, this performance represents a rate of return on allocated capital comfortably above the minimum required rate of return we have established for our worldwide operations.

General Accident's underwriting results, and those of the market generally, have in recent years reflected an increase in the cost of losses arising from major weather-related events. It is therefore critical that we continue to develop both our understanding of the potential impacts of changing weather patterns and our skills in managing the weather-related risk exposures we assume within our core underwriting activity. We were therefore pleased to be a founding signatory last year of the United Nations-sponsored Statement of Environmental Intent for the insurance industry. We will continue to play our full part in selected initiatives

which address key environmental issues affecting the insurance industry, also giving due attention to additional ways in which, through effective management of our internal activities, we can contribute positively to the protection and conservation of the environment.

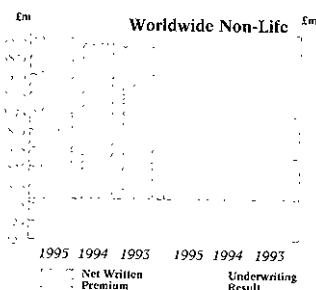
Strategically, our internal focus remains on the development of our skills and capabilities for the benefit of our worldwide organisation. In order to build further on our achievements to date, we have recently established a corporate development team to identify new opportunities for, and develop new approaches to, the sharing of expertise across the Group in key operational

and functional areas, including underwriting, marketing and claims management. By further developing our skills in these core areas and deploying them to maximum effect, we intend that the General Accident product should rank among the highest value offerings available to existing and potential customers in all markets in which we choose to compete.

We are reviewing from a worldwide perspective the ways in which we use and exploit the potential of technology, which is playing an increasingly important role in the effective delivery of our products and services to our customers, and in the efficiency with which we execute our business processes. We have also established a central mechanism to co-ordinate and support the sharing across the Group of our most successful approaches to training, development, career planning and remuneration policy, and are making increasing use of international secondments and assignments at senior levels to develop the breadth of knowledge and experience applied to the management of all our businesses.

We anticipate an increasingly competitive United Kingdom market in the period ahead, but with continuing improvement in conditions in North America further benefits should accrue to our important operations in that part of the world. Our United Kingdom life assurance business is well-placed to exploit its particular strengths, with a financial capability, a product range and a level of operational efficiency which position it among the most effective operators at a time when a number of competitors are engaged in devising plans to secure their continuing viability in an environment undergoing fundamental and radical change.

We believe that the gains we have made over recent years, and on which we continue to build, position General Accident to deliver our goal of maintaining superior returns for our shareholders in the periods ahead.



R A Scott
Group Chief Executive

DIRECTORS AND MANAGEMENT



From left to right seated in front: The Lord Nickson, R A Scott, The Earl of Airlie, Sir Alick Rankin.
 Standing behind: R A Whitaker, The Hon F R Noel-Paton, L Bolton, W E Farnam, E L Botting, Sir Anthony Cleaver, Lord Macfarlane, Sir Peter Middleton.
 Absent, The Earl of Mansfield.

CHAIRMAN

The Rt Hon The Earl of Airlie,
 KT GCVO PC

DEPUTY CHAIRMEN

The Rt Hon The Lord Nickson, KBE DL

Sir Alick Rankin, CBE

GROUP CHIEF EXECUTIVE

R A Scott, AAI

EXECUTIVE

R Evans

W E Farnam

DIRECTORS

L Bolton

E L Botting, CBE

Sir Anthony Cleaver

W E Farnam

The Rt Hon Lord Macfarlane of Bearsden

The Rt Hon The Earl of Mansfield, DL JP

Sir Peter Middleton, GCB BA

The Hon F R Noel-Paton

RA Scott, AAI

SECRETARY

R A Whitaker, LLB DMS FCII

AUDIT COMMITTEE

Sir Peter Middleton (*Chairman*)

L Bolton

Sir Anthony Cleaver

The Hon F R Noel-Paton

REMUNERATION COMMITTEE

The Lord Nickson (*Chairman*)

E L Botting

The Earl of Airlie

The Hon F R Noel-Paton

Lord Macfarlane of Bearsden

Sir Alick Rankin

NOMINATION COMMITTEE

The Earl of Airlie (*Chairman*)

Sir Peter Middleton

The Lord Nickson

Sir Alick Rankin

Lord Macfarlane of Bearsden

R A Scott

BRIEF BIOGRAPHICAL DETAILS OF THE DIRECTORS

THE RT HON

THE EARL OF AIRLIE, KT GCVO PC
is 69 years of age and was appointed to the board of General Accident in 1962, becoming Chairman in 1987. Lord Chamberlain of the Queen's Household. Until 1984 was Chairman of Schroders plc.

MR L BOLTON

is 59 years of age and was appointed to the board of General Accident in 1982. Managing Director of Alliance Trust up to 1995, Chairman of TSB Group Pension Trust Limited.

MRS E L BOTTING, CBE

is 56 years of age and was appointed to the board of General Accident in 1992. A financial adviser. Chairman of Douglas Deakin Young Limited and of New 102 Limited and a director of Trinity International Holdings plc.

SIR ANTHONY CLEAVER

is 57 years of age and was appointed to the board of General Accident in 1988. Chairman of the United Kingdom Atomic Energy Authority and General Cable plc and a director of Smith & Nephew plc, The Cable Corporation Limited and Loral (Europe) Limited.

MR W E FARNAM*

is 54 years of age and was appointed to the board of General Accident in 1991. Chairman and Chief Executive of General Accident companies in the USA.

THE RT HON

LORD MACFARLANE OF BEARSDEN

is 70 years of age and was appointed to the board of General Accident in 1984. Chairman of Macfarlane Group (Clansman) plc, United Distillers plc, American Trust plc and the Fine Arts Society plc. A director of Edinburgh Fund Managers plc. A former Deputy Chairman of Clydesdale Bank plc.

*Executive Director

THE RT HON

THE EARL OF MANSFIELD, DL JP
is 65 years of age and was first appointed to the board of General Accident in 1972. Director of American Trust plc. Former First Crown Estates Commissioner and Chairman. Former Minister of State, Scottish Office, 1979-83 and Northern Ireland 1983-84.

SIR PETER MIDDLETON, GCB BA

is 61 years of age and was appointed to the board of General Accident in 1992. Permanent Secretary to the Treasury 1983-1991. Chairman of Barclays de Zoete Wedd Limited and Deputy Chairman of Barclays Bank plc. A director of Bass plc and United Utilities PLC.

THE RT HON

THE LORD NICKSON, KBE DL

is 66 years of age and was appointed to the board of General Accident in 1971 becoming Deputy Chairman in 1993. Chairman of Clydesdale Bank plc, past Chairman of Scottish Enterprise and past President of the Confederation of British Industry. A director of Hambros plc and a former director of National Australia Bank Limited.

THE HON F R NOEL-PATON

is 57 years of age and was appointed to the board of General Accident in 1987. Managing Director of John Menzies plc and a director of Pacific Assets Trust plc and Macallan-Glenlivet plc.

SIR ALICK RANKIN, CBE

is 61 years of age and was appointed to the board of General Accident as a joint Deputy Chairman in 1995. Chairman of Scottish & Newcastle plc and Christian Salvesen plc. A director of Bank of Scotland plc, Sears PLC, Securities Trust of Scotland and James Finlay plc.

MR R A SCOTT, AAI*

is 54 years of age and was appointed to the board of General Accident in 1992, becoming Group Chief Executive in January 1996.

SUMMARY CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31st December 1995

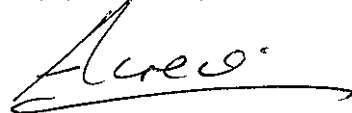
	1995 £m	1994 £m
Gross premiums written		
General business	4,723	4,614
Long term business	1,529	1,073
	<u>6,252</u>	<u>5,687</u>
Profit from continuing operations		
Balance on the general business technical account	(130)	(71)
Balance on the long term business technical account	49	41
Tax credit attributable to balance on the long term business technical account	22	18
Pre-tax profit arising on long term business	71	59
Investment return	646	537
Other charges		
Property services result	(16)	(10)
Employee profit sharing	(12)	(11)
Profit on ordinary activities before tax comprising		
Operating profit	436	434
Realised gains on investments	123	70
	<u>559</u>	<u>504</u>
Tax on profit on ordinary activities	151	119
Profit on ordinary activities after tax	408	385
Minority interests	5	2
Profit for the financial year attributable to shareholders	403	383
Aggregate amount of dividends paid and proposed		
Preference	21	21
Ordinary – interim	51	46
– final	97	85
	<u>169</u>	<u>152</u>
Retained profit for the financial year	234	231
Earnings per ordinary share	82.8p	80.0p
Operating earnings per ordinary share	66.5p	68.1p

SUMMARY CONSOLIDATED BALANCE SHEET

as at 31st December 1995

	1995 £m	1994 £m
ASSETS		
Investments – property and financial investments	15,343	12,685
– value attributed to long term business	448	401
Other assets	3,253	2,656
Reinsurers share of technical provisions	697	727
	<u>19,741</u>	<u>16,469</u>
LIABILITIES		
Shareholder funds – capital and reserves		
Issued share capital – ordinary shares	120	113
– preference shares	250	250
Reserves	3,010	1,873
Total shareholder funds	<u>3,380</u>	<u>2,236</u>
Minority interests	35	29
Fund for future appropriation	1,680	1,315
Technical provisions before reinsurance	13,353	11,775
Other liabilities	1,293	1,114
	<u>19,741</u>	<u>16,469</u>

The summary financial statements on pages 16 to 23 were approved by the board of directors on 27th March 1996, and signed on behalf of the board by:



Airlie
Chairman



R A Scott
Group Chief Executive

REPORT OF THE REMUNERATION COMMITTEE

This report which is made on behalf of the board of General Accident plc, sets out the Group's broad remuneration policies for its directors and senior managers and outlines the various elements of their remuneration package. It should be read in conjunction with the statement of emoluments of directors. The membership of the Remuneration Committee (the Committee), which is drawn from the non-executive directors of the board, is stated on page 14.

EXECUTIVE DIRECTORS AND SENIOR MANAGERS

REMUNERATION POLICY

General Accident's remuneration policy and the levels and various elements of remuneration paid to its executive directors are determined by the Committee subject to approval by the board. The remuneration policy for senior managers is also determined by the Committee, but the level and basis of their remuneration is set by the Group Chief Executive, taking into account the competitive requirements and practices of the territories in which these senior managers are based.

The general philosophy underlying the Group's remuneration policy for its senior officials is the same as that applied for all employees, i.e. to attract and retain quality staff and to encourage and reward superior performance. For executive directors and senior managers i.e. those whose actions directly influence the Group's performance, there is a greater emphasis on rewarding outstanding ability and aligning their interests with those of shareholders through the use of longer term and performance-related rewards.

REMUNERATION ELEMENTS

The various elements which constitute total remuneration are carefully chosen to produce a balance between short/long term and fixed/variable rewards. The cyclical nature of the insurance industry is taken into account in determining this balance, so as to provide an element of security, and an incentive to achieve the targets which drive the Company's strategic objectives.

SHORT TERM REWARDS

Basic Salaries

Each year a survey is conducted of the salaries and benefits paid to senior officials performing comparable jobs within the insurance industry and generally. This survey obtains information from several different sources including external consultants. Using the survey as a benchmark, salary levels are determined for each individual which take into account their experience, skills, development, performance and other potential rewards. Salary levels paid by the Group generally are also considered.

Bonuses

The Committee believes that a significant portion of total remuneration should be attained through an incentive bonus scheme which links rewards directly to performance.

Senior officials participate in schemes which can provide annual bonuses of up to a maximum of 30% of salaries (60% in the USA), provided specific targets are attained. The actual amounts paid to each individual are determined by the Committee and are subject to the approval of the board. In determining bonuses the Committee takes into account performance against targets set at the beginning of the year. The assessment of performance varies between individuals depending upon their particular responsibilities and usually comprise a mixture based on performance against targets for group, business unit and individual achievement. The schemes are reviewed regularly by the Committee to ensure that they are fair, reasonable and achieve their purpose.

The Company believes that it is appropriate to disclose in the annual accounts the bonuses in the year in which they were earned, even though not paid until the succeeding year. Accordingly, the table on page 20 sets out bonuses relating to 1995 performance although they were not actually paid in that year.

LONG TERM REWARDS

Share Options

General Accident believes in the value of employee participation in share option and share purchase schemes to align employees' interests with those of shareholders.

General Accident's senior officials in the UK receive options under an Executive Share Option Scheme, which was approved by shareholders in 1990. In line with the policy laid down by the Committee, options are granted to the value of once times salary each year until the maximum of four times salary is reached. Further grants are made to "top-up" the value of grants to the maximum as salaries increase. Accordingly, option grants are spread over at least four years and at various exercise prices. There has been no change in this practice over the previous year. The Committee operates a policy for replacing those options which have been exercised provided that a number of stringent conditions have been met.

The exercise of options granted under the Scheme is not at the present time subject to the attainment of performance measures as the Committee has so far found that appropriate measures are not easily determined in such a cyclical industry as insurance. However, it is aware of current views and trends on this particular matter and is keeping the position under review. The spread of options over various years and exercise prices does mean, however, that options are granted throughout the stages of the insurance cycle. The options are normally exercisable over a period of 3 to 10 years from the date of grant.

In the United States the Company operates a Stock Appreciation Rights Plan for its senior staff which mirrors in all material respects the above Executive Share Option Scheme, save that the benefit to the participant is a cash bonus based on the gain on notional shares. Mr Farnam participates in this Scheme.

Neither the share options nor stock appreciation rights referred to above are issued at a discount to the market value on the date of the grant.

Senior officials in the UK participate in the Company's Inland Revenue approved Profit Sharing and Save As You Earn share option schemes on the same basis as other eligible employees.

Pension Benefits

In the UK principal group companies fund the General Accident Companies UK Pension Scheme (1980) in which all eligible employees participate. The benefits accrue at the rate of one-sixtieth for each year of service up to age 62 and include a contingent spouse's pension equal to two-thirds of the member's pension. Pension benefits are based on a member's basic salary during the 12 month period prior to his/her date of retirement. In addition to the above benefits, the scheme provides a death in service benefit of four times a member's salary. Mr Scott participates in this scheme.

Mr Farnam participates in the US Pension Plan on the same terms as other eligible employees in that territory. The benefits provided by the Plan are in general terms similar to the UK scheme, with the pension based on length of service and "average annual compensation" which, as is common in the US, includes bonus payments. There is also the provision of a contingent spouse's pension of 50% of the member's pension.

The benefits paid from both the UK and US schemes are subject to Inland Revenue/Internal Revenue limits. There are in place unfunded pension top-up arrangements to ensure that all executive directors receive the scheme benefits as if certain Inland Revenue/Internal Revenue limits did not apply. Mr Scott, who joined the UK Scheme in 1990, is affected by the "earnings cap" applicable to UK schemes.

OTHER BENEFITS

In addition to the above, senior officials in the UK receive the benefits of a company car (towards which they make a contribution), fuel and telephone rental. A mortgage subsidy is available on the same terms as for all other eligible staff. In the United States Mr Farnam receives the benefit of a company car and participates in the US Company's health care, long-term disability and life assurance schemes and savings plan on the same terms as other eligible US employees.

SERVICE CONTRACTS

Service contracts for executive directors based in the UK were introduced in March 1993 on the basis that they protect the Group from the loss at short notice of key individuals and the confidential and strategic information which they inevitably hold. Consequently a director wishing to leave the Group must give 12 month's notice. Should the Group wish to terminate a director's employment, the notice period is 24 months. The committee believes that these notice periods provide an appropriate balance. The terms given to future executive directors will be considered at the time of their appointment. Mr Farnam does not have a service contract and Mr Robertson's service contract terminated on 31st December 1995 upon his reaching normal retirement date.

Mr Scott, who is the only director with a contract on the above basis, will be retiring by rotation at the forthcoming annual general meeting and will be offering himself for re-appointment.

NON-EXECUTIVE DIRECTORS

The board has 10 scheduled meetings per annum and is required to meet on additional occasions from time to time. Non-executive directors receive a basic annual fee in respect of their board and board committee duties, with an additional fee being paid to those directors, other than the chairman and deputy chairman, who have the additional responsibility of chairing the meetings of board committees.

REPORT OF THE REMUNERATION COMMITTEE *continued*

The fees are reviewed, but not necessarily increased, annually and are set by the board to attract quality individuals with a broad range of appropriate skills and experience. In determining the level of fees recommendations of executive management are carefully considered as is the time commitment expended in preparing for and attending the meetings. Note is also taken of fees paid within both the insurance industry and major companies generally.

The non-executive directors participated in a pension scheme prior to 1st January 1994. The scheme, however, was closed to new entrants from that date and, in respect of existing members, no further entitlements will accrue in respect of service after that date. Those directors who were appointed prior to 31st December 1993 will on retirement receive a pension based on one-sixtieth for each year of service to that date and their pensionable fees at their actual date of retirement. This change has resulted in no further regular contributions being required by the scheme other than a nominal annual amount. The need for future special contributions to maintain the fully funded position will be assessed by the scheme's actuary from time to time.

The non-executive directors receive no benefits in addition to those mentioned above save that the Chairman is provided with a company car and fuel towards which he made a full contribution in 1995.

EMOLUMENTS OF DIRECTORS

(i) Executive Directors

The remuneration payable to executive directors who held office for any part of the financial year, including amounts paid to them as directors of subsidiary companies, was:

	W N Robertson		R A Scott		B Holder		W E Farnam		G N Morris	
	1995	1994	1995	1994	1995*	1994	1995	1994	1995*	1994
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Basic salary	334	293	182	137	165	155	327	301	98	223
Bonus	90	91	42	44	42	49	196	124	29	79
Profit sharing	8	8	8	8	8	8	-	-	-	-
Other Benefits	11	10	8	9	8	9	31	28	20	27
	443	402	240	198	223	221	554	453	147	329
Pension Contributions										
Funded	51	62	23	29	25	33	29	27	9	19
Unfunded	-	-	303	-	-	-	3	3	144	2
Long term incentive gains realised	4	-	-	-	3	-	-	-	-	-
	498	464	566	227	251	254	586	483	300	350

*Up to the date of ceasing to be a director. Mr Holder died on 30th November 1995 and Mr Morris retired on 31st May 1995.

"Other benefits" are the taxable benefits arising from the provision of company car and fuel, telephone and mortgage subsidy and in respect of the directors based in the United States, the cost of medical, disability and life assurance and savings plan.

The remuneration of Mr Farnam and Mr Morris who are based in the United States is payable in US dollars. Sterling comparatives have been restated at current year end rate of exchange.

The Greenbury Committee recommended that pension entitlements earned by each individual director during the year, calculated on a basis to be recommended by the Faculty and the Institute of Actuaries should be disclosed. As these recommendations have yet to be finalised, the Company has continued to disclose pension information on the same basis as last year. Such disclosures are essentially based on contributions or their equivalents paid by the Company and satisfy the requirements of the Companies Act and the Cadbury Code of Best Practice.

EMOLUMENTS OF DIRECTORS *continued*

During the year the board agreed that Mr Scott's pension entitlement be augmented gradually over the period of his UK service up to his normal retirement date so that at that date he will receive a pension from the Group as if the whole of his service had been in the United Kingdom. The cost to the company of the part of this augmentation which has accrued to date and to which he is now entitled is the equivalent to a one-off contribution of £299,000. Mr Scott has worked for General Accident group companies for the whole of his career and prior to moving to the United Kingdom in 1990, his service had been in the Pacific region where it had been the practice for pensions to be provided on a contribution basis. Mr Scott will transfer the value of benefits earned in the Pacific region amounting to £570,000 to the Company on or before 30th June 1996. The cost to the Company of the augmentation takes account of Mr Scott's agreement to make this transfer.

At retirement Mr Morris was granted the benefit of an enhanced contingent spouses pension.

The following directors who held executive office for any part of the financial year hold or held options to subscribe for ordinary shares of the Company under the Executive Share Option and SAYE Schemes as follows:

		W N Robertson				B Holder			R A Scott		
		Option Price (p)	Options		Balance of Options at 31.12.95	Options		Balance of Options at 31.12.95	Options		Balance of Options at 31.12.95
Date from which exercisable	Expiry Date		Granted (Exercised) in Year	Balance of Options at 01.01.95		Granted (Exercised) in Year	Balance of Options at 01.01.95		Granted (Exercised) in Year	Balance of Options at 01.01.95	
Executive Share Options											
22.08.92	21.08.99	505	-	-	-	20,010	-	20,010	-	-	-
14.08.93	13.08.00	495	64,647	-	64,647	35,352	-	35,352	14,575	-	14,575
19.08.94	18.08.01	554	13,237	-	13,237	13,236	-	13,236	21,092	-	21,092
17.08.95	16.08.02	420	13,761	-	13,761	8,921	-	8,921	27,900	-	27,900
16.08.96	15.08.03	694	22,360	-	22,360	7,185	-	7,185	22,790	-	22,790
15.08.97	14.08.04	571	56,592	-	56,592	29,185	-	29,185	19,741	-	19,741
21.08.98	20.08.05	624	-	51,222	51,222	-	29,710	29,710	-	32,880	32,880
SAYE Share Options											
01.05.95	31.10.95	412.5	2,180	(2,180)	-	1,744	(1,744)	-	-	-	-
01.05.98	31.10.98	440	-	-	-	-	-	-	3,068	-	3,068
01.05.97	31.10.97	355	-	-	-	2,112	-	2,112	2,112	-	2,112
01.05.99	31.10.99	355	2,535	-	2,535	-	-	-	-	-	-
01.05.98	31.10.98	480	377	-	377	755	-	755	-	-	-
01.05.00	31.10.00	435	-	1,982	1,982	-	1,586	1,586	-	-	-

The following directors who held executive office during the year hold or held rights to subscribe for notional share units in the Company under the United States Stock Appreciation Rights Plan, as follows:

Date from which exercisable	Expiry Date	Unit Price (p)	W E Farnam			G N Morris		
			Balance of Units at 01.01.95	Units Granted in Year	Balance of Units at 31.12.95	Units Granted in Year	Balance of Units at retirement	
			Balance of Units at 01.01.95	Units Granted in Year	Balance of Units at 31.12.95	Units Granted in Year	Balance of Units at retirement	
01.06.91	01.06.98	484.5	42,000	-	42,000	35,000	-	35,000
01.06.92	01.06.99	509.5	44,000	-	44,000	36,000	-	36,000
01.06.93	01.06.00	545	25,000	-	25,000	25,000	-	25,000
01.06.94	01.06.01	441	2,000	-	2,000	1,000	-	1,000
01.06.96	01.06.03	626	30,000	-	30,000	30,000	-	30,000
01.06.97	01.06.04	534	-	70,000	70,000	-	-	-

No options/units lapsed during the year. The options held by Mr B Holder are now exercisable by his estate.

The middle market price of a share at 31st December 1995 was 650.5p and the range during the year was from 499p to 707p.

EMOLUMENTS OF DIRECTORS *continued*

(ii) Non-Executive Directors

	<i>Emoluments</i>	
	1995 £000's	1994 £000's
The Earl of Airlie	85	80
The Lord Nickson	34	32
Sir Alick Rankin (<i>appointed 25.1.95</i>)	32	nil
L Bolton	23	19
E L Botting	19	18
Sir Anthony Cleaver	19	18
Sir Nicholas Goodison (<i>resigned 26.4.95</i>)	6	18
Lord Macfarlane of Bearsden	19	18
The Earl of Mansfield	19	18
Sir Peter Middleton	21	19
The Hon F R Noel-Paton	19	18
	296	258

With effect from 31st December 1993 the non-executive directors' pension scheme was closed to new entrants and no further entitlements will accrue to members in respect of service after that date. Those directors who were appointed before that date will on retirement receive a pension based on service to 31st December 1993 and their pensionable fees at the date of their retirement. The change has resulted in no further regular contributions being required by the scheme other than a nominal annual amount of £1,000. The need for future special contributions to maintain the fully funded position will be assessed by the scheme's actuary from time to time.

Other than as stated above, no non-executive director received any other benefit in 1995 except the Chairman who received the benefit of a Company car and fuel towards which he made a full contribution. The value of this benefit was therefore nil (1994: £4,972).

Mr Bolton joined the boards of the Group's life assurance subsidiaries in the UK on 28th September 1995. The fee paid to non-executive directors on these boards totals £6,000 per annum.

DIRECTORS' SHAREHOLDINGS

The following tables show the interests held by each person who was a director at the end of the financial year in the ordinary share capital of the Company as recorded in the register maintained by the Company. All the disclosed interests are beneficial.

(i) Executive Directors

	<i>At 1st January 1995 (or appointment if later)</i>	<i>At 31st December 1995</i>
R A Scott	2,750	4,239
W E Farnam	2,000	2,000
W N Robertson	24,946	29,202

(ii) Non-Executive Directors

The Earl of Airlie	2,299	2,299
L Bolton	2,872	2,872
E L Botting	1,675	1,723
Sir Anthony Cleaver	3,986	4,182
Lord Macfarlane of Bearsden	41,100	43,132
The Earl of Mansfield	5,454	5,454
Sir Peter Middleton	2,362	2,416
The Lord Nickson	10,000	10,000
The Hon F R Noel-Paton	1,548	1,330
Sir Alick Rankin	1,000	1,000

SUMMARY DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

A review of the business of the Group for the period is contained in the Operating and Financial Review on pages 4 to 13 which together with the Chairman's Statement on pages 2 and 3 is deemed to be part of this report.

DIVIDENDS

An interim dividend of 10.7p per ordinary share (1994: 10.1p) amounting to £51 million (1994: £46 million) was appropriated for shareholders on 3rd January 1996. The directors recommend a final dividend of 20.3p per ordinary share (1994: 18.9p) amounting to £97 million (1994: £85 million) payable on or after 1st July 1996. Together with preference dividends of £21 million (1994: £21 million) the total appropriation from retained earnings in the year in respect of dividends was £169 million (1994: £152 million). The total of retained earnings carried forward in reserves is £1,216 million (1994: £952 million).

CORPORATE GOVERNANCE

Throughout the accounting period under review the Company complied with all aspects of the Code of Best Practice, contained in the report on the Financial Aspects of Corporate Governance prepared by the Cadbury Committee, on which it is required to report.

DIRECTORS

The present members of the board are shown on page 14 and brief biographical notes appear on page 15.

The directors retiring by rotation at the forthcoming annual general meeting are Sir Anthony Cleaver, The Rt Hon The Lord Nickson, The Hon F R Noel-Paton and Mr R A Scott. All being eligible, they each offer themselves for re-appointment and the board, having received a recommendation from the Nomination Committee, supports their re-appointment. Mr Scott, who is seeking re-appointment, has a service contract on the basis described on page 19.

The Rt Hon Lord Macfarlane of Bearsden retires at the conclusion of the forthcoming annual general meeting.

The following changes to the directorate have taken place during the year:

Sir Alick Rankin was appointed to the board on 25th January 1995 as a Joint Deputy Chairman. Sir Nicholas Goodison resigned on 26th April 1995. Mr G N Morris and Mr W N Robertson retired on 31st May 1995 and 31st December 1995 respectively. Mr B Holder died on 30th November 1995.

CHARITABLE AND POLITICAL DONATIONS

General Accident has continued to support actively community initiatives and charitable causes worldwide, with a total commitment in 1995 of £2.5 million. No political donations were made during the year (1994: nil).

REPORT OF THE AUDITORS TO THE MEMBERS OF GENERAL ACCIDENT PLC

We have examined the summary financial statement set out on pages 16 to 23.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The summary financial statement is the responsibility of the directors. Our responsibility is to report to you on its preparation and consistency with the full financial statements and directors' report.

BASIS OF OPINION

We conducted our examination in accordance with Auditing Guideline 'The auditor's statement on the summary financial statement' adopted by the Auditing Practices Board. Our report on the group's full annual financial statements describes the basis of our audit opinion on those financial statements.

OPINION

In our opinion the summary financial statement is consistent with the full financial statements and directors' report of General Accident plc for the year ended 31st December 1995 and complies with the requirements of section 251 of the Companies Act 1985 and the regulations made thereunder.

KPMG 
Chartered Accountants
Registered Auditors, Glasgow

27th March 1996.

SHAREHOLDER INFORMATION

SHAREHOLDER PROFILE

Categories of ordinary shareholders and ranges of size of shareholding as at 1st March 1996 are set out below.

ANALYSIS OF SHAREHOLDERS	<i>Number of shareholders</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Individuals	31,333	81.7	40,059,187	8.4
Banks and Nominee Companies	5,455	14.2	366,912,688	76.5
Insurance Companies	78	0.2	38,940,887	8.1
Pension Fund Managers	30	0.1	3,466,080	0.7
Other Corporate Bodies	1,475	3.8	30,418,086	6.3
	38,371	100.0	479,796,928	100.0

RANGE OF SHAREHOLDINGS	<i>Number of shareholders</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
1-1,000	24,167	63.0	9,484,908	2.0
1,001-5,000	11,156	29.1	23,149,134	4.8
5,001-10,000	1,184	3.1	8,317,033	1.7
10,001-200,000	1,505	3.9	74,205,628	15.5
over 200,000	359	0.9	364,640,225	76.0
	38,371	100.0	479,796,928	100.0

CAPITAL GAINS TAX

The market value for capital gains tax purposes of General Accident's ordinary shares at 31st March 1982, allowing for the effects of the scheme of arrangement on 5th July 1990, was 157.5p per share. When disposing of shares, shareholders are also entitled to indexation relief, which is calculated on the 31st March 1982 value and the cost of subsequent acquisitions from the date of purchase. Further adjustments must be made where a shareholder has chosen to receive shares instead of cash for dividends. The middle market price of General Accident's ordinary shares at 31st December 1995 was 650.5p.

SHAREHOLDER SERVICES

Registrar & Transfer Office

Any enquiries relating to shareholdings should be addressed to: Lloyds Bank Registrars, The Causeway, Worthing, West Sussex BN99 6DA. Telephone: (01903) 502541, Facsimile: (01903) 702481.

Personal Equity Plans

The Company operates a General PEP and a Single Company PEP enabling shareholders to hold their General Accident shares in a tax advantageous manner.

Low Cost Dealing Service

The company offers a low cost dealing service for the benefit of shareholders.

For details of the PEP's, or the Low Cost Dealing Service, contact: Barclays Stockbrokers Limited, The Guildhall, 57 Queen Street, Glasgow G1 3DT. Telephone Helpdesk: (0345) 581250.

Dividend Mandates

The company offers to pay dividends using BACS (an automated clearing service), which credits shareholders' bank/building society accounts on the payment date. The appropriate tax voucher is sent direct to the registered address. Further information on this facility can be obtained from the Registrar.

FINANCIAL CALENDAR

1st May 1996	Annual General Meeting
14th May 1996	Announcement of first quarter results to 31st March 1996
1st July 1996	Payment of final dividend for 1995
13th August 1996	Announcement of interim results to 30th June 1996 and declaration of interim dividend
12th November 1996	Announcement of third quarter results to 30th September 1996
3rd January 1997	Payment of interim dividend for 1996

The financial results referred to above will appear in the national press on the day following the announcement date, which in each case is provisional.