

# **IGI Insurance Company Limited**

**Report and Financial Statements**

**Year Ended**

**31 December 2008**



**BDO Stoy Hayward  
Chartered Accountants**

# IGI Insurance Company Limited

Annual report and financial statements  
for the year ended 31 December 2008

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## Directors

K W Wardell  
J A Levin  
B D Zyskind  
M G Caviat  
J E Cadle

## Secretary and registered office

S L Wallis, 10<sup>th</sup> Floor, Market Square House, St James's Street, Nottingham, NG1 6FG.

## Company number

1229676

## Auditors

BDO Stoy Hayward LLP, 55 Baker Street, London, W1U 7EU.

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# IGI Insurance Company Limited

## Report of the directors for the year ended 31 December 2008

The directors present their report together with the audited financial statements for the year ended 31 December 2008.

### Results and dividends

The profit and loss account is set out on pages 7 and 8 and shows the profit for the year.

The directors do not recommend the payment of a dividend.

### Principal activities

The principal activity of the company during the period continued to be the underwriting of general insurance business in the United Kingdom, principally property damage and caravan insurance, legal expenses, personal accident guarantees and warranty insurance.

### Review of the business and future developments

AmTrust International Insurance Limited, (All) an A-rated (A M Best) insurance company based in Bermuda, owns 100% of the share capital of IGI Group Limited, the parent company of IGI Insurance (IGI). All is part of AmTrust Financial Services Inc, a company based in New York.

Below is a table showing the ratios which the directors consider to be key performance indicators as at 31 December 2008:

	2008	2007
<b>Gross written premium</b>		
% increase in gross written premium	-%	152%
<b>Earned premium</b>		
% increase in earned premium	45%	42%
<b>Administrative expenses</b>		
Administrative expenses as a % of earned premium	14%	27%
<b>Total assets</b>		
Investments (£000)	12,112	16,901
Other assets (£000)	68,583	52,218
<b>Total equity (£000)</b>	13,385	8,707

All continues to provide a 70% quota share reinsurance agreement with IGI in support of underwriting activities.

All has also injected further capital into the group via IGI Group Limited in order to finance the acquisition of Complete Claims Limited (rebranded as IGI Legal Assist Limited) and Right2Claim Limited. In September 2008 IGI Group Limited issued 750 non cumulative non redeemable preference shares of £1,000 each to All Insurance Management Limited and All Insurance Brokers Limited. This was followed by IGI Group Limited increasing its shareholding in IGI Insurance Company Limited, its wholly owned subsidiary by £1,685,000

# IGI Insurance Company Limited

## Report of the directors for the year ended 31 December 2008 (*Continued*)

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### Review of the business and future developments (*Continued*)

At 31 December the coverage of the Minimum Capital Requirement (MCR) and the Enhanced Capital Requirement (ECR) was 210% and 159%. Following a Financial Services Authority (FSA) Advanced Risk Response Operating Framework (ARROW) review in December 2007, the Individual Capital Guidance (ICG) was set at 136% of the ECR. Coverage of the ICG stood at 114% at the end of the year.

Some of the markets in which the company operates have been adversely affected by the economic recession in the UK and in most areas rates continue to be "soft". We have been conscious of the need for care in such uncertain markets and as a result, gross written premium has not increased significantly. We have continued to contain costs and have been able to continue the trend of reducing relative reinsurance costs.

The team has continued to deliver the service standards promised to broker agents. We continue to capitalise on the synergies that exist between group companies and make use of the opportunities to introduce efficient methods of working together. For example, on 1 September 2008 IGI acquired a 100% holding in Complete Claims Limited (now rebranded as IGI Legal Assist Limited) and Right2Claim Limited. IGI previously held a 40% holding in these companies.

The companies are embarking on a plan which will enable them to make best use of shared expertise especially in areas such as accounts, I.T. and compliance. Likewise, the claims handling skills available within IGI Legal Assist will also now allow IGI to offer an enhanced package to their new and existing clients alike. IGI Legal Assist can provide bespoke claims handling facilities that can be tailored to meet individual needs and IGI can therefore now promote these services to sit alongside their own underwritten products.

Going forward IGI will continue to concentrate on the following core lines of business:

- a) Caravan insurance
- b) Let property insurance
- c) Legal expense insurance and associated lines
- d) Travel
- e) Personal accident
- f) Financial guarantees
- g) Other complementary lines of business such as excess protection and finance gap

#### *Property*

The UK property market is experiencing turbulent times with many people struggling to meet mortgage commitments. This has resulted in a rise in the number of properties being let. Whilst the number of properties we insure has increased by over 10%, premiums have remained almost static as rates have softened with many new insurers entering the market.

#### *Caravan*

2008 was a disappointing year for the whole caravanning industry. However, we have been successful in winning two prestigious accounts and the 10<sup>th</sup> anniversary of our security initiative, the Caravan Storage Site Owners Association, is generating considerable interest.

#### *Legal expenses*

The various lines of legal expenses and associated products have shown continued profitable growth with some prestigious accounts being obtained. Given the relative immaturity of the business, the company continues to invest in independent actuarial reviews of its performance. The review of legal processes carried out by the Ministry of Justice resulted in our activities being largely unaffected. However, we continue to explore other areas of the legal market to facilitate further growth. The new directions issued by the solicitor's regulatory authority will provide us with new opportunities in the field of commercial law.

The group is also able to provide financing to legal practices in order for them to operate in the Conditional Fee Agreement market and this in addition provides some financial guarantee business.

# IGI Insurance Company Limited

Report of the directors  
for the year ended 31 December 2008 (*Continued*)

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## **Review of the business and future developments** (*Continued*)

### *Travel*

Our travel business is small and is written from a limited number of sources, most of which have worked with IGI previously in the travel related financial guarantee market.

### *Personal accident*

Following the expiry of the restrictive covenant which resulted from the previous sale of the PA broking business, IGI has made use of its expertise and has re-entered this market.

### *Financial guarantees.*

During the latter part of 2008, the company was accepted as security for bonds in the travel industry required by the CAA and ABTA. We have extensive previous experience in this market and expect controlled growth in this area.

### *Warranties*

Most warranty business has been transferred to another AmTrust group company in order to make use of greater resources and expertise. However, IGI has developed a range of profitable ancillary products such as excess protection, MOT and Tyre insurance which are proving popular with our intermediary markets.

## **Charitable and other donations**

No political or charitable donations were made during the year (2007 - £Nil).

## **Directors**

The directors of the company during the year were:

K W Wardell  
J A Levin  
B D Zyskind  
M G Caviet  
J E Cadle

# IGI Insurance Company Limited

## Report of the directors for the year ended 31 December 2008 (*Continued*)

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### Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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 profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them as auditors will be proposed at the next annual general meeting.

### On behalf of the Board



K W Wardell

### Director

Date 20/3/9.

# IGI Insurance Company Limited

## Report of the independent auditors

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### To the shareholders of IGI Insurance Company Limited

We have audited the financial statements of IGI Insurance Company Limited for the year ended 31 December 2008 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

#### *Respective responsibilities of directors and auditors*

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

#### *Basis of audit opinion*

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 company'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 misstatement, 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.

# IGI Insurance Company Limited

## Report of the independent auditors (*Continued*)

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### *Equalisation reserves*

Our evaluation of the presentation of information in the financial statements has regard to the statutory requirement for insurance companies to maintain equalisation reserves. The nature of equalisation reserves, the amounts set aside at 31 December 2008, and the effect of the movement in those reserves during the period on the general business technical result and profit before tax, are disclosed in note 18.

### *Opinion*

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- The information given in the directors' report is consistent with the financial statements.

*BDO Stoy Hayward LLP*

**BDO STOY HAYWARD LLP**  
*Chartered Accountants  
and Registered Auditors*  
London

30 March 2009

# IGI Insurance Company Limited

## Profit and loss account for the year ended 31 December 2008

Technical account - general business	Note	2008 £'000	2007 £'000
<b>Earned premiums, net of reinsurance</b>			
Gross premiums written	2	40,436	40,283
Outward reinsurance premiums		(19,896)	(25,745)
<b>Net premiums written</b>		<b>20,540</b>	<b>14,538</b>
<b>Change in the gross provision for unearned premiums</b>	18	<b>(4,486)</b>	<b>(13,669)</b>
Change in the provision for unearned premiums, reinsurers' share	18	1,894	11,538
<b>Change in net provision for unearned premiums</b>		<b>(2,592)</b>	<b>(2,131)</b>
<b>Earned premiums, net of reinsurance</b>		<b>17,948</b>	<b>12,407</b>
<b>Claims incurred, net of reinsurance</b>			
Claims paid			
– gross amount		16,523	8,895
– reinsurers' share		(10,463)	(4,498)
<b>Net claims paid</b>		<b>6,060</b>	<b>4,397</b>
<b>Change in the provision for outstanding claims</b>			
– gross amount	18	2,061	6,722
– reinsurers' share	18	(1,963)	(6,010)
<b>Change in net provision for claims</b>		<b>98</b>	<b>712</b>
<b>Claims incurred, net of reinsurance</b>		<b>6,158</b>	<b>5,109</b>
Net operating expenses	4	9,486	7,178
<b>Total technical charges</b>		<b>15,644</b>	<b>12,287</b>
<b>Balance on the technical account for general business before equalisation provisions</b>	2	<b>2,304</b>	<b>120</b>
Change in equalisation provisions	18	(121)	(83)
<b>Balance on the technical account for general business after equalisation provisions</b>		<b>2,183</b>	<b>37</b>

All technical income and expenditure relates to the continuing activities of the company.

The notes on pages 12 to 24 form part of these financial statements.

# IGI Insurance Company Limited

## Profit and loss account for the year ended 31 December 2008 (Continued)

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### Non-technical account – general business

	Note	2008 £'000	2007 £'000
<b>Balance on the general business technical account</b>		<b>2,183</b>	<b>37</b>
Investment income	7	882	693
Unrealised gains on investments		235	152
Impairment of investments		(37)	(131)
		<hr/>	<hr/>
<b>Profit on ordinary activities before tax</b>		<b>3,263</b>	<b>751</b>
Tax on profit on ordinary activities	8	(270)	-
		<hr/>	<hr/>
<b>Retained profit for the year</b>	16	<b>2,993</b>	<b>751</b>
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The notes on pages 12 to 24 form part of these financial statements.

# **IGI Insurance Company Limited**

## **Statement of total recognised gains and losses for the year ended 31 December 2008**

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The inclusion of unrealised gains and losses in the profit and loss account to reflect the marking to market of investments in the balance sheet is deemed not to be a departure from the unmodified historical cost basis of accounting and therefore a separate note of historical cost profits and losses has not been included.

There were no other recognised gains or losses for the year under review.

The notes on pages 12 to 24 form part of these financial statements.

# IGI Insurance Company Limited

## Balance sheet at 31 December 2008

	Note	2008 £'000	2008 £'000	2007 As restated £'000	2007 As restated £'000
<b>Assets</b>					
<b>Investments</b>					
Investments in group undertakings and participating interests	10	2,199		509	
Other financial investments	11	9,913		16,392	
		12,112	12,112	16,901	16,901
<b>Reinsurers' share of technical provisions</b>					
Provision for unearned premiums		13,884		11,990	
Claims outstanding		8,014		6,051	
	2,18	21,898	21,898	18,041	18,041
<b>Debtors</b>					
Debtors arising out of direct insurance operations	12	28,184		23,983	
Other debtors		2,116		1,159	
Amounts owed by group undertakings	13	1,640		640	
		31,940	31,940	25,782	25,782
<b>Other assets</b>					
Tangible assets	9	118		188	
Cash at bank and in hand		6,928		1,546	
		7,046	7,046	1,734	1,734
<b>Prepayments and accrued income</b>					
Deferred acquisition costs			7,699		6,661
<b>Total assets</b>			<b>80,695</b>		<b>69,119</b>

The notes on pages 12 to 24 form part of these financial statements.

# IGI Insurance Company Limited

## Balance sheet at 31 December 2008 (Continued)

	Note	2008 £'000	2008 £'000	2007 As restated £'000	2007 As restated £'000
<b>Liabilities</b>					
<b>Capital and reserves</b>					
Called up share capital	15	13,185		11,500	
Share premium account	16	301		301	
Profit and loss account	16	(101)		(3,094)	
<b>Shareholders' funds</b>	17	13,385	<b>13,385</b>	8,707	<b>8,707</b>
<b>Technical provisions – gross amount</b>					
Provision for unearned premiums		28,976		24,490	
Outstanding claims		11,967		9,906	
Equalisation provision		528		407	
	2,18	41,471	<b>41,471</b>	34,803	<b>34,803</b>
<b>Creditors</b>					
Creditors arising out of direct insurance operations	19	19,955		17,901	
Other creditors including taxation and social security		3,152		3,950	
Amounts owed to parent undertaking		4		-	
		23,111	<b>23,111</b>	21,851	<b>21,851</b>
<b>Accruals and deferred income</b>	20		<b>2,728</b>		<b>3,758</b>
<b>Total liabilities</b>			<b>80,695</b>		<b>69,119</b>

The amount of shareholders' funds attributable to equity interests was £13,385,000 (2007 - £8,707,000) and non-equity interests were £Nil (2007 - £Nil).

The financial statements were approved by the Board of Directors and authorised for issue on



K W Wardell  
Director

The notes on pages 12 to 24 form part of these financial statements.

# IGI Insurance Company Limited

## Notes forming part of the financial statements for the year ended 31 December 2008

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### 1 Accounting policies

#### *Basis of preparation*

The financial statements are prepared on the basis of the accounting policies set out below which, have been applied consistently throughout the period and comply with the special provisions relating to insurance companies in section 255A of, and Schedule 9A to, the Companies Act 1985 and with the revised Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers ("the ABI SORP") dated December 2005 (amended in December 2006).

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost accounting rules as modified by the revaluation of investments.

The prior period balance sheet has been restated to reflect the reclassification of agent commission contained within broker debtors and creditors. The impact of this is to increase debtors arising out of direct insurance operations and creditors arising out of direct insurance operations by £6,450,000.

#### *Cash flow statement*

The company has taken advantage of the exemption under Financial Reporting Standard 1 (revised) "Cash Flow Statements", not to prepare a cash flow statement as it is consolidated in the financial statements of its ultimate UK parent company.

#### *Basis of accounting for underwriting activities*

All classes of business written are accounted for on an annual basis.

#### *Premiums*

Under the annual basis of accounting, written premiums comprise the premiums receivable on contracts entered into in the financial period. Estimates are included of pipeline premiums due but not yet notified to the company.

Written premiums are stated gross of commissions payable to intermediaries and exclusive of taxes and duties levied on premiums. The amount of any tax and levies due but not yet paid is included in "Other creditors including taxation and social security" in the balance sheet.

Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance business being reinsured.

#### *Claims*

Claims incurred comprise the estimated cost of all losses occurring during the period, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from previous years.

#### *Technical provisions*

The technical provisions carried forward at the end of the period comprise:

##### *(i) Unearned premium reserve*

Unearned premiums are calculated on the 365<sup>th</sup>s method with separate provision being made for deferred acquisition costs. In respect of business where the period of risk exceeds 12 months, unearned premiums are calculated on a time apportionment basis over the period of the risk.

# IGI Insurance Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2008 *(Continued)*

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## 1 Accounting policies *(Continued)*

### *Technical provisions (Continued)*

#### *(ii) Claims outstanding*

- (a) Provision is made for the estimated cost of claims notified to the company but not settled at the end of the period on an individual case basis. Case estimates are generally set by skilled claims technicians applying their experience and knowledge to the evidence available, and are updated to reflect any changes in circumstances as they become known. Salvage and other recoveries are brought to account as and when received.
- (b) Provision is made for the estimated cost of claims incurred before the end of the period but not incorporated into the books of the company at that time. The estimation of the cost of these claims is based upon the use of past claims development experience and loss ratios which are used to extrapolate the likely level of the cost of the claims. The estimation techniques used take into account the level of business and the nature of the policies underwritten by the company.

Provision is made for the estimated cost of managing claims incurred before the end of the period. This is based on the administrative cost of managing each claim and the number of claims outstanding at the end of the financial period.

The provision for claims outstanding is based on information available at the balance sheet date. Delays are experienced in the notification and settlement of claims, and accordingly the ultimate cost of such claims cannot be known with certainty at the balance sheet date. Subsequent information and events may result in the ultimate liability being less than, or greater than, the amount provided. Any differences between provisions and subsequent settlements are dealt with in the technical account – general business of the period in which the claim is settled.

#### *(iii) Equalisation provision*

Amounts are set aside as equalisation provisions in accordance with Chapter 1.4 of the Prudential Sourcebook for Insurers for the purpose of mitigating exceptionally high loss ratios in future years. The amounts provided are not liabilities because they are in addition to the provisions required to meet the anticipated ultimate cost of settlement of outstanding claims at the balance sheet date. Notwithstanding this, they are required by Schedule 9A to the Companies Act 1985, to be included within the technical provisions in the balance sheet.

#### *Deferred acquisition costs*

Acquisition costs comprise all direct and indirect costs arising from the conclusion of insurance contracts. For general business, deferred acquisition costs represent the proportion of acquisition costs incurred which corresponds to the unearned premiums provision.

Deferred acquisition costs are amortised at a rate based on the pattern of anticipated margins in respect of the related policies. Acquisition costs are not deferred to the extent that available future margins are not expected to cover them.

# IGI Insurance Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2008 *(Continued)*

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## 1 Accounting policies *(Continued)*

### *Depreciation*

Depreciation is calculated to write off the cost of tangible fixed assets, less their estimated residual value, on a straight-line basis over their estimated useful lives, which are as follows:

Computer equipment and software	-	25% - 33¼% per annum
Motor vehicles	-	25% per annum
Fixtures, fittings and office equipment	-	25% per annum

### *Deferred taxation*

Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those included in financial statements. Deferred taxation assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred taxation assets and liabilities are not discounted.

### *Investments*

Quoted investments are stated at market value. Unquoted investments are stated at the net asset value or directors' valuation. Gains and losses arising on revaluations of investments are transferred to the non-technical account for general business.

### *Operating leases*

Rentals payable under operating leases are charged on a straight-line basis over the term of the lease.

### *Foreign currencies*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

# IGI Insurance Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2008 *(Continued)*

## 2 Segmental information

2008	Accident and health £'000	Property £'000	Miscellaneous and pecuniary loss £'000	Total £'000
Direct business				
Gross premiums written	6,016	9,555	24,865	40,436
Gross premiums earned	5,285	10,253	20,412	35,950
Gross claims incurred	(4,034)	(5,554)	(8,996)	(18,584)
Gross operating expenses	(1,277)	(3,750)	(7,719)	(12,746)
Gross technical results	(26)	949	3,697	4,620
Reinsurance premiums earned	(3,179)	(5,927)	(8,896)	(18,002)
Reinsurance claims incurred	2,797	3,942	5,687	12,426
Reinsurance operating expenses	417	911	1,932	3,260
Reinsurance technical results	35	(1,074)	(1,277)	(2,316)
Net technical results before equalisation reserve movement	9	(125)	2,420	2,304
Gross technical provisions	4,767	8,669	28,035	41,471
Reinsurers' share of technical provisions	(3,006)	(4,911)	(13,981)	(21,898)
Net technical provisions	1,761	3,758	14,054	19,573

All gross written premiums are in respect of direct business. All the gross written premiums originated in the United Kingdom.

# IGI Insurance Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2008 *(Continued)*

## 2 Segmental information

2007	Accident and health £'000	Property £'000	Miscellaneous and pecuniary loss £'000	Total £'000
Direct business				
Gross premiums written	4,608	11,114	24,561	40,283
Gross premiums earned	2,281	10,848	13,485	26,614
Gross claims incurred	(1,425)	(8,058)	(6,134)	(15,617)
Gross operating expenses	(650)	(4,542)	(5,536)	(10,728)
Gross technical results	206	(1,752)	1,815	269
Reinsurance premiums earned	(1,409)	(5,922)	(6,876)	(14,207)
Reinsurance claims incurred	970	6,236	3,302	10,508
Reinsurance operating expenses	398	1,504	1,648	3,550
Reinsurance technical results	(41)	1,818	(1,926)	(149)
Net technical results before equalisation reserve movement	165	66	(111)	120
Gross technical provisions	3,359	10,043	21,401	34,803
Reinsurers' share of technical provisions	(2,429)	(5,130)	(10,482)	(18,041)
Net technical provisions	930	4,913	10,919	16,762

All gross written premiums are in respect of direct business. All the gross written premiums originated in the United Kingdom.

## 3 Prior years' claims provisions

Material over/(under) provisions for claims at the beginning of the year as compared with net payments and provisions at the end of the period in respect of prior periods' claims are as follows:

	2008 £'000	2007 £'000
Accident and health	(130)	(27)
Property	(218)	474
Miscellaneous and pecuniary loss	(823)	(1,251)
	(1,171)	(804)

# IGI Insurance Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2008 *(Continued)*

4 Net operating expenses	2008 £'000	2007 £'000
Acquisition costs	10,445	10,812
Change in deferred acquisition costs	(1,038)	(3,548)
	9,407	7,264
Administrative expenses – see note below	2,545	3,370
Commission income	5	(52)
Profit shares	789	146
	12,746	10,728
Reinsurance commissions	(1,514)	(7,116)
Change in deferred reinsurance commissions	(1,746)	3,566
	9,486	7,178
Administrative expenses include:		
Depreciation of owned fixed assets	69	139
Depreciation of assets held under finance leases and hire purchase contracts	14	14
(Loss)/profit on disposal of fixed assets	16	(8)
Loss on disposal of investments	-	26

Auditors' remuneration of £128,929 (2007 - £119,445) audit fee and £12,000 (2007 - £10,865) non-audit services was paid by IGI Administration Services Limited, a fellow subsidiary and recharged via a management charge.

## 5 Staff costs

Staff costs and directors' remuneration has been paid by IGI Administration Services Limited and recharged via a management charge of £1,389,290 (2007 - £1,819,276).

## 6 Directors' emoluments

Directors' remuneration has been paid by IGI Administration Services Limited and is disclosed in that company's financial statements. It is not possible to apportion the costs between the companies.

At 31 December 2008, no directors (2007 - none) had options over any shares of the company, and no shares were received or receivable under long-term incentive schemes.

# IGI Insurance Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2008 *(Continued)*

7 Investment income	2008 £'000	2007 £'000
Income from other investments	882	614
Dividends received	-	79
	882	693

8 Taxation on profit from ordinary activities	2008 £'000	2007 £'000
<i>Current tax</i>		
UK corporation tax charge for the year	270	-
	270	-

The tax assessed for the year differs from the standard rate of corporation tax in the UK. The differences are explained below:

	2008 £'000	2007 £'000
Profit on ordinary activities before tax	3,263	751
	3,263	751
Profit on ordinary activities at the standard rate of corporation tax in the UK of 28% (2007 – 30%)	914	225
<i>Effects of:</i>		
Expenses not deductible for tax purposes	26	24
Decelerated capital allowances	3	19
Dividend income not subject to taxation	-	(24)
Impairment loss and revaluation gains not deductible for tax	(56)	(6)
Utilisation of losses	(758)	(238)
Other	141	-
	(758)	(238)
Current tax charge on income for the year	270	-
	270	-

At 31 December 2008 the company has tax losses carried forward of £Nil (2007 - £2,673,000) giving rise to a potential deferred tax asset of £Nil (2007 - £802,000). No deferred tax asset has been recognised in the accounts on these losses, as there is uncertainty regarding the future reversal of the asset.

# IGI Insurance Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2008 *(Continued)*

## 9 Tangible assets

	Computer equipment £'000	Motor vehicles £'000	Furniture and equipment £'000	Total £'000
<i>Cost</i>				
At 1 January 2008	214	171	207	592
Additions	9	36	-	45
Disposals	(23)	(52)	(53)	(128)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2008	200	155	154	509
<i>Depreciation</i>				
At 1 January 2008	161	79	164	404
Provided in year	26	39	18	83
Disposals	(19)	(32)	(45)	(96)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2008	168	86	137	391
<i>Net book value</i>				
At 31 December 2008	32	69	17	118
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2007	53	92	43	188
	<hr/>	<hr/>	<hr/>	<hr/>

The net book value of motor vehicles includes an amount of £18,000 (2007 - £31,000) in respect of assets held under finance lease and hire purchase contracts.

## 10 Investments in group undertakings and participating interests

Shares in group undertakings:	£'000
At 1 January 2008	509
Additions	1,492
Revaluation during the year	235
Impairment	(37)
	<hr/>
At 31 December 2008	2,199
	<hr/>

The following were the principal subsidiary undertakings at the end of the year.

Name of company	Country of incorporation	Principal activity	Percentage of ordinary share capital owned
Pedigree Livestock Insurance Limited	England	Insurance company (in run off)	100%

# IGI Insurance Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2008 *(Continued)*

## 10 Investments in group undertakings and participating interests *(Continued)*

Name of company	Country of incorporation	Principal activity	Percentage of ordinary share capital owned
Right2Claim Limited	England	Claims administration	100%
IGI Legal Assist Limited (formerly Complete Claims Limited)	England	Insurance intermediary	100%

During the year the company increased its holding in Right2Claim Limited and IGI Legal Assist Limited from 40% to 100%.

## 11 Other financial investments

	At valuation		Historical cost	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Units in unit trusts – listed	35	69	35	69
Money market investments	9,878	16,323	9,878	16,323
	<u>9,913</u>	<u>16,392</u>	<u>9,913</u>	<u>16,392</u>

## 12 Debtors arising out of direct insurance operations

	2008 £'000	2007 As restated £'000
Debtors due within one year:		
Amounts owed by policyholders	7	342
Amounts owed by intermediaries	27,547	19,470
Amounts owed by reinsurers	330	3,871
	<u>27,884</u>	<u>23,683</u>
Debtors due after more than one year:		
Amounts owed by intermediaries	<u>300</u>	<u>300</u>

# IGI Insurance Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2008 *(Continued)*

## 13 Due from group undertakings

	2008 £'000	2007 £'000
Due from holding company	333	148
Due from fellow subsidiaries	1,307	492
	1,640	640

The amount due from the holding company is recoverable after twelve months. The amounts due from fellow subsidiaries are recoverable after twelve months. Their recoverability is dependent either on future profitable trading of the relevant companies or on a disposal of assets. For the maintenance of the required minimum margin of solvency as laid down by the Financial Services Authority, the company is not dependent on the recovery of the unsecured element of these group company balances.

## 14 Deferred tax

	2008 £'000	2007 £'000
Amounts not recognised are as follows:		
Decelerated capital allowances	39	33
Tax losses	-	802
	39	835

The change in corporation tax from 30% to 28% in April 2008 has the effect of reducing deferred tax not recognised by £3,000.

## 15 Share capital

	2008		Authorised	
	Number	2007 Number	2008 £'000	2007 £'000
Ordinary shares of £1 each	20,000,000	20,000,000	20,000	20,000
	2008		Allotted, called up and fully paid	
	Number	2007 Number	2008 £'000	2007 £'000
Ordinary shares of £1 each	13,185,000	11,500,000	13,185	11,500

During the year 1,685,000 ordinary shares of £1 each were allotted and fully paid for consideration of £1 per share.

# IGI Insurance Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2008 *(Continued)*

## 16 Reserves

	Share premium account £'000	Profit and loss account £'000
At 1 January 2008	301	(3,094)
Retained profit for the year	-	2,993
	301	(101)
At 31 December 2008	301	(101)

## 17 Reconciliation of movements in shareholders' funds

	2008 £'000	2007 £'000
Profit for the financial year	2,993	751
Proceeds from the issue of shares	1,685	4,000
	4,678	4,751
Opening shareholders' funds	8,707	3,956
	13,385	8,707
Closing shareholders' funds	13,385	8,707

## 18 Technical provisions

	Unearned premiums £'000	Claims outstanding £'000	Equalisation provision £'000	Total £'000
<i>Gross</i>				
At 1 January 2008	24,490	9,906	407	34,803
Movement in provisions	4,486	2,061	121	6,668
	28,976	11,967	528	41,471
At 31 December 2008	28,976	11,967	528	41,471
<i>Reinsurance amount</i>				
At 1 January 2008	11,990	6,051	-	18,041
Movement in provisions	1,894	1,963	-	3,857
	13,884	8,014	-	21,898
At 31 December 2008	13,884	8,014	-	21,898
<i>Net technical provisions</i>				
At 31 December 2008	15,092	3,953	528	19,573
At 31 December 2007	12,500	3,855	407	16,762

# IGI Insurance Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2008 *(Continued)*

## 18 Technical provisions *(Continued)*

The equalisation reserve, established in accordance with Chapter 1.4 of the Prudential Sourcebook for Insurers, is required by Schedule 9A of the Companies Act 1985 to be included within technical provisions notwithstanding that it does not represent a liability at the balance sheet date. It is in addition to the provisions required to meet the anticipated ultimate cost of settling claims at the balance sheet. The provision has reduced shareholders' funds by £528,000 (2007 - £407,000) net of taxation, and the balance on the general business technical account and the profit before taxation for the year by £121,000 (2007 - £83,000).

## 19 Creditors arising out of direct insurance operations

	2008	2007
	£'000	As restated £'000
Amounts due to direct insurers	13,674	8,784
Amounts due to reinsurers	6,281	9,117
	19,955	17,901
	19,955	17,901

## 20 Accruals and deferred income

	2008	2007
	£'000	£'000
Deferred profit commissions	884	164
Deferred reinsurance commissions	1,844	3,594
	2,728	3,758
	2,728	3,758

## 21 Commitments under operating leases

As at 31 December 2008, the company had annual commitments under non-cancellable operating leases as set out below:

	2008	2007
	Land and buildings £'000	Land and buildings £'000
Operating leases which expire:		
In two to five years	87	-
In more than five years	-	87
	87	87
	87	87

All lease commitments are recharged to group companies through the management charge from IGI Administration Services Limited.

# IGI Insurance Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2008 (*Continued*)

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## 22 Related party transactions

The company has taken advantage of the exemption allowed by Financial Reporting Standard 8, "Related Party Transactions" not to disclose any transactions that are included in the consolidated financial statements of IGI Group Limited.

## 23 Contingent liabilities

The financial positions of IGI Administration Services Limited, Caravan Security Storage Limited (CaSSoa) and Oakwood Village Limited, which have combined deficiencies of net assets of some £300,000 (2007 - £310,000) have been considered. IGI Administration Services Limited has made a profit before taxation in the period of £14,734 (2007 - £138,415 loss) and CaSSoa has made a loss of £4,662 (2007 - £33,539 profit). Oakwood Village Limited has made a profit of £224,770 (2007 - £538). The Company has agreed to provide financial and other support to these entities, at least for the next twelve months to enable them to continue to trade.

Both Oakwood Village Limited and Pedigree Livestock Insurance Limited have ceased to trade.

## 24 Group accounts

The Company has taken advantage of section 228 of the Companies Act 1985 not to prepare group accounts as it is a wholly owned subsidiary of IGI Group Limited. IGI Group Limited prepares group accounts which include the results of IGI Insurance Company Limited and its subsidiary undertakings.

## 25 Parent undertakings

The immediate parent undertaking is IGI Group Limited, a company registered in England. IGI Group Limited is the parent undertaking of the smallest group for which consolidated financial statements are produced which include IGI Insurance Company Limited. Copies of the financial statements of IGI Group Limited may be obtained from IGI Insurance Company Limited's registered office: 10th Floor, Market Square House, St James's Street, Nottingham, NG1 6FG.

In the director's opinion, the company's ultimate parent undertaking and controlling party is Amtrust Financial Services Inc., which is incorporated in the USA. AmTrust Financial Services Inc is the parent company of the largest group for which consolidated financial statements are produced which include IGI Insurance Company Limited. Copies of its group financial statements are available from 6<sup>th</sup> Floor, 59 Maiden Lane, New York, USA.