

1991

KANSA GENERAL INTERNATIONAL INSURANCE COMPANY LTD



KANSA GENERAL INTERNATIONAL INSURANCE COMPANY LTD

FINANCIAL STATEMENTS AT 31 DECEMBER 1991

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REVIEW OF OPERATIONS

The year under review was the Company's 72nd year of operations.

Since the beginning of 1990, Kansa General International Insurance Company Ltd has been engaged only in international operations, and is the main risk carrier of Kansa Corporation's international operations. At the end of 1989, the Company's domestic book of business was transferred to the new Vahinkovakuutusosakeyhtiö Kansa exclusively engaged in domestic insurance.

According to the Articles of Association, voting rights are held as follows: Kansa Corporation Ltd 66.2%, Kansa Life Insurance Company Ltd 29.2%, and Kansa Pension Insurance Company Ltd 4.6%.

Result

Gain subject to random fluctuation for the financial year was FIM 106.2 million.

Underwriting result (= premiums earned after deducting commissions less claims incurred) was a loss of FIM 209.9 million. After eliminating exchange rate changes from the change in underwriting reserves, underwriting result remains negative. The net retained result was as follows:

FIM million	1991	1990
Premiums earned	283.5	159.9
Claims incurred	-406.9	-28.4
Operating expenses	-137.0	-95.0
	-260.4	36.5

Premiums earned have been calculated before deducting commissions. Commissions, FIM 86.5 million in 1991 and FIM 32.1 million in 1990, are included in operating expenses.

Premium income

The Company's premium income by classes was as follows:

FIM million	1991	1990
International direct insurance	1.6	-0.7
Reinsurance	203.5	72.6
Total	205.1	71.9
Reinsurance ceded	8.4	-3.0
Premiums retained	196.7	74.9

The Company's retention was 96%, compared with 104% in the previous year.

Premium income increased by 185%. The growth is attributable to an increase in inter-group reinsurance and a strengthening of the dollar.

Gross premiums earned for the financial year totalled FIM 197.0 million.

Claims incurred

Claims incurred, consisting of claims paid and the change in claims reserve, totalled FIM 406.9 million.

Investments

The net yield from investment operations, excluding revaluation of

investment assets, increased from the previous year to FIM 366.6 million. The figure includes profits of FIM 4.0 million from trading activity related to investments. In accordance with the accounting principles of Finnish insurance companies, exchange rate gains are included in investment income, and exchange rate losses in investment expenses. Exchange rate gains exceeded exchange rate losses by FIM 152.0 million in 1991. The exchange rate gains on investment operations covers the exchange rate losses on the change in underwriting reserves.

The investments of Kansa General International totalled FIM 1,678.2 million at year-end. Real estate accounted for FIM 24.5 million, loans for FIM 1,177.2 million and domestic and international bonds and debentures for 461.2 million of the investments.

Other factors affecting the financial result

The maximum depreciation permitted under Finnish business taxation rules, totalling FIM 0.6 million, was made on investment and fixed assets.

Operating expenses

Operating expenses totalled FIM 50.5 million.

Personnel, salaries and fees

The Company's underwriting is managed by Kansa Reinsurance Company Ltd. No salaries or fees were paid during the financial year.

The President of the Company is the parent company's Executive Vice President, Mr Lasse Paitola. Mr Matti Packalén, President of the parent company, was Chairman of the Company's Board of Directors.

Solvency

The solvency ratio, based on book values and market values, which is the ratio of the Company's net assets to premiums retained before deducting reinsurance commissions, developed as follows:

FIM million	1991	1990
Net premiums written	283	107
Shareholders' equity	794	689
Equalization reserve	0	0
Provisions	8	8
Total	802	697
Of net premiums written, %	283	651

Other events

Based on the proposal by the Board of Directors, the Shareholders' Meeting decided in the fall of 1991 to decrease the contingency fund under the Company's appropriated shareholders' equity by FIM 214.2 million, to cover for the cumulative loss stated in the balance sheet at 31 December 1990.

Kansa General International Insurance Company Ltd has one subsidiary, Kansa Canadian Management Services Inc., established in 1990. Both Kansa General International and its subsidiary are consolidated in the financial statements of Kansa Corporation Ltd. The profit for 1991 recorded in the consolidated financial statements of Kansa General International totalled FIM 104,928,579.56 and its unappropriated shareholders' equity totalled FIM 104,714,683.12 at 31 December 1991.

STATEMENT OF INCOME 1 JANUARY - 31 DECEMBER 1991

	1991	1990
Premiums written		
Direct insurance	1,575,213.33	-739,968.88
Reinsurance assumed	203,537,441.56	72,607,091.19
	205,112,654.89	71,867,122.31
Investments		
Revenues	416,910,424.81	239,086,733.15
Expenses	-50,265,056.57	-176,871,177.22
	366,645,368.24	62,215,555.93
Change in unearned premiums	2,395,164.00	68,132,939.00
<i>Underwriting revenues</i>	574,153,187.13	202,215,617.24
Claims incurred		
Claims paid	-539,172,195.24	-322,437,479.32
Change in claims reserve	137,237,895.00	232,707,347.00
	-401,934,300.24	-89,730,132.32
<i>Underwriting margin</i>	172,218,886.89	112,485,484.92
Reinsurers' share of		
Premiums	-8,433,615.92	2,955,771.53
Change in unearned premiums	-2,077,811.00	-15,250,248.00
Claims paid	24,946,765.91	36,527,458.32
Change in claims reserve	-29,939,972.00	24,760,281.00
	-15,504,633.01	48,993,262.85
<i>Net underwriting margin</i>	156,714,253.88	161,478,747.77
Operating expenses		
Salaries and fees	-	-193,037.90
Social expenses	-950,012.00	-540,599.00
Other operating expenses	-49,517,721.16	-62,082,520.91
	-50,467,733.16	-62,816,157.81
<i>Operating margin before depreciation</i>	106,246,520.72	98,662,589.96
Depreciation		
On investment assets	-58,538.30	-58,538.30
On fixed assets	-501,329.87	-433,133.32
	-559,868.17	-491,671.62
<i>Operating result</i>	105,686,652.55	98,170,918.34
Sundry revenues	759,139.87	-
Sundry expenses	-1,363.00	-
Direct taxes	-1,515,849.86	-871,447.60
<i>Profit/loss for the year</i>	104,928,579.56	97,299,470.74

BALANCE SHEET AT 31 DECEMBER 1991

	1991	1990
Assets		
<i>Financial assets</i>		
Cash and balances in banks	28,642,600.59	352,492,883.61
Reinsurance receivables		
Unearned premiums	16,577,141.00	18,654,952.00
Claims reserve	93,036,329.00	122,976,301.00
Deposits	22,409,896.32	14,112,863.58
Other receivables	17,532,644.96	30,318,512.80
	149,556,011.28	186,062,629.38
Accrued credits and deferred charges		
Premiums	20,219,850.00	19,424,080.00
Interest	16,082,810.48	24,051,022.50
Other items	11,296,401.06	42,838,376.08
	47,599,061.54	86,313,478.58
Other financial assets		
Short-term receivables	99,068,683.58	342,446,332.42
Other receivables	38,383,112.79	32,818,887.76
	137,451,796.37	375,265,220.18
	363,249,469.78	1,000,134,211.75
<i>Investment assets</i>		
Commercial loans	1,177,216,108.45	593,238,058.13
Bonds and securities	461,214,646.10	432,474,863.82
Shares and holdings	15,222,317.30	24,939,252.30
Real estate holdings	24,512,271.51	18,828,523.03
	1,678,165,343.36	1,069,480,697.28
<i>Fixed assets</i>		
Shares and holdings	73,634,657.10	73,634,657.10
Real estate holdings	22,728,669.56	22,519,304.33
	96,363,326.66	96,153,961.43
	2,137,778,139.80	2,165,768,870.46

	1991	1990
Liabilities and shareholders' equity		
<i>Liabilities</i>		
Reinsurance payables		
Deposits	19,609,601.21	29,302,338.25
Other items	61,015,255.83	47,531,692.90
	80,624,857.04	76,834,031.15
Accrued charges and deferred credits		
Other charges and credits	17,405,743.82	14,834,037.13
	17,405,743.82	14,834,037.13
Other debts		
Pension loans	24,872,670.40	26,744,806.80
Other items	11,596,213.29	9,272,860.69
	36,468,883.69	36,017,667.49
Underwriting reserves		
Unearned premiums	59,155,047.00	61,550,211.00
Claims reserve	1,141,822,748.00	1,279,060,643.00
	1,200,977,795.00	1,340,610,854.00
	1,335,477,279.55	1,468,296,589.77
<i>Provisions</i>		
Credit loss reserve	8,423,550.00	8,423,550.00
<i>Shareholders' equity</i>		
Appropriated		
Common stock	457,500,000.00	457,500,000.00
Contingency fund	224,648,730.69	438,857,765.36
Revaluation fund	6,800,000.00	6,900,000.00
	688,948,730.69	903,257,765.36
Unappropriated		
Retained earnings	-	13,466,762.68
Retained profit brought forward	-	-324,975,268.09
Profit/loss for the year	104,928,579.56	97,299,470.74
	104,928,579.56	-214,209,034.67
	793,877,310.25	689,048,730.69
	2,137,778,139.80	2,165,768,870.46

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	1991	1990
Funds provided		
Operating margin before depreciation	106,246,520.72	98,662,589.96
Sundry revenues and expenses	757,776.87	-
Change in underwriting reserves	-139,633,059.00	-300,840,286.00
Change in other liabilities	6,813,748.78	-114,392,873.26
Change in shareholders' equity	-100,000.00	-100,000.00
	<u>-25,915,012.63</u>	<u>-316,670,569.30</u>

	1991	1990
Application of funds		
Change in financial assets	-636,884,741.97	-337,792,768.64
Change in investment assets	608,743,184.38	52,197,681.14
Change in fixed assets	710,695.10	-31,946,929.40
Distribution of profit	1,515,849.86	871,447.60
	<u>-25,915,012.63</u>	<u>-316,670,569.30</u>

NOTES TO THE FINANCIAL STATEMENTS

The statement of income and balance sheet for the previous year have been regrouped to correspond to the 1991 financial statements in accordance with the accounting principles issued by the Ministry of Social Affairs and Health.

Receivables and payables in foreign currencies have been converted to Finnish marks at the Bank of Finland's official bid rate at balance sheet date.

The financial statements of the Company's overseas branches in Hong Kong, Canada and France have been prepared in accordance with the generally accepted accounting standards of the respective country. The resulting financial statements have been consolidated in the financial statements of Kansa General International as follows:

- Hong Kong and France as such.
- The underwriting reserves relating to Canadian operations have been calculated in accordance with the special provisions of the insurance department of the Ministry of Social Affairs and Health. In other respects the Canadian statements have been consolidated as such in accordance with the local accounting standards.

Some of the Finnish accounting principles differ significantly from the generally accepted international accounting standards. In Finland, the taxation is in principle based on the book result; consequently, taxation aspects have a strong influence on the accounting principles applied. Below is a short summary of the essential differences between the Finnish bookkeeping and accounting practice and the generally accepted accounting principles (GAAP) of the United States:

Provisions for credit losses and advance expenses

The American GAAP do not permit provisions which affect the financial result for the year. In Finland, the financial result and taxable profits can be adjusted by means of provisions within the framework of the tax legislation.

Equalization reserve

The American GAAP do not permit any provisions in excess to the estimates for reported claims and claims incurred but not yet reported as part of the claims reserve. Under the Finnish insurance accounting practice, a proportion of the claims reserve must be set aside as equalization reserve to offset

random fluctuations of claims, as required by the supervising authorities.

The equalization reserve increases when losses are below average, and vice versa. Changes in equalization reserve are consequential on taxation.

Valuation of assets

The American GAAP do not permit valuation of assets which would affect the result for the year. Under certain conditions, the Finnish accounting standards allow the book value of fixed assets and investment assets to be revalued up to their market value. Revaluation of fixed assets is stated in the revaluation fund of the appropriated shareholders' equity. Revaluation of investment assets is stated as investment income having taxation consequences.

Specification of premiums written	1991	1990
<i>Direct insurance</i>		
International insurance	1,575,213.33	-739,968.88
<i>Reinsurance assumed</i>		
Domestic, gross	177,936,418.18	1,870,454.52
Commissions	-53,818,198.75	-87,798.86
Domestic, net	124,118,219.43	1,782,655.66
International, gross	113,381,646.02	103,090,251.08
Commissions	-33,962,423.89	-32,265,815.55
International, net	79,419,222.13	70,824,435.53
	<u>203,537,441.56</u>	<u>72,607,091.19</u>
<i>Reinsurance ceded</i>		
Domestic, gross	1,013,434.25	5,085.00
Commissions	-39,959.00	-
Domestic, net	973,475.25	5,085.00
International, gross	8,652,672.59	-2,767,491.86
Commissions	-1,192,531.92	-193,364.67
International, net	7,460,140.67	-2,960,856.53
	<u>8,433,615.92</u>	<u>-2,955,771.53</u>

Specification of claims paid	1991	1990
<i>Direct insurance</i>		
International insurance	122,181,974.02	135,155,298.14
Miscellaneous	-	-32,979,000.00
	122,181,974.02	102,176,298.14
<i>Reinsurance</i>		
Domestic	118,049,360.53	706,540.70
International	298,940,860.69	219,554,640.48
	416,990,221.22	220,261,181.18

Specification of investments	1991	1990
<i>Revenues</i>		
Interest	177,957,782.85	174,060,160.14
Dividends	898,535.41	1,377,872.77
Revenues from real estate holdings	1,470,679.10	1,788,518.60
Profit on sales	3,976,658.13	36,828,124.95
Exchange rate gains	187,934,313.03	25,024,159.42
Other revenues	44,672,456.29	7,897.27
	416,910,424.81	239,086,733.15
<i>Expenses</i>		
Interest	5,526,144.80	4,996,319.62
Expenditure on real estate holdings	1,000,411.36	730,732.92
Loss on sales	107,434.31	2,000,697.70
Unrealized losses	4,402,430.00	11,096,221.20
Exchange rate losses	35,939,921.24	152,996,985.20
Other expenses	3,288,714.86	5,050,220.58
	50,265,056.57	176,871,177.22

Operating result analysis	1991	1990
Net premiums earned	+196,996,391.97	+127,705,584.84
Investment income, net	+366,645,368.24	+62,215,555.93
Claims incurred (excluding change in equalization reserve)	-406,927,506.33	-28,595,393.00
Operating expenses	-50,467,733.16	-62,816,157.81
Gain subject to random fluctuation	+106,246,520.72	+98,509,589.96
Change in equalization reserve	-	+153,000.00
Revaluation of investments	-	-
Operating result (Operating margin before depreciation)	+106,246,520.72	+98,662,589.96

Solvency development	Equalization reserve	% of full amount
Year		
1981	240,676,000.00	47.8
1982	206,044,000.00	37.3
1983	138,956,000.00	21.8
1984	104,615,000.00	11.0
1985	106,375,000.00	7.6
1986	100,400,000.00	7.4
1987	128,360,000.00	8.8
1988	141,746,000.00	12.8
1989	153,000.00	0.0
1990	-	-
1991	-	-

Shares and holdings

	% of shares	Number of shares	Nominal value	Book value
<i>Investment assets</i>				
Shares and holdings				
Kylpylääkasino	10.8	118,710	2,374,200.00	688,518.00
Others	-	-	-	14,497,999.30
				15,186,517.30
Option warrants				35,800.00
				15,222,317.30
Real estate holdings	-	11,783	2,992,823.00	24,083,918.36

Fixed assets

<i>Shares and holdings</i>				
Kansa Reinsurance (Latin America), S.A. "KANLA"	50.00	50,000	USD 1,000,000.00	8,277,125.00
Kansa Reinsurance Company Ltd	19.20	480,010	48,001,000.00	48,434,583.35
Autovahinkokeskus Oy	9.47	682	1,705,000.00	1,702,441.00
Clarendon Group Ltd	48.40	254,102	USD 254,102.00	11,165,513.00
Folksam Holdings (U.K.) Limited	12.00	960,000	GBP 960,000.00	2,682,460.00
Arch Insurance Co., Ltd.	32.50	314,384	HKD 3,143,840.00	594,311.00
Alliance Underwriters Ltd	12.50	20,000	HKD 200,000.00	335,400.00
Nordsam A/S	12.50	50	NOK 500,000.00	319,200.00
Others	-	20,250	-	123,623.75
				73,634,657.10
Real estate holdings	-	610,660	1,093,822.00	19,078,361.28

Taxable values	1991	1990
<i>Investment assets</i>		
Shares and holdings	17,995,404.00	10,417,358.00
Real estate holdings	8,427,546.58	6,009,541.58
<i>Fixed assets</i>		
Shares and holdings	13,298,660.00	12,634,510.00
Real estate holdings	8,073,227.17	6,565,039.00

Pledged assets	1991	1990
Other funds pledged as collateral for company debts	22,287,840.68	283,653,540.00
Shares pledged as collateral for company debts	34,659,007.89	-

Inter-group receivables and debts	1991	1990
<i>Inter-group receivables</i>		
Reinsurance receivables	27,488,745.44	19,878,388.74
Accrued credits and deferred charges	6,527,777.80	206,682.00
Short-term receivables	99,068,683.58	342,446,732.42
Commercial loans	1,115,635,208.98	538,504,942.41
	1,248,720,415.80	901,036,745.99
<i>Inter-group debts</i>		
Underwriting reserves	365,106,531.00	437,750,685.00
Accrued charges and deferred credits	1,181,451.30	1,270,378.30
Other debts	24,872,670.40	26,744,806.80
	391,160,652.70	465,765,870.10

Changes in shareholders' equity during the financial year	1 Jan. 1991	Changes	31 Dec. 1991
<i>Appropriated</i>			
Common stock			
Series A	187,500,000.00	-	187,500,000.00
Series B	270,000,000.00	-	270,000,000.00
	457,500,000.00	-	457,500,000.00
Contingency fund	438,857,765.36	-214,209,034.67	224,648,730.69
Revaluation fund	6,900,000.00		
Cancellation of revaluations		-100,000.00	6,800,000.00
	903,257,765.36	-214,309,034.67	688,948,730.69
<i>Unappropriated</i>			
Retained earnings	13,466,762.68	-13,466,762.68	-
Loss carried forward	-227,675,797.35	227,675,797.35	-
Profit/loss for the year		104,928,579.56	104,928,579.56
	-227,675,797.35	332,604,376.91	104,928,579.56
Unappropriated shareholders' equity total	-214,209,034.67	319,137,614.23	104,928,579.56
SHAREHOLDERS' EQUITY TOTAL	689,048,730.69	104,828,579.56	793,877,310.25

PROPOSED APPLICATION OF PROFIT

The Board of Directors proposes to the Shareholders' Meeting that the appropriations made in the financial statements be approved and that the net profit for the year, FIM 104,928,579.56, be carried over to the profit and loss account.

Helsinki, 11 March 1992

KANSA GENERAL INTERNATIONAL INSURANCE COMPANY LTD
Board of Directors

Matti Packalén
Chairman

Altti Aurela

Matti Niinimäki

Lasse Paitsola
President

AUDITORS' REPORT

We have examined the financial statements, accounting records and administration of Kansa General International Insurance Company Ltd for the financial year 1991. The examination was carried out in accordance with generally accepted auditing standards.

Widenius, sederholm & Someri Oy Ab who have acted as supervisory auditors have issued a separate report on their audit.

Ms. Ritva Alkio of the Insurance Department of the Ministry of Social Affairs and Health was present at the audit. Having examined the underwriting reserve calculations in particular, Ms. Alkio stated that she had found no cause for comment.

The financial statements, showing a net profit of FIM 104,928,579.56, have been prepared in accordance with current regulations.

We recommend:

- that the statement of income and the balance sheet be adopted;
- that the profit in the balance sheet dealt with in accordance with the proposal of the Board of Directors;
- that the members of the Board of Directors and the President be granted release from responsibility for the financial year examined by us.

Helsinki, 7 April 1992

Widenius, Sederholm & Someri Oy Ab

Heikki Koskelainen
Authorized Public Accountant

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Authorized Public Accountant

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Kansa Pension Insurance Company

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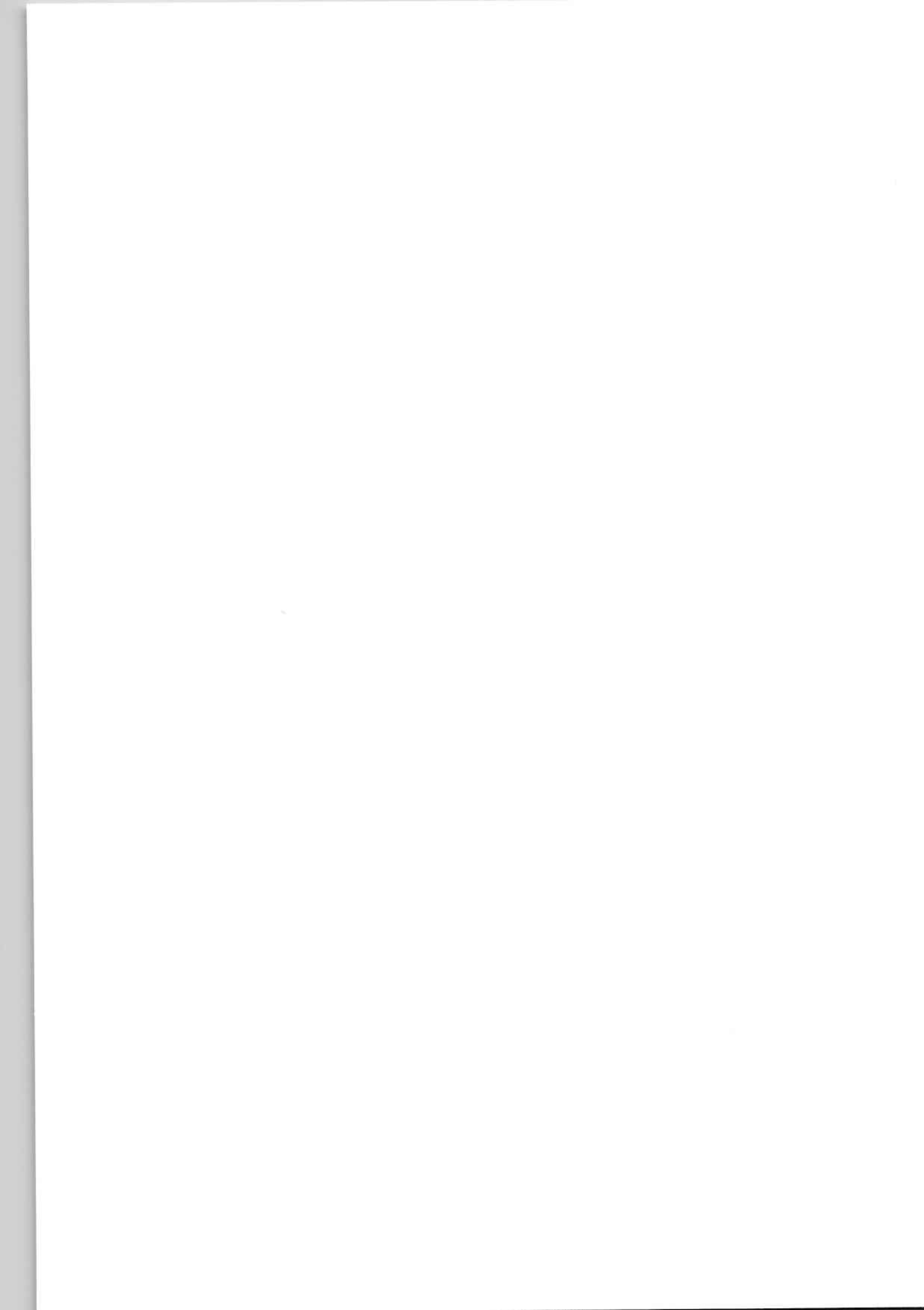
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