

**SOLICITORS INDEMNITY MUTUAL INSURANCE  
ASSOCIATION LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
30 SEPTEMBER 2009**

# SOLICITORS INDEMNITY MUTUAL INSURANCE ASSOCIATION LIMITED

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# SOLICITORS INDEMNITY MUTUAL INSURANCE ASSOCIATION LIMITED

## NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of the Members will be held on Tuesday 23 February 2010, at 12 noon, at 90 Fenchurch Street, London EC3M 4ST for the following purposes:

To receive the Directors' Report and Financial Statements for the year ended 30 September 2009 and if they are approved to adopt them;

To appoint Directors; and

To re-appoint the auditors and authorise the Directors to fix their remuneration.

By Order of the Board

I.R. Jarrett ACIS  
Secretary

Date: 8 December 2009

- Notes:
- i) A Member entitled to attend and vote at the above Meeting is entitled to appoint one or more proxies to attend and vote instead of him. A person so appointed must be a Member of the Company. The instrument appointing a proxy must be deposited with the Secretary not less than forty-eight hours before the meeting.
  - ii) An agenda booklet for the Annual General Meeting setting out the resolutions and containing the minutes of the last Annual General Meeting will be sent to Members prior to the Meeting together with a form of proxy.

# **SOLICITORS INDEMNITY MUTUAL INSURANCE ASSOCIATION LIMITED**

## **DIRECTORS OF THE COMPANY**

|                          |                        |
|--------------------------|------------------------|
| P. J. Russell (Chairman) | Charles Russell LLP    |
| R. Challands             | Bond Pearce LLP        |
| P.M. Crossley            | Hammonds LLP           |
| J. A. Gosling            | Addleshaw Goddard LLP  |
| C. J. Harris             | Clyde & Co LLP         |
| R. J. Parker *           | Reed Smith LLP         |
| A. J. Paton              | Pinsent Masons LLP     |
| C. C. Perrin             | Clifford Chance LLP    |
| B. W. D. Richards *      | Lawrence Graham LLP    |
| J. F. Rosenheim          | Denton Wilde Sapte LLP |
| P. J. H. Vaughan         | Simmons & Simmons      |
| E. C. J. Wells *         | Lovells LLP            |

\* Member of the Audit and Investment Committee

## **SECRETARY**

I.R. Jarrett

## **MANAGER**

SIMIA Management Company,  
90 Fenchurch Street, London, EC3M 4ST.

Directors of SIMIA Management Company.

I.R. Jarrett  
P.T.E. Massey  
A. Salim

## **AUDITORS**

Moore Stephens LLP, Chartered Accountants  
St Paul's House, Warwick Lane, London, EC4M 7BP.

# **SOLICITORS INDEMNITY MUTUAL INSURANCE ASSOCIATION LIMITED**

## **REPORT OF THE DIRECTORS**

The Directors have pleasure in presenting their Report and the Financial Statements for the year ended 30 September 2009.

### **Principal Activities**

The principal activities of the Company during the year were the mutual insurance of Solicitors against risks arising from professional negligence.

The Company has appointed S.I.M.I.A. Management Company as sole managers to manage its business affairs and operations and has appointed Thomas Miller Investment Ltd to manage the Company's investment portfolio. Both SIMIA Management Company and Thomas Miller Investment Ltd are owned by Thomas Miller Holdings Limited.

The Company has no employees.

The Board of Directors purchased Directors' and Officers' Liability Insurance to indemnify the Directors and Officers of the Company against loss arising from any claim made against them jointly or severally by reason of any wrongful act in their capacity as Director or Officer of the Company. The insurance also covers the Company's loss when it is required or permitted to indemnify the Directors or Officers pursuant to the law, Common or Statutory, or the Articles of Association. The cost of the insurance is met by the Company and the premium is detailed in note 8 to the Financial Statements.

### **Directors and Officers**

The names of the Directors of the Company who served during the year are shown on page 2.

In accordance with the Article 48 Messrs. P.M.Crossley, C.C.Perrin, B.W.D.Richards and, J. F. Rosenheim retire by rotation and being eligible will seek reappointment at the forthcoming Annual General Meeting.

In the case of each of the persons who are Directors at the time this report is approved, the following applies:

- (a) So far as the Directors are aware, there is no relevant audit information of which the Company auditors are unaware, and
- (b) They have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company auditors are aware of that information.

# SOLICITORS INDEMNITY MUTUAL INSURANCE ASSOCIATION LIMITED

## REPORT OF THE DIRECTORS (Contd)

### State Of Affairs

Although the Company is a Qualifying Insurer, it only writes risks in the layers above £1m. In recent years, some firms have placed their entire compulsory layer of £2m (or £3m in the case of LLP's) on the commercial market, which has led to an overall reduction in the Company's risk exposure.

During the year under review, the insurance market remained soft and, in general, premium rates were lower than in the previous year. During the year, the Directors called back £2.7m of premium deferral to increase its free reserves. Ignoring the premium deferral the 7% fall in the Company's premium income is consistent with the market trend. The cost of the reinsurance programme was also lower than in the previous year reflecting a change in the structure of the programme.

Claims paid net of reinsurance recoveries of £8.2m were considerably higher than in the previous year (£6.1m). Although no discernible trend can be detected, there were a greater number of claims paid falling within the Company's retention.

The Claims and Reserving Committee of the Board has reviewed the outstanding claims and the whole Board agreed the overall provision. The outstanding claims position as at 30 September 2009 net of reinsurance and third party recoveries is estimated at £9.1m (2008 - £10.4m). The basis for drawing up those provisions is set out in accounting policy note 2(d) and note 7 to the Financial Statements.

### Financial Results

The Income and Expenditure Account (on page 10) and the Balance Sheet (on page 11), together with the notes to the Financial Statements, set out the Company's financial performance in detail. The following table compares key financial information for the year-end 30 September 2008 to 30 September 2009.

|                                  | 2009<br>£'000 | 2008<br>£'000 |
|----------------------------------|---------------|---------------|
| Premium written                  | 10,800        | 8,212         |
| Reinsurance premium              | (4,192)       | (3,763)       |
| Net claims paid                  | (8,165)       | (6,120)       |
| Operating expenses               | (927)         | (850)         |
| (Deficit) on technical account   | (2,484)       | (2,521)       |
| Net Investment Income & Tax      | 1,017         | 696           |
| (Deficit) for the financial year | (1,467)       | (1,825)       |
| Free reserves at year end        | 6,281         | 7,748         |

# SOLICITORS INDEMNITY MUTUAL INSURANCE ASSOCIATION LIMITED

## REPORT OF THE DIRECTORS (Contd)

The Directors have set in place formal investment policies and objectives. The primary objective is to conserve and accumulate capital to cover future obligations. Within and ancillary to this primary objective is a secondary objective to maximise the post-tax yield. The investment return for the year under review was 10.41%.

In the second half of the year under review, and since the year-end investment markets have been in turmoil but the Company's exposure has been protected by the fact that it holds 70% of the funds in Government securities and 25% in UCITS. Of the remainder, the only asset exposed to the markets was 5% held in Unit Trusts.

Free Reserves at £6.3m exceed the required regulatory capital (ICG - Individual Capital Guidance) of £3.9m by £2.4m.

### Meetings of the Directors

The Board of the Company met formally on three occasions during the year to carry out the general and specific responsibilities entrusted to it by the Members under the Articles of the Association.

The Directors received and discussed written reports from the Managers on financial development, investment of its portfolio, reports on renewals, reinsurance and on major claims paid or outstanding.

The Annual Reports and Financial Statements for the year ended 30 September 2008 were approved by the Board for submission to the members of the Association at the Annual General Meeting.

### Board Committees

The Board has delegated specific authority to a number of committees. The Board is informed of the main issues discussed as all minutes of the meetings of the committees are distributed to the Board.

**The Audit and Investment Committee** comprising Messrs R.J.Parker, B.W.D.Richards and E.C.J.Wells assists the Board in discharging its responsibilities for the integrity of the Financial Statements, compliance with the regulatory requirements, assessing the business risk of the Company, and determining as well as monitoring the investment policy of the Company. The Committee met on four occasions in the course of the year.

**The Claims and Reserving Committee** comprising Messrs R.Challands, J.A.Gosling and J.F.Rosenheim assists the Board in reviewing the major ongoing and reported claims to ensure that the Company's claims reserves are adequate to pay potential claims as well as ensuring that all claims are being dealt in the correct manner. The Committee met on two occasions in the course of the year.

**The Reinsurance Committee** comprising Messrs C.J.Harris, CP.J.Russell and E.C.J.Wells assists the Board in ensuring that the Company gets the required level of cover with the appropriately rated reinsurers. The Committee met on four occasions in the course of the year.

**The Nominations Committee** comprising Messrs P.J.Russell and E.C.J.Wells ensures that the Board is appropriately skilled to direct a mutual insurance company and that the Directors are appropriately senior and representative of the membership. This Committee meets on an ad-hoc basis.

# **SOLICITORS INDEMNITY MUTUAL INSURANCE ASSOCIATION LIMITED**

## **REPORT OF THE DIRECTORS (Contd)**

**The Marketing Committee** comprising Messrs P.Crossley, R.Challands, R.Parker and P.Vaughan assists the Board in formulating and monitoring the Company's marketing and sales policy and recruiting new members. The Committee met once during the course of the year.

### **Risk Management**

The Company is exposed to financial risk through its assets and liabilities. The most significant risks are market risk, credit risk, insurance risk and reinsurance risk. The Company has policies and procedures in place to mitigate all these risks.

Market risk relates to the risk of changes in the financial markets affecting the value of the Company's investments. The investment performance is monitored by means of reports from the Investment Manager to the members of the Audit and Investment Committee who in turn report to the Board.

Credit risk relates to the risk of members failing, in whole or in part, to meet their obligations to the Company. Exposure to non-payment of premiums is mitigated by strong credit control procedures and monitored by regular reports from the Managers to the Board.

Insurance Risk is the risk associated with claims on the Company. Exposure is mitigated by a strategy of risk transfer through the Company's reinsurance programme and holding sufficient free reserves. Claims provisions are monitored by the Claims and Reserving Committee to ensure that adequate claims reserves are held.

Reinsurance risk relates to the possibility of a reinsurer defaulting and being unable to meet their obligations under the treaties. This risk is mitigated by only placing reinsurance with security holding a Standard & Poor rating of A- or higher and limiting the exposure to a maximum line with any one reinsurer of 25 per cent on any one layer. The ratings are kept under review and to date no reinsurer has fallen below the rating criteria.

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Directors are responsible for preparing the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Financial Statements for each financial year. Under that law, the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Standards and applicable law). Under company law, the Directors must not approve the Financial Statements unless they are satisfied that they 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 these Financial Statements, the Directors are required to:

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



# **SOLICITORS INDEMNITY MUTUAL INSURANCE ASSOCIATION LIMITED**

## **REPORT OF THE DIRECTORS (Contd)**

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **AUDITORS**

The Company's auditors, Messrs Moore Stephens LLP, have expressed their willingness to continue to serve as the Company's auditors. A resolution for their re-appointment and to authorise the Directors to fix their remuneration will be submitted to the forthcoming Annual General Meeting.

By order of the Board

P.J. Russell  
Chairman

Date: 8 December 2009

# **SOLICITORS INDEMNITY MUTUAL INSURANCE ASSOCIATION LIMITED**

## **REPORT OF THE INDEPENDENT AUDITORS**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE SOLICITORS INDEMNITY MUTUAL INSURANCE ASSOCIATION LIMITED ('THE COMPANY')**

We have audited the Company's Financial Statements for the year ended 30 September 2009 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Sections 495 - 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

As explained more fully in the Directors Responsibilities Statement set out on pages 6 and 7 the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the Financial Statements.

#### **Opinion on financial statements**

In our opinion the Financial Statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2009 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **SOLICITORS INDEMNITY MUTUAL INSURANCE ASSOCIATION LIMITED**

### **Emphasis of Matter – Technical Provisions**

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures made in accounting policy note 2(d) and note 7 of the Financial Statements concerning the inherently uncertain ultimate outcome of liability claims and the amount of the technical provisions. In view of the significance of this uncertainty we consider that it should be drawn to your attention.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the Financial Statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Financial Statements are not in agreement with the accounting records or returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Simon Gallagher (Senior Statutory Auditor)  
For & on behalf of Moore Stephens LLP, Statutory Auditor

St Paul's House  
Warwick Lane  
London EC4M 7BP

Dated: 8 December 2009

**SOLICITORS INDEMNITY MUTUAL INSURANCE ASSOCIATION LIMITED**

**INCOME AND EXPENDITURE ACCOUNT  
For the year ended 30 September 2009**

|   | Note      | 2009<br>£          | 2008<br>£          |
|---|-----------|--------------------|--------------------|
| <b>TECHNICAL ACCOUNT</b>                        |           |                    |                    |
| Earned premium net of reinsurance               |           |                    |                    |
| Advance call                                    |           | 9,550,397          | 10,369,141         |
| Premium deferral called back                    |           | 2,741,395          | -                  |
| Premium deferral                                |           | <u>(1,330,643)</u> | <u>(2,187,972)</u> |
| Gross premiums written                          | 2(b)      | 10,961,149         | 8,181,169          |
| Outward reinsurance premiums                    | 5         | <u>(4,192,128)</u> | <u>(3,763,107)</u> |
|   |           | 6,769,021          | 4,418,062          |
| <br>  |           |                    |                    |
| Change in gross provision for unearned premiums | 6         | 10,554             | 168,854            |
| Reinsurers' share                               | 6         | <u>(171,542)</u>   | <u>(138,196)</u>   |
| Change in net provision for unearned premiums   | 6         | <u>(160,988)</u>   | <u>30,658</u>      |
|   | (A)       | <u>6,608,033</u>   | <u>4,448,720</u>   |
| <br>  |           |                    |                    |
| Claims incurred net of reinsurance              |           |                    |                    |
| Claims paid                                     |           |                    |                    |
| Gross amount                                    | 7(a)      | (10,849,371)       | (5,039,344)        |
| Reinsurers' share                               | 7(b)      | <u>1,340,074</u>   | <u>250,087</u>     |
|   |           | (9,509,297)        | (4,789,257)        |
| <br>  |           |                    |                    |
| Change in the provision for claims              |           |                    |                    |
| Gross amount                                    | 2(d),7(c) | (518,068)          | (1,070,676)        |
| Reinsurers' share                               | 7(d)      | <u>1,862,832</u>   | <u>(259,600)</u>   |
|   |           | <u>1,344,764</u>   | <u>(1,330,276)</u> |
|   | (B)       | <u>(8,164,533)</u> | <u>(6,119,533)</u> |
| <br>  |           |                    |                    |
| Net operating expenses                          | 8 (C)     | (927,569)          | (850,148)          |
| <br>  |           |                    |                    |
| Balance on the technical account                | A+B+C=    | <u>(2,484,069)</u> | <u>(2,520,961)</u> |
| <br><b>NON TECHNICAL ACCOUNT</b>                |           |                    |                    |
| Investment income                               | 9         | 1,330,696          | 1,036,610          |
| Unrealised gains on investments                 | 10        | 158,155            | 12,951             |
| Investment expenses and charges                 | 9         | <u>(81,696)</u>    | <u>(82,491)</u>    |
|   | D         | <u>1,407,155</u>   | <u>967,070</u>     |
| (Deficit) on ordinary activities before tax     | A+B+C+D   | (1,076,914)        | (1,553,891)        |
| Tax on ordinary activities                      | 11(a)     | <u>(390,107)</u>   | <u>(271,099)</u>   |
| (Deficit) for the financial year                |           | <u>(1,467,021)</u> | <u>(1,824,990)</u> |
| Reserves at 1 October 2008                      |           | 7,747,561          | 9,572,551          |
| Reserves at 30 September 2009                   |           | <u>6,280,540</u>   | <u>7,747,561</u>   |

All activities represent continuing activities. There are no recognised gains or losses other than those shown in the Income and Expenditure Account.  
The accounting policies and notes on pages 13 to 25 form an integral part of these Financial Statements.

**SOLICITORS INDEMNITY MUTUAL INSURANCE ASSOCIATION LIMITED**

**Company Number 1985809**

**BALANCE SHEET  
30 September 2009**

|   |            | <b>2009</b>              | <b>2008</b>              |
|---|------------|--------------------------|--------------------------|
|   |            | <b>£</b>                 | <b>£</b>                 |
| <b>ASSETS</b>                             |            |                          |                          |
| Investments                               |            |                          |                          |
| Other financial investments               | 12         | 12,714,448               | 19,210,383               |
| Reinsurers' share of technical provisions |            |                          |                          |
| Provision for unearned premiums           |            | 484,320                  | 655,862                  |
| Claims outstanding                        | 7(d)       | <u>4,131,116</u>         | <u>2,268,284</u>         |
|   |            | 4,615,436                | 2,924,146                |
| Debtors arising out of direct insurance   |            |                          |                          |
| Other debtors                             | 13         | 13,500                   | 13,500                   |
| Deferred tax asset                        | 11(d)      | -                        | -                        |
| Cash at bank                              |            | 2,087,241                | 383,154                  |
| Accrued interest                          |            | 138,998                  | 148,852                  |
| Prepayments                               | 14         | <u>193,389</u>           | <u>191,747</u>           |
|   |            | <u><u>22,499,066</u></u> | <u><u>22,920,590</u></u> |
| <b>LIABILITIES</b>                        |            |                          |                          |
| Reserves                                  |            |                          |                          |
| Income and expenditure account            |            | <u>6,280,539</u>         | <u>7,747,561</u>         |
| Technical Provisions                      |            |                          |                          |
| Provision for unearned premiums           |            |                          |                          |
| Gross amount                              |            | 1,651,879                | 1,662,431                |
| Claims outstanding                        |            |                          |                          |
| Gross amount                              | 2(d), 7(c) | <u>13,225,823</u>        | <u>12,707,755</u>        |
|   |            | 14,877,702               | 14,370,186               |
| Creditors                                 |            |                          |                          |
| Reinsurance creditor                      |            | 689,072                  | 400,622                  |
| Other creditors                           | 15         | <u>651,753</u>           | <u>402,221</u>           |
|   |            | <u>1,340,825</u>         | <u>802,843</u>           |
|   |            | <u><u>22,499,066</u></u> | <u><u>22,920,590</u></u> |

These Financial Statements were approved by the Board of Directors and were signed on its behalf on 8 December 2009 by:

Signed on behalf of the Managers:  
SIMIA Management Company

The accounting policies and notes on pages 13 to 25 form an integral part of these Financial Statements.

**SOLICITORS INDEMNITY MUTUAL INSURANCE ASSOCIATION LIMITED**

**CASH FLOW STATEMENT  
For the year ended 30 September 2009**

**Operating activities**

|  | Note | <b>2009</b>        | <b>2008</b>        |
|--|------|--------------------|--------------------|
|  |      | £                  | £                  |
| Premiums received from Members               |      | 8,273,903          | 8,177,967          |
| Reinsurance paid                             |      | (3,903,678)        | (4,499,488)        |
| Claims paid (note 7a)                        |      | (10,849,371)       | (4,989,238)        |
| Reinsurance recovered                        |      | 1,340,074          | 199,981            |
| Other operating cash flow payments           |      | <u>(806,635)</u>   | <u>(1,283,407)</u> |
| Net cash (outflow) from operating activities | 16   | <u>(5,945,707)</u> | <u>(2,394,185)</u> |

**CASH FLOW STATEMENT**

|  |    |             |             |
|--|----|-------------|-------------|
| Net cash (outflow) from operating activities | 16 | (5,945,707) | (2,394,185) |
|--|----|-------------|-------------|

**Returns on investment and servicing of finance**

|                     |  |                 |                 |
|---------------------|--|-----------------|-----------------|
| Investment return   |  | 567,433         | 923,649         |
| Investment expenses |  | <u>(81,696)</u> | <u>(81,671)</u> |
|                     |  | <u>485,737</u>  | <u>841,978</u>  |

**Taxation**

|   |       |                    |                    |
|---|-------|--------------------|--------------------|
| Corporation tax paid                                      | 11(e) | (263,149)          | (258,176)          |
| Increase in cash, deposits<br>and investments in the year | 17    | <u>(5,723,119)</u> | <u>(1,810,383)</u> |

**Cashflows were invested as follows**

|                                     |       |                    |                    |
|-------------------------------------|-------|--------------------|--------------------|
| Increase/(decrease) in cash         | 17    | 1,704,087          | (1,492,056)        |
| Net portfolio investment            |       |                    |                    |
| Sale of units in unit trusts        | 18    | (5,808,632)        | (910,253)          |
| Purchase of fixed income securities | 18    | <u>(1,618,574)</u> | <u>591,926</u>     |
|                                     | 17,18 | <u>(5,723,119)</u> | <u>(1,810,383)</u> |

The accounting policies and notes on pages 13 to 25 form an integral part of these Financial Statements.

# SOLICITORS INDEMNITY MUTUAL INSURANCE ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Constitution

The Company is incorporated in England as a company limited by guarantee and not having a share capital.

In pursuance of its business and in accordance with its Memorandum, Articles of Association and its Rules, the Company has the right to make calls on its Members to meet its liabilities.

In the event of the winding up of the Company, after its liabilities have been satisfied, any remaining assets would be distributed to the Members in accordance with the provisions contained in the Articles of Association.

### 2. Accounting Policies

These Financial Statements have been prepared under the historical cost convention as modified to include investments at market value, in compliance with schedule 3 to the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI2008/410) of the Companies Act 2006 and in accordance with applicable accounting standards in the U.K. and with the Statement of Recommended Practice issued by the Association of British Insurers in December 2005 (as amended in December 2006). The Statutory "Profit and Loss Account" is replaced by "Income and Expenditure Account" throughout these Financial Statements consistent with the Mutual status of the Club. The particular accounting policies adopted are described below.

#### (a) Accounting convention

These Financial Statements have been prepared on an annual accounting basis, with the premiums charged to Member and the claims incurred, and reinsurance allocated to the underwriting policy year to which they relate. The realised and unrealised investment income is allocated proportionately to the average balance of funds on each policy year. Operating expenses are allocated to the current year.

Policy years are closed when sufficient information is available for a result to be determined with reasonable certainty. Policy years 1987, 1988, 1989, 1990, 1995, 1996, 1997, 1998, 1999 and 2000 are closed.

#### (b) Gross premiums written

Gross premiums written comprise advance calls and premium deferrals; these represent the total receivable for contracts with an inception date during the accounting period together with any premium adjustments relating to prior periods.

Advance calls are calls made gross of deferral and recognised on an inception basis.

Premium deferral (reduction as per the Rules of the Company) is given to those Members committing to renewing their membership for two years.

The Company has the right to call back on premium deferral given on a notified basis.

No specific provision is made in the accounts for any supplementary calls unless and until the Directors decide that any such calls shall be made.

## SOLICITORS INDEMNITY MUTUAL INSURANCE ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 2. Accounting Policies (continued)

(c) Change in net provision for unearned premiums

Unearned premium is the proportion of premium that is debited in one accounting period but relates to subsequent accounting periods. This has been calculated on a daily pro-rata basis.

(d) Claims

The Company underwrites professional liability risks on a 'claims made' basis. Claims outstanding represent the Manager's assessment of the ultimate cost of claims reported at the balance sheet date and the Manager's claims handling costs.

The Company reserves individual claims notified on a 'most likely outcome' basis. Case estimates are set using information provided by the lead underwriter. The lead underwriter appoints solicitors who are experts in the areas of practice in which the claim arises to produce estimates. These solicitors base their estimates on the information available about the individual claim and their experience of similar cases.

Where it is not yet possible to make an assessment of the likely outcome of a claim the Manager's own claims handlers, also legally qualified, appraise the claims estimates and where necessary include an additional provision for potential deterioration. The Claims and Reserving Committee then assess and approves these claims estimates. The principal assumption underlying this approach is that past experience is a reliable basis for projecting the ultimate cost of claims for more recent years.

The provision for outstanding claims is based on information available at the balance sheet date. The majority of claims are settled only after extensive investigation and negotiation, which can take a number of years to complete. 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 greater or less than the amount provided. Any differences between provisions and subsequent settlements are dealt with in the general business technical account in later years.

(e) Reinsurance recoveries

Reinsurance recoveries and reinstatement premiums are accrued to match the relevant claims that have been charged to the Income and Expenditure Account.

(f) Investment income

This comprises income received during the year adjusted in respect of interest receivable at the year end. The investment income is apportioned among and between the different policy years and reserves from which the funds originated.

(g) Investments

Investments are stated in the Balance Sheet at market value. Unrealised investment gains and losses as a result of movements in the market value of investments are accounted for through the Non-Technical Account. Realised gains and losses are recognised at time of disposal as proceeds less original acquisition costs.



# SOLICITORS INDEMNITY MUTUAL INSURANCE ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### (h) Taxation

Unrealised gains and losses as a result of movements in the market value of unit trusts and fixed interest investments are accounted for through the Non-Technical Account. A taxation charge or credit arises based on the unrealised movement in the year.

### 3. Related party disclosures

The Company has no share capital and is controlled by the Members who are also the insureds. The resulting insurance transactions are consequently deemed to be between related parties but these are the only transactions between the Company and the Members.

All the Directors are Members of the Company and other than the insurance, the Directors have no financial interests in the Company.

S.I.M.I.A. Management Company received £810,000 (2008 - £768,000) from the Company in respect of management fees for the period.

### 4. Management costs

The Companies Act 2006 requires the management fee paid to S.I.M.I.A Management Company to be apportioned between the different management functions. This fee has to be allocated to acquisition costs, which in the case of Solicitors Indemnity Insurance Association Limited has been interpreted by the Directors and Managers as the cost of underwriting, processing renewals, premium adjustments and credit control; claims handling costs; investment management expenses and administration expenses which include regulatory compliance, the preparation of accounts and general management.

In order to comply with this requirement, the Managers have made an apportionment.

|   | <b>2009</b>    | <b>2008</b>    |
|---|----------------|----------------|
|   | <b>£</b>       | <b>£</b>       |
| Acquisition costs (note 8)              | 408,260        | 387,090        |
| Claims handling (note 7a)               | 163,230        | 154,767        |
| Administration expenses (note 8)        | 163,230        | 154,767        |
| Investment management services (note 9) | 75,280         | 71,376         |
|   | <u>810,000</u> | <u>768,000</u> |

Claims handling costs are treated as part of claims paid (note 7a).

Acquisition and administration expenses are included in the net operating expenses (note 8).

**SOLICITORS INDEMNITY MUTUAL INSURANCE ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**5. Reinsurance premiums**

In respect of the year ended 30 September 2009, the Company had reinsurance protection for payments above £1m, subject to an aggregate excess of £1m. This year the Company has offered an additional £5m of cover on higher excess layers, which is wholly reinsured.

The Company also has in place a stop loss policy for the 2000 policy year. This provides cover for a maximum of £3.3m once claims in respect of the 2000 policy year have reached £4m in aggregate.

In arranging reinsurance contracts, the Company carries out financial checks on the prospective reinsurers in order to gain confidence that recoveries will be settled if and when they fall due.

**6. Unearned premium**

Unearned premium is that part of gross premiums written which is estimated to be earned in the following or subsequent financial years.

The Income and Expenditure Account shows the change in the provision for unearned premium and comprises the following:

|  | <b>2009</b>      | <b>2008</b>      |
|--|------------------|------------------|
|  | <b>£</b>         | <b>£</b>         |
| Change in gross provision for unearned premiums                  | 10,554           | 168,854          |
| Change in the provision for unearned premiums, reinsurers' share | <u>(171,542)</u> | <u>(138,196)</u> |
|  | <u>(160,988)</u> | <u>30,658</u>    |

**7(a). Claims paid**

|                          | <b>2009</b>       | <b>2008</b>      |
|--------------------------|-------------------|------------------|
|                          | <b>£</b>          | <b>£</b>         |
| Gross claims and costs   | 11,093,530        | 5,647,386        |
| Claims handling (note 4) | 163,230           | 154,767          |
| Third party recoveries   | <u>(407,389)</u>  | <u>(762,809)</u> |
|                          | <u>10,849,371</u> | <u>5,039,344</u> |

**7(b). Reinsurers' share of gross claims paid**

|                        | <b>£</b>         | <b>£</b>       |
|------------------------|------------------|----------------|
| Reinsurance recoveries | <u>1,340,074</u> | <u>250,087</u> |

# SOLICITORS INDEMNITY MUTUAL INSURANCE ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 7(c). Change in gross provision for claims

|   | £                   | £                   |
|---|---------------------|---------------------|
| Claims outstanding at end of year                 | 13,225,823          | 12,707,755          |
| Movement in third party recoveries                | -                   | -                   |
| Claims outstanding at beginning of year           | <u>(12,707,755)</u> | <u>(11,637,079)</u> |
| (Decrease)/increase in gross provision for claims | <u>518,068</u>      | <u>1,070,676</u>    |

While there are a large number of professional indemnity claims against the solicitors' profession as a whole, the Company is in essence an insurer of a "quasi-catastrophe" nature as very few claims result in payment from the ground up for an amount in excess of £1 m and naturally even fewer for amounts in excess of £2m or more.

The Company uses reinsurance to limit its exposure to claims. For policy years commencing 30 September 2008 onward the Company used excess of loss reinsurance to limit its exposure of the cost of claims per Member to £2m, previously this reinsurance exposure limit had been £1.5m. This high level of retention means that it is exposed to potentially substantial variations in the cost of claims from year to year. More than one such claim can arise in one year. Two such claims on the reinsurance will involve a total charge of at least £4m in the Company's income and expenditure account, an amount which is substantial in relation to the Company's free reserves.

The decision of the Law Society to increase the compulsory minimum level of cover to £3m for limited liability partnerships and £2m for all other solicitors' firms has reduced the Company's potential exposure. There are now fewer firms whose cover with the Company is in the layer immediately in excess of £1m.

In the past, the Directors have applied a practice of capping year-end reserves at a total of £18m in the aggregate for the previous six policy years. The volatility in the historical cost of claims and the inherent uncertainty is reflected in the way provisions are established. In previous years, the IBNER (incurred but not enough reported) was estimated by assuming that ultimate claims for the most recent six years would be £18m.

The Board has this year revised this practice and no cap has been applied to the year-end reserves as at 30 September 2009. In light of the deterioration on claims, the Board concluded that applying the cap would not result in the Company holding adequate claims reserves.

Having reviewed the notifications made to date in respect of all policy years, the Claims and Reserving Committee of the Board considers the claims provision of £13.2m for all policy years to be reasonable.

## SOLICITORS INDEMNITY MUTUAL INSURANCE ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 7(c). Change in gross provision for claims (contd)

The movement in the gross provision for claims is the difference between the provision for outstanding claims on all policy years at the beginning of the year and the equivalent provision at the end of the year, after deduction of all claims paid during the financial year and addition of the allowance for new claims notified in the 2008/2009 policy year.

Of the claims incurred figure of £8.1m (2008 - £6.1m), £4.8m represents the deterioration in respect of prior years (2008 – deterioration of £3.9m).

#### 7(d). Change in Reinsurers' (R/I) share of technical provision

|  | 2009               | 2008               |
|--|--------------------|--------------------|
|  | £                  | £                  |
| R/I share of claims outstanding at end of year         | 4,131,116          | 2,268,284          |
| R/I share of claims outstanding at beginning of year   | <u>(2,268,284)</u> | <u>(2,527,884)</u> |
| Increase/(decrease) in R/I share of claims outstanding | <u>1,862,832</u>   | <u>(259,600)</u>   |

The reinsurers' share represents the provision for that part of the gross claims provision, which is recoverable from reinsurers and is based on estimated recoveries against actual claims and costs payments made and estimated claims and costs provisions.

The movement in the reinsurers' share of outstanding claims is the difference between the provision at the start and at the end of the financial year.

#### 8. Net operating expenses

|  | 2009           | 2008           |
|--|----------------|----------------|
|  | £              | £              |
| <b>Acquisition costs</b>                     |                |                |
| Management costs (note 4)                    | 408,260        | 387,090        |
| Brokerage                                    | <u>224,898</u> | <u>207,291</u> |
|  | 633,158        | 594,381        |
| <b>Administration expenses</b>               |                |                |
| Legal and Professional fees                  | 24,661         | 26,674         |
| Directors' and Officers' Liability Insurance | 19,950         | 21,782         |
| Printing costs                               | 3,430          | 3,786          |
| Meeting expenses                             | 1,602          | 3,096          |
| Financial Services Authority Fees            | 21,905         | 18,313         |
| Auditors' remuneration                       | 29,375         | 29,375         |
| Auditors' remuneration for controls audit    | 11,504         | (10,046)       |
| Financial Services Compensation Scheme Levy  | 18,754         | 8,020          |
| Management costs (note 4)                    | <u>163,230</u> | <u>154,767</u> |
|  | <u>927,569</u> | <u>850,148</u> |

**SOLICITORS INDEMNITY MUTUAL INSURANCE ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**8. Net operating expenses (contd)**

Acquisition costs are the costs of underwriting, processing renewals and premium adjustments and credit control. Administration expenses include the costs of regulatory compliance, the preparation of accounts and general management.

There were no Directors' emoluments during the year.

**9. Investment income**

|                                     | <b>2009</b>      | <b>2008</b>      |
|-------------------------------------|------------------|------------------|
|                                     | <b>£</b>         | <b>£</b>         |
| Interest on listed investments      | 552,922          | 575,961          |
| Bank deposit interest               | 4,656            | 399,262          |
|                                     | <u>557,579</u>   | <u>975,223</u>   |
| Gains on realisation of investments | 773,117          | 61,387           |
|                                     | <u>1,330,696</u> | <u>1,036,610</u> |

**Investment expenses and charges**

|   | <b>2009</b>   | <b>2008</b>   |
|---|---------------|---------------|
|   | <b>£</b>      | <b>£</b>      |
| Investment management expenses:         |               |               |
| Banking and custodial charges           | 6,416         | 11,115        |
| Investment management services (note 4) | 75,280        | 71,376        |
|   | <u>81,696</u> | <u>82,491</u> |

**10. Unrealised gains on investments**

|   | <b>2009</b>    | <b>2008</b>    |
|---|----------------|----------------|
|   | <b>£</b>       | <b>£</b>       |
| Cost (note 12)                            | 12,424,133     | 19,078,225     |
| Market value (note 12)                    | 12,714,448     | 19,210,383     |
| Unrealised gains at year end              | <u>290,315</u> | <u>132,158</u> |
| Unrealised gains/(losses) on equities     | 249,198        | (357,566)      |
| Unrealised (losses)/gains on bonds        | (91,043)       | 370,517        |
| Unrealised gains movement during the year | <u>158,155</u> | <u>12,951</u>  |

**SOLICITORS INDEMNITY MUTUAL INSURANCE ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**11. Taxation**

- (a) By virtue of its mutual status, the Company is not liable to tax on its insurance operations. It is liable to tax on its investment income and gains. The charge in the Income and Expenditure Account represents:

| <b>Income and Expenditure account</b>   | <b>2009</b>    | <b>2008</b>    |
|---|----------------|----------------|
|   | <b>£</b>       | <b>£</b>       |
| UK Corporation tax at 28% (2008 - 29%)  | 394,003        | 276,132        |
| Marginal Relief                         | (2,553)        | (11,641)       |
| Deferred tax gain                       | -              | 5,760          |
| (Over)/under payment from previous year | (1,343)        | 848            |
| Total current tax (note 11b)            | <u>390,107</u> | <u>271,099</u> |

- (b) The tax assessed for the period is lower than the standard rate of corporation tax in the UK (28%). The differences are explained below:

|  | <b>2009</b>      | <b>2008</b>        |
|--|------------------|--------------------|
|  | <b>£</b>         | <b>£</b>           |
| (Deficit)/surplus on ordinary activities before tax  | <u>(526,915)</u> | <u>(1,553,891)</u> |
| Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% | (147,535)        | (450,628)          |
| <i>Effects of:</i>   |                  |                    |
| Non-taxable mutual insurance operations  | 541,539          | 731,079            |
| Marginal relief  | (2,553)          | (11,641)           |
| Frozen gain under Section 64 Finance Act 2002 (realised)                                       | -                | 5,760              |
| Other non-taxable / allowable items  | -                | (4,318)            |
| (Over)/under provision in prior year   | (1,343)          | 848                |
| Current tax charge   | <u>390,107</u>   | <u>271,099</u>     |

**SOLICITORS INDEMNITY MUTUAL INSURANCE ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**12. Taxation ( contd)**

**(c) Balance Sheet**

| <b>Taxation Creditor</b>                | <b>2009</b>      | <b>2008</b>      |
|---|------------------|------------------|
|   | <b>£</b>         | <b>£</b>         |
| Taxation creditor brought forward       | 264,491          | 259,320          |
| Payment of corporation tax              | <u>(263,149)</u> | <u>(260,168)</u> |
|   | 1,342            | (848)            |
| <br>                                    |                  |                  |
| UK Corporation tax for the current year | 395,344          | 276,250          |
| Marginal relief                         | (2,553)          | (11,641)         |
| Under payments                          | -                | 966              |
| Creditor as at 30 September (note 15)   | <u>391,449</u>   | <u>264,491</u>   |
| Non-taxable investment related expenses |                  |                  |

**(d) Deferred taxation**

| <b>Provisions for taxation – deferred taxation</b> | <b>2009</b> | <b>2008</b>  |
|--|-------------|--------------|
|  | <b>£</b>    | <b>£</b>     |
| Opening balance                                    | -           | (5,760)      |
| Release for the year                               | <u>-</u>    | <u>5,760</u> |
| Closing balance (note 2 (h))                       | <u>-</u>    | <u>-</u>     |

There was no deferred tax asset at the year-end.

**(e) Cash flow statement**

| <b>Corporation tax</b> | <b>2009</b>    | <b>2008</b>    |
|------------------------|----------------|----------------|
|                        | <b>£</b>       | <b>£</b>       |
| Tax creditor b/fwd     | <u>263,149</u> | <u>258,176</u> |
|                        | <u>263,149</u> | <u>258,176</u> |

**SOLICITORS INDEMNITY MUTUAL INSURANCE ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**12. Other Financial Investments**

|                                       | <b>Market<br/>Value<br/>2009<br/>£</b> | <b>Market<br/>Value<br/>2008<br/>£</b> | <b>Cost<br/>2009<br/>£</b> | <b>Cost<br/>2008<br/>£</b> |
|---------------------------------------|--|--|----------------------------|----------------------------|
| Other financial investments comprise: |  |  |                            |                            |
| Fixed interest securities             | 8,300,045                              | 13,297,213                             | 8,092,959                  | 12,999,086                 |
| Units in unit trusts                  | 4,406,324                              | 5,907,006                              | 4,323,095                  | 6,072,975                  |
| Cash Deposits                         | 8,079                                  | 6,164                                  | 8,079                      | 6,164                      |
|                                       | <u>12,714,448</u>                      | <u>19,210,383</u>                      | <u>12,424,133</u>          | <u>19,078,225</u>          |

|                                       | <b>Market<br/>Value<br/>2008<br/>£</b> | <b>Market<br/>Value<br/>2007<br/>£</b> | <b>Cost<br/>2008<br/>£</b> | <b>Cost<br/>2007<br/>£</b> |
|---------------------------------------|--|--|----------------------------|----------------------------|
| Other financial investments comprise: |  |  |                            |                            |
| Fixed interest securities             | 13,297,213                             | 12,390,795                             | 12,999,086                 | 12,463,186                 |
| Units in unit trusts                  | 5,907,006                              | 4,111,508                              | 6,072,975                  | 3,919,910                  |
| Cash Deposits                         | 6,164                                  | 2,952,069                              | 6,164                      | 2,952,069                  |
|                                       | <u>19,210,383</u>                      | <u>19,454,372</u>                      | <u>19,078,225</u>          | <u>19,335,165</u>          |

All holdings in fixed income securities are in securities traded on recognised exchanges. All investment in unit trusts is in authorised unit trusts. Undertakings for Collective Investment in Transferable Securities (UCITS) are funds held for the short term.

SI 2008/410 of the Companies Act 2006 states the categories of investment income to be disclosed in the Financial Statements. The fund's investment holdings do not fall into any specific category and as a result, they are disclosed as other financial investments.



**SOLICITORS INDEMNITY MUTUAL INSURANCE ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**13. Other debtors**

|                                      | <b>2009</b>   | <b>2008</b>   |
|--------------------------------------|---------------|---------------|
|                                      | <b>£</b>      | <b>£</b>      |
| Claims recoveries from third parties | <u>13,500</u> | <u>13,500</u> |

Claims recoveries from third parties are all claims recoveries other than reinsurance recoveries.

**14. Prepayments**

|                      | <b>2009</b>    | <b>2008</b>    |
|----------------------|----------------|----------------|
|                      | <b>£</b>       | <b>£</b>       |
| Fees paid in advance | <u>193,389</u> | <u>191,747</u> |

**15 Other creditors**

|                       | <b>2009</b>    | <b>2008</b>    |
|-----------------------|----------------|----------------|
|                       | <b>£</b>       | <b>£</b>       |
| Accrued expenses      | 33,597         | 37,219         |
| Insurance premium tax | 226,707        | 90,647         |
| Direct Insurance      | -              | 9,864          |
| Taxation (note 11c)   | 391,449        | 264,491        |
|                       | <u>651,753</u> | <u>402,221</u> |

**SOLICITORS INDEMNITY MUTUAL INSURANCE ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**16. Net cash flow from operating activities**

|  |             |             |
|--|-------------|-------------|
| Reconciliation from surplus on ordinary activities<br>before tax to net cash outflow from operating activities | <b>2009</b> | <b>2008</b> |
|  | <b>£</b>    | <b>£</b>    |
| (Deficit) on ordinary activities before tax  | (526,914)   | (1,553,891) |
| (Increase) in debtors  | (2,688,888) | (54,597)    |
| Increase/(decrease) in creditors   | 411,026     | (1,118,245) |
| Increase/(decrease) in provision for unearned premiums   | 160,989     | (30,658)    |
| (Decrease)/Increase in net provision for claims  | (1,894,764) | 1,330,276   |
| Realised investment gains  | (1,330,696) | (1,036,610) |
| (Increase) in market value of investments  | (158,155)   | (12,951)    |
| Investment expenses  | 81,696      | 82,491      |
|  | <hr/>       | <hr/>       |
| Net cash outflow from operating activities   | (5,945,706) | (2,394,185) |

**17. Movement in opening and closing portfolio investments**

|                                       |                   |                  |
|---------------------------------------|-------------------|------------------|
|                                       | <b>2009</b>       | <b>2008</b>      |
|                                       | <b>£</b>          | <b>£</b>         |
| Net cash in/(out) flow for period     | 1,704,087         | (1,492,056)      |
| Portfolio investments                 | <hr/> (7,427,207) | <hr/> (318,327)  |
| Movement arising from cashflows       | (5,723,120)       | (1,810,383)      |
| Movement on investment valuations     | <hr/> 931,273     | <hr/> 74,340     |
| Movement for the year                 | (4,791,847)       | (1,736,043)      |
| Portfolio investments at 1 October    | <hr/> 19,593,539  | <hr/> 21,329,582 |
| Portfolio investments at 30 September | <hr/> 14,801,692  | <hr/> 19,593,539 |

**18. Movement in cash deposits and investments in the year**

|                           | At 1<br>October<br>2008 | Cashflow          | Changes<br>to market<br>value | At 30<br>September<br>2009 |
|---------------------------|-------------------------|-------------------|-------------------------------|----------------------------|
|                           | £                       | £                 | £                             | £                          |
| Fixed interest securities | 13,297,214              | (5,808,633)       | 811,465                       | 8,300,046                  |
| Units in unit trusts      | 5,913,171               | (1,618,574)       | 119,808                       | 4,414,405                  |
| Cash at bank              | 383,154                 | 1,704,087         | -                             | 2,087,241                  |
|                           | <hr/> 19,593,539        | <hr/> (5,723,119) | <hr/> 931,273                 | <hr/> 14,801,692           |

# SOLICITORS INDEMNITY MUTUAL INSURANCE ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 18. Movement in cash deposits and investments in the year (continued)

The comparative figures for last year were:

|                           | October<br>2007<br>£ | Cashflow<br>£      | Changes<br>to market<br>value<br>£ | September<br>2008<br>£ |
|---------------------------|----------------------|--------------------|------------------------------------|------------------------|
| Fixed interest securities | 12,390,795           | 591,926            | 314,493                            | 13,297,214             |
| Units in unit trusts      | 4,118,153            | 2,035,171          | (240,153)                          | 5,913,171              |
| Cash Deposits             | 2,945,424            | (2,945,424)        | -                                  | -                      |
| Cash at bank              | 1,875,210            | (1,492,056)        | -                                  | 383,154                |
|                           | <u>21,329,582</u>    | <u>(1,810,383)</u> | <u>74,340</u>                      | <u>19,593,539</u>      |

### 19. Location and nature of business

All operations are direct professional indemnity insurance written within the United Kingdom. All business is classified as third party liability insurance.

**SOLICITORS INDEMNITY MUTUAL INSURANCE ASSOCIATION LIMITED**

**SOLICITORS INDEMNITY MUTUAL INSURANCE ASSOCIATION LIMITED**

Registered in England No. 1985809

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