UIA (Insurance) Limited

Annual Reports and Financial Statements for the year ended 31 December 2021 of the Society and its subsidiaries

UIA (Insurance) Limited

Contents

Registered office
UIA (Insurance) Limited
Kings Court London Road Stevenage Herts
United Kingdom, SG1 2TP

Society registration number
Registered Number 2898R
Co-operative Community Benefit Societies Act 2014

Statutory auditor
BDO LLP
London
United Kingdom

Bankers
Unity Trust Bank plc
Four Brindleyplace,
Birmingham B1 2JB

Investment managers
Royal London Asset Management Ltd
55 Gracechurch Street
London EC3V 0RL

Chairperson's statement

Business overview for 2021

We highlighted in our last Report and Accounts that the Society faced a very challenging year and this was indeed the experience in 2021, leading to decisive action being taken in early 2022, following the conclusion of a comprehensive strategic review.

During 2021 our results were impacted by our continued participation as an employer in the UNISON Staff Pension Scheme (a defined benefit pension scheme) (the DB Scheme). This placed unprecedented pressure on our solvency ratio.

In addition, our ability to market to members of several key partners was restricted due to certain partners ceasing to share data. Regulatory changes meant the Society was required to remove its "new business discount". In addition, the write-down of costs relating to the new IT platform, together with increased operational costs, caused further pressure on our solvency. By 31st December 2021 the ratio stood at 114%, significantly below the Board's target appetite of 150%. If this trajectory continued the Society would have been in danger of becoming insolvent and therefore at some stage would be unable to pay claims. Options to ensure the Society could remain a going concern in the long term were explored as part of the comprehensive strategic review completed in late 2021.

Overall, post tax losses for the year ending 31st December 2021 were close to £4.2m, compared to a 2020 loss of £2m and a £1.2m loss in 2019 despite restructuring that took place in late 2021.

Future of the Society and actions taken post 31st December 2021 and what it means to Members

From early in 2022, the Board recognised that further action was required which would go beyond the comprehensive restructuring, that had already been put in place, to stop increased losses. The result, taken in the best interests of members, was from 31st May 2022 the Board decided to close to new business and to policy renewals for existing customers from 15th July 2022.

So, from 15th July 2022, the Society entered run-off with the aim of achieving this in a solvent and orderly manner with the majority being completed by late 2024. This action has been taken to protect existing policy holders and to ensure all claims can be met.

To achieve this, the newly appointed CEO and the Board elected to take the following five key steps:

1. On 31st May 2022 and in order to facilitate a solvent run-off, the Society agreed Heads of Terms with UNISON and UNISON Pension Trustees to implement a Flexible Apportionment Arrangement (FAA) in relation to the Defined Benefit Scheme (DB). In return for an upfront payment of £10m, The FAA enables the Society to cease contributions to the DB Scheme and to eliminate any future liability for the Society to the Scheme. The FAA was completed on 13th September 2022 after a consultation period with the Society's employees who will lose the benefit of the DB Scheme from that date. The terms of the FAA means that any remaining assets at the end of the Society's run-off, following payment of remaining creditors will be contributed to the DB Scheme in return for the elimination of future liabilities for the Society.

2. On 31st May 2022, in order to continue the Society's brand and to ensure members have options available to them, the Society selected Uinsure Ltd to offer future renewals to Society members. The Board believe that Uinsure provided the best potential value and alignment of values for our members. Uinsure has achieved a five-star Defaqto rating for 9 years in a row. Uinsure Ltd also has existing relationships with several mutuals (Building Societies) ensuring strong alignment of values and an understanding of our members expectations. Their technology is acknowledged as market leading and delivers an approach, that, is simple and customer focused. In addition, 12 members of the UIA staff transferred (under TUPE arrangements) to Uinsure.

3. Furthermore, to ensure that the Society is in a position to pay all claims that are in progress or that might be incurred during run-off, on 1st July 2022, the Society appointed Davies Group as outsourcer/third party administrator and experts in Claims management and run-off situations to manage both central support and operational functions of the Society. This will ensure there is access to ample skilled resources during run-off. This transaction completed on 1st August 2022 and provides options for many of our staff to maintain their jobs. 37

colleagues transferred (under TUPE) to Davies Group.

4. The Society owns UIA Call Centres Ltd which provides dedicated support to members of UNISON and is a separate entity to the Insurance business. As part of the FAA agreement, UIA Call Centres Ltd together with 57 staff will transfer UNISON enabling them to maintain their participation in the DB Scheme.

5. This leaves a small core number of people in the Society to oversee the service provided by Davies Group and to take responsibility to return as much of the remaining Capital as possible, after expenses and claims payments, to benefit the UNISON Pension Scheme.

The Board has throughout the process ensured that the two regulators Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) were kept fully informed.

Governance arrangements

There were no significant changes to our governance arrangements in 2021, where the Society's Board was supported by three Board committees. These are: the Audit Committee, the Risk Committee and the Nominations and Remuneration Committee.

The Board has delegated execution of the Society's strategy to the Chief Executive Officer (CEO). The CEO is assisted in the performance of his duties by the Executive Team. There are also Working Groups covering all aspects of the Society's business.

Board composition

Although there have not been any changes in Board composition during 2021, there are some forthcoming changes to reflect the changes in the Society and to ensure an orderly run-off.

Kathryn Morgan joined the Board at the 2021 AGM and chairs our now combined Risk and Audit Committees. It is intended that Kathryn will succeed me as Chair of the Society at the conclusion of the 2022 AGM.

It is our intention that Neil Southworth joins the Board in September 2022 and we will be asking members to approve that appointment at the AGM. It is intended that, subject to regulatory approval, Neil will chair the Risk and Audit Committee.

Oliver Peterken retired from the Board in May 2022 after six years with the Society with Lucia McKeever, Tony Woodley and Tim Holliday all leaving the Society at the AGM.

Jon Craven stepped down in January 2022 and was succeeded as Chief Executive Officer, by Jon Goodchild, the Society's Chief Commercial Officer.

Bob Abberley will remain on the Board and, subject to regulatory approval, will become the Senior Independent Director, replacing Tim Holliday.

The Society thanks the departing non executives for all their contribution. The size and shape of the Board moving forward will reflect the new strategic direction of the Society following its entry into run-off.

Our colleagues and members

I would like to thank all of our colleagues who have worked tirelessly to serve our members through a very difficult period for the Society. I have been very impressed by how well the organisation has adapted to the huge changes completed in recent months, continuing to deliver excellent service to our members.

Peter Dodd
Chair of the Board
20 September 2022

Strategic Report

The Directors present their Strategic Report on the Group for the year ended 31 December 2021.

Society Purpose and future developments

As detailed in the Chairman's statement, our new aim is to ensure an orderly run-off of the Society on a solvent basis, with cover and protection provided to policy holders throughout this period. As the business runs off and there is more certainty about the final cost of claims, we plan to use any surplus as an additional contribution to the DB scheme.

Ancillaries

During the under review in addition to its core household insurance products, the Society continued to underwrite Home Emergency Assistance (Class 18) business, Before The Event (BTE) Legal Expenses insurance and After The Event (ATE) legal expenses insurance. Again, new business of these products ceased with effect from 15 July 2022

Scheme of Operations

The FCA and PRA require a comprehensive plan to be in place for firms, such as the Society, that enter into run-off. At the time of writing, this is being prepared to model our solvency cover ensuring we plan and mitigate any risks the Society may experience over the next period.

Business model and strategy

Our results for the year ended 31 December 2021 are set out on pages 37 to 39 and the balance sheet position at the year-end is set out on pages 40 to 44.

Membership has continued to decrease during 2021. Total membership including joint policyholders decreased to 88,196 by the end of 2021 (2020: 96,210). The main reason for the decline was the highly competitive market for household insurance, coupled with the high fixed costs of running a relatively small insurance business and the issues highlighted in the Chair person's statement.

2021 saw the Society make a loss of £4.2m before re-measurement of the defined benefit pension liability, compared to a loss of £2m in 2020. Key reasons for the increased loss include: total redundancy payments made (2021: £423k) associated with the annual restructuring and the investment losses on our bond and cash funds. The investment portfolio was further de-risked in the first part of 2021. This de-risking exercise into short term cash and bond funds has minimised the losses that we might otherwise have suffered, as expectations of inflation and interest rate rises increased during late 2021 and through 2022 to date.

In spite of the loss for the year, the retained profit increased marginally from £19.3m to £20.0m as a result of a significant fall in the pension scheme deficit. Details of the pension scheme deficit are contained in note 30.

The year-end solvency ratio fell to 114% (2020: 139%). Own funds fell from £18.4m to £17.6m, in part because of the expenditure on the new policy administration system, which is a disallowable asset. The solvency capital requirement increased from £13.2m to £15.4m, primarily due to changes in the market risk associated with the pension scheme assets.

We also make use of alternative performance measures as detailed in the Glossary at the end of these financial statements.

The combined operating ratio (COR) is a common measure for insurance companies and is calculated as total costs (claims plus commission and expenses) divided by net earned premiums. The ratio worsened slightly from 122.9% to 126.5% during 2021. This was largely driven by the December 2021 redundancy payment of £365k which impacted the expense element of the ratio. Also, Gross Earned Premiums (GEP) decreased by 5.6% compared to the previous year due to declining new business (GEP 2021: £18.4m, 2020: £19.5m).

Our retention rate improved circa 10% points to 85%, despite competition from the comparison site channels and the increasingly soft market. In part this was due to a lower level of pricing changes, following the significant re-pricing activity of recent years.

Staff Impact

The average remuneration paid to staff employed during the year, amounted to £31,002.

12 staff transferred under TUPE to Uinsure Ltd on 27 June 2022.

The remaining run-off business transferred to Davies Group Limited in August 2022, when a further 37 staff transferred under TUPE.

Up to six staff will remain with the Society to ensure the Society's remaining activities (such as the run-off of policies to be carried out by Davies Group Limited) are managed as effectively as possible.

At the same time that the FAA concluded on 13th September 2022, the Society sold its wholly owned subsidiary, UIA (Call Centres) Limited, to UNISON for £1 (see note 31). This subsidiary employed the colleagues who provide the helpline services for UNISON members. UNISON is the only client of UIA (Call Centres) Limited. 57 colleagues work for UIA (Call Centres) Limited and their employment will remain with that subsidiary company. Each employee will (if they choose) remain part of the UNISON Staff Pension Scheme.

The five steps outlined in the Chairman Statement (pages 2 and 3) clearly defines the future of the Society what it means to members and the actions taken in the post balance sheet period (page 86).

The Russian – Ukrainian war does not have any direct impact on the business, further details are in the Post Balance Sheet Events – the Russian – Ukrainian war (page 87)

Key performance indicators (KPIs)

Key Performance indicator	2021 Actual	2020 Actual
Financial		
Combined operating ratio	126.53%	122.90%
Household loss ratio	56.88%	57.20%
Underlying household expense ratio	64.88%	60.20%
Commission Ratio	4.78%	5.50%
Retention Rate	85.60%	75.30%
Investment yield excluding capital gains or losses	1.3%	2%
Return on capital employed	(22%)	(7%)
Solvency II Cover	114%	139%
Non-financial		
New Business policy count		
- Traditional	4,666	5,980
- Together	12	19
Average new business premium	£189	£187
Acquisition cost per policy	£167	£161

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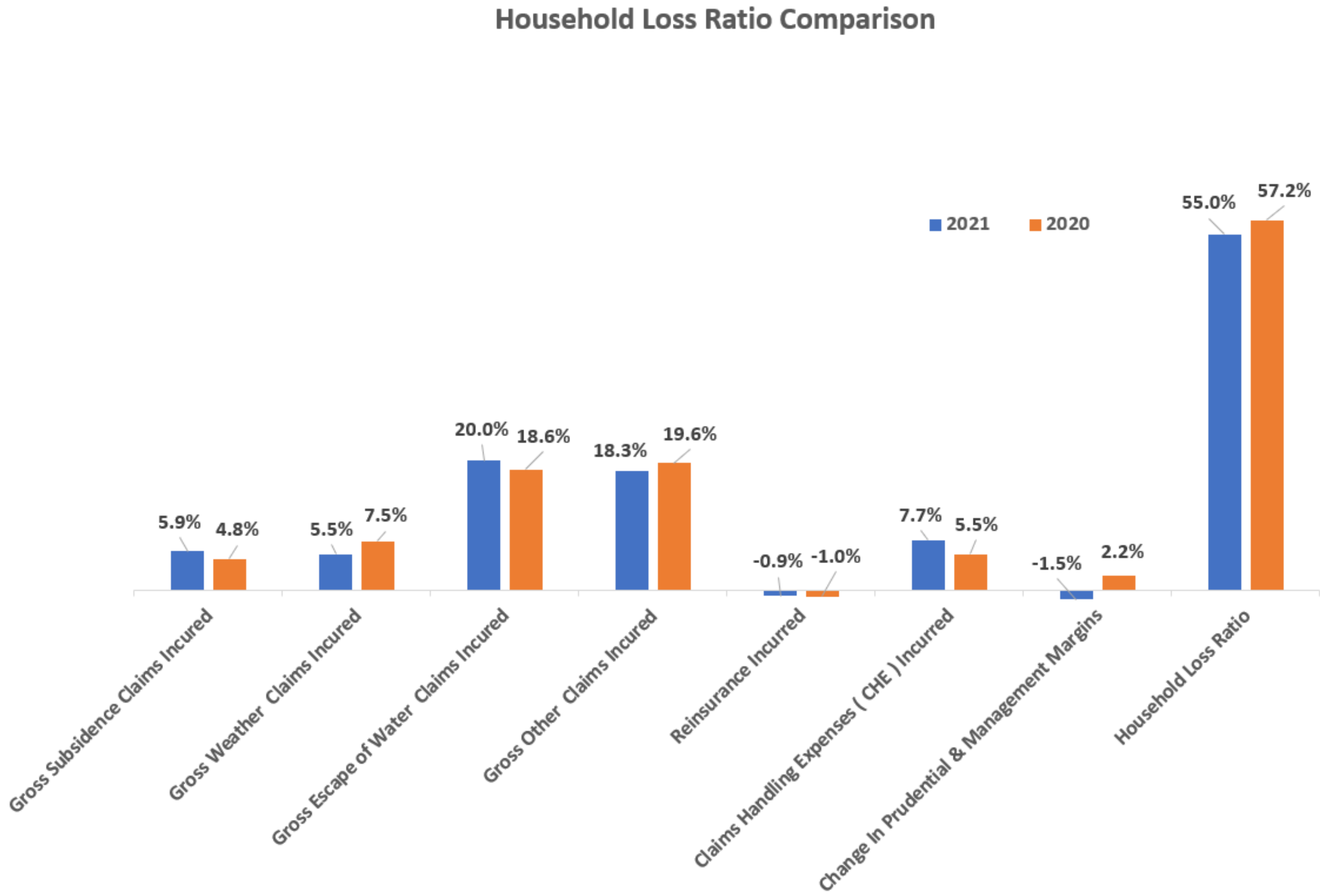
Key performance indicators (KPIs) (continued)

The chart below shows the breakdown of our underlying household loss ratio:



Key conduct indicators

One of the ways in which we can continue to differentiate ourselves as a mutual is to display those attributes that a customer-centric organisation has at its heart. Those attributes of fairness, trust and community mindedness coupled with a high level of member service, are key to what we do.

Conduct Risk Indicator		December 2021	Target	December 2020
Service Levels	Customer Services	62%	>80%	77.7%
	New business	75.9%	>80%	87.1%
	Claims abandoned calls	2.3%	<5%	5.6%
Not taken up	Not taken up	1.81%	<5%	2.2%
Declined Claims	Claims declined	17.5%	<25%	12.1%
Customer Satisfaction*	Marketing How Are We Doing	92.5%*	>90%	93.3%
Reportable complaints to Financial Ombudsman	Claims and Customer services (for the year)	22	<25	20

*- Jan-Oct data

Targets are set internally based on prior experiences as well as looking at industry standards. If a target is missed then this is investigated to see if it is short or long term and if required what actions need to be taken.

Customer service levels have slightly dropped below target as a result of working remotely. This returned to acceptable levels in 2022 together with our claims abandoned calls rate which reduced to an acceptable level as a result of our restructuring of the claims department.

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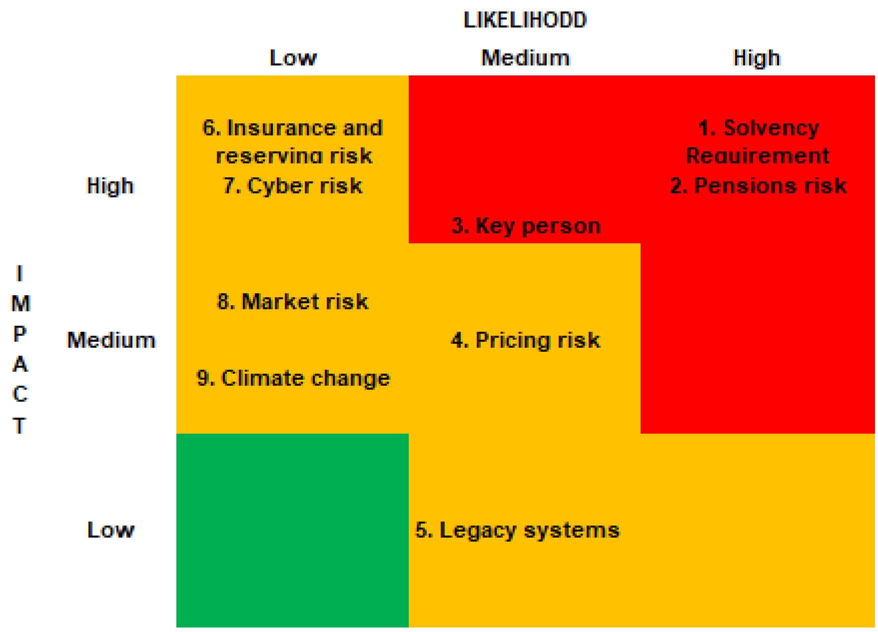
Executive pay

The Nominations and Remuneration Committee reviews executive pay using external advisers on a triennial basis. On an annual basis, subject to the approval of the Committee, executive pay is increased at the same rate as that applied to our colleagues. No increase in Executive Director pay was made for 2021 or 2022.

Principal risks and uncertainties

Our heat map of principal risks and uncertainties facing the business is shown below:



Risk Number	Risk heading	Risk description	Controls and actions
1	Solvency Requirements Risk	During 2021 the SCR fluctuated and reached a point below the Society's risk appetite of 150%.	A strategic review took place throughout 2021. Increased expense control was put in place as well as a restructure that resulted in a reduction of employees. In October the new policy administration system went live, which was designed to enable an improved pricing engine to be launched.

Principal risks and uncertainties (continued

Risk Number	Risk Heading	Risk description	Controls and actions
2	Pension Risk	The current employer pension scheme is in a deficit position. The latest triennial valuation took place in 2020 and showed an overall deficit. This deficit is mainly attributable to UNISON, the co-anothering employer of the scheme. This deficit or surplus has changed at each annual re measurement and our share is approximately 5.0%.	Heads of Terms were agreed in May 2022 and together with UNISON and the DB Scheme Trustees the Flexible Apportionment Arrangement was signed on 13th September. This eliminates the Society's liabilities to the DB Scheme and close the DB Scheme to new and existing employees of the Society. If this agreement had not been put in place the Society could have faced an insolvent run-off. Any capital remaining in the Society will be paid to the benefit of the DB Scheme and/or UNISON.
3	Key Person Risk	Following the Autumn 2021 restructure there was a reduction in employees. During the latter part of 2021 a few key persons decided to leave the Society. This led to increased pressure on those colleagues who remained.	Until permanent replacements have been sourced, external expertise for business-critical roles is called upon on a short-term basis. The new policy administration system has led to efficiencies in some areas of the business and less reliance on any one person. The appointment of Davies Group Limited as outsourcer/third party administrator to manage the run-off of UIA should also reduce the Key Person Risk
4	Pricing risk	The Society operates in a highly competitive market and there is a risk that the Society either charges an inappropriate price for household insurance or fails to react quickly to changing market circumstances and regulatory changes which could lead to a poor underwriting result. It can also impact new customer acquisition in a price sensitive market.	Whilst the implementation of the policy administration system enabled the launch of a new pricing engine offering increased flexibility it is recognised that from 15th July 2022 the Society will be managing an orderly run-off.
5	Legacy systems	Increased pressure on expenses may lead to delays in replacement/upgrades of legacy systems. This may cause security and compliance concerns.	Access is controlled to a small number of authorised personnel.
6	Insurance and Reserving Risk	The Group's business is to accept insurance risk which is appropriate to enable the Group to meet its objectives. Reserving risk is associated with insurance risk and it occurs when claims provisions make insufficient allowance for claims, claims handling expenses and reinsurance bad debt provisions. There is a possibility that the Group does not make sufficient provision for exposures which could affect the Group's earnings and capital.	Within a Board approved underwriting policy and agreed risk appetites, the Group seeks to balance this insurance risk with the pursuit of appropriate reward in the form of sufficient levels of insurance premiums. Particular attention is paid to actual and forecast loss ratios, being claims incurred divided by premiums. The Group's actuarial team uses a range of recognised actuarial techniques to project the gross written premium, monitor claims development patterns and determine claims provisions. The Board review the reserving position quarterly.

Risk Number	Risk Heading	Risk description	Controls and actions
7	Cyber Risk	The risk that our Information Technology systems are attacked by external sources causing loss of proprietary information, personal data breach, or inability to trade. There is some increased risk associated with Covid-19 and working from home arrangements.	The Group continuously monitors for any threats or attempted threats. This form of risk evolves and our response needs to be agile to potential threats. The Society's operational resilience continues to be monitored in this respect. When working from home, remote access to systems is obtained via secure VPN connections, and all members of staff have been regularly reminded of the risk of increased threat and to be vigilant.
8	Market Risk	Market risk is the risk arising from fluctuations in the values of, or income from, the Group's assets due to fluctuations in equities, interest rates, and/or exchange rates.	Market risk is managed through our assets being diversified. Regular meetings are held with the Society's investment fund manager.
9	Climate Change Risk	The risk is that climate change significantly increases the risk of natural disasters such as flooding and windstorm events in the UK.	As an insurer of property, we are exposed to changes in climate that lead to increased windstorms or flooding events. Climate change is slow and affects all insurers. We believe we can adapt to such changes through our improved pricing and underwriting mechanisms. The framework for financial risk of climate change has been further embedded during 2021.

Changes to principal risks

Our principal risks are largely similar to last year with the likelihood rating of the pension risk remaining at high owing to the increased uncertainty in investment market conditions, higher inflation, and our declining commercial performance.

Reinsurance arrangements

Our core reinsurance arrangements ran from 1 January 2021 to 31 December 2021. The Board approved purchasing cover in line with our Risk Appetite. In addition, we continued to cede about 1% of our live policies to Flood Re during the course of 2021. Our core arrangements for 2022 were in place from 1 January 2022, also in line with our Risk Appetite, and we continue to cede policies to Flood Re at a similar rate to 2021. All other aspects of our reinsurance placement (e.g. credit rating of supporting reinsurers) remain in line with our Risk Appetite.

Section 172

Directors' duties include the duty of a director to promote the success of the Society for the benefit of its members as a whole, as covered in Section 172 of the Companies Act.

UIA adopted the AFM Corporate Governance Code in 2019, which provides a framework for the Society to not only demonstrate how the Board makes decisions for the long-term success of the Society and its stakeholders (as evidenced in Principle 6 – Stakeholders), but also having regard to how the Board ensures the Society complies with the requirements of Section 172 of the Companies Act 2006.

The reporting against the AFM Corporate Governance Principles has been included on page 14-17.

Throughout 2021, the Board continued to review and challenge how the Society can improve engagement with its colleagues and stakeholders in line with UIA's values; Stronger Together, Be Courageous, Inspire Trust, Celebrating Differences, Community Minded which have been embedded throughout the organisation.

The Directors of UIA understand and accept that they must act in the way they consider, in good faith, would be most likely to promote the success of the Society for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- The likely consequences of any decision in the long term;
- The interests of the Society's employees;
- The need to foster the Society's business relationships with suppliers, customers and others;
- The impact of the Society's operations on the community and the environment;
- The desirability of the Society maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between members of the Society.

Significant stakeholders, and how they have been considered by the Board within the parameters of Section 172 of the Companies Act, are shown in the table on page 11.

Sustainability information statement - Climate Change

Looking at physical risks, the short-tailed nature of household insurance combined with the annually renewable nature of cover allows the Society to respond swiftly to underlying climate change risks observed in experience. This will primarily be through risk selection and re-pricing and other underwriting actions, but can also include reinsurance options. The Society purchases per risk and catastrophe reinsurance to protect against the potential impact of large weather and other catastrophic natural events. In 2020 The Financial Risk of Climate Change Framework was implemented, and has been further embedded through 2021.

In addition, the Society may have opportunities to mitigate risk by helping policyholders take action against risks of climate change (such as education and awareness of anti-flood measures that policyholders can action on their insurable interests).

With regard to Transition risks, our investment managers, RLAM, incorporate environmental, social and corporate governance dimensions when considering asset purchases. They report regularly on such matters to our internal Investment Management Group.

Strategic Report (continued)

Stakeholder	How Stakeholder interests are considered by the Board and the Society
Members of the Society	The Board of Directors are appointed by the members at the Annual General Meeting, at which all members are invited to attend and/or vote. An annual membership engagement survey is conducted, along with 'How are we doing' surveys, the results of which are considered at the monthly Commercial Forum, which was formed to focus on Members requirements. Complaints and feedback are handled in line with Society and regulatory policy and fed back into the business for continued improvement.
Trade Union Partners	UIA has a dedicated Team, who support UIA services to our Trade Union partners and liaise with Trade Union members and officials, to help best serve our Partners and Members. The UIA Board has two Trade Union nominated members who actively contribute to discussion, challenge and decision making. UIA also provides a Helpline service to UNISON Members through UNISON direct.
Colleagues	UIA has run an annual Colleague Engagement Survey for the last four years, which captures and tracks feedback from all colleagues. Suggestions and actions that have come out of this survey, and other internal feedback methods, are tracked and progressed through the Colleague Engagement Working Group. UIA also supports colleagues in their CPD, ensuring they meet the IDD requirements and encouraging growth and learning through the UIA training programme, and workshops are offered to develop soft skills throughout the year. Monthly 1:1s between colleagues and managers take place to track performance, feedback, and career aspirations. Frequent organisation-wide communications are sent to all colleagues, and regular Society briefings are conducted by the CEO to update all colleagues on the Society's performance, goals and news. UIA chose to be reviewed by Investors in People in 2020. Investors in People assess a firm's ability to lead, support and improve. UIA maintained it's 'Established' standard.
Regulatory authorities	UIA operates openly and honestly with the regulatory authorities, appropriately communicating all matters that need to be reported. Regulatory submissions are made to appropriate deadlines, with review, recommendation and approval made through the relevant Board, Committee or working parties, with decisions and approvals tracked and minuted. The UIA Board takes into account regulatory requirements and expectations when undertaking decision making for the Society. All colleagues understand and adhere to the Conduct Rules, and colleagues that fall under the SMCR regime are appropriately registered and reviewed. Two regulators Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) were kept fully informed
Suppliers	UIA undertakes appropriate due diligence and contract reviews for suppliers. MI is regularly received from suppliers and discussed with them at periodic meetings. Suppliers are reviewed at appropriate intervals to ensure that the Supplier is the best fit for the Society and our members. Twice monthly payment runs are actioned for general suppliers, and monthly payment runs are actioned for claims suppliers.
The Community	UIA has policies in place to support colleagues in undertaking voluntary work to serve the Community. UIA has policies in place to cover charitable donations, including charity matching. Local charities within the Community are nominated and supported through the year, and in particular in the run up to Christmas.
The Environment	UIA is operating a programme of change to help combat climate change. This includes actioning environmentally friendly activities, including significantly reducing single use plastic, adding mixed recycling bins, recycling shredded paper, reducing printing and postage, and promoting a cycle to work scheme. Environmental initiatives, suggestions and improvements are welcomed by management and implemented where possible.

Jon Goodchild
Director

20 September 2022

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2021.

Strategic Report

The principal activity of the Society is underwriting household insurance business. A review of the year is contained within the strategic report. We note particularly the financial and risk management objectives and policy highlighted in the Corporate Governance report on page 20. Our exposure to price risk, credit risk, liquidity risk and cash flow risk is covered in the Strategic Report in the section on principal risks and uncertainties on page 7.

Future developments

Details of future developments are contained within the strategic report.

Distribution

The Directors do not recommend the payment of a distribution for 2021 (2020: nil).

Directors

The following Directors held office throughout the year, except as noted below:

Chairperson

Peter Dodd

Executive directors

Jon Craven - Resigned on 14 January 2022

Jon Goodchild Chief Executive Officer - Appointed by the Board on 1 April 2022

John Nickson Finance Director

Non-executive directors

Bob Abberley
Tim Holliday- Senior Independent Director
Lucia McKeever
Oliver Peterken - Resigned on 31 May 2022
Tony Woodley
Kathryn Morgan – Appointed on 23 June 2021
Eithne McManus – Resigned on 30 June 2021
Angie Roberts - Resigned on 30 June 2021

Charitable donations

During the year we made charitable donations of £5,652 (2020: £5,000), including to Benenden's charity. We did not make any political donations.

Statement as to disclosure of information to auditor

The Directors that held office at the date of approval of this Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Society's auditors are unaware, and each Director has taken all the steps they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Society's auditors are aware of that information.

Appointment of Auditors

The Board is satisfied that BDO LLP continue to offer best value and as a result, a resolution to appoint BDO LLP as Statutory Auditors will be proposed at the forthcoming Annual General Meeting. BDO LLP is entirely independent of the Society and no member of the Board has a business relationship with BDO LLP.

By order of the Board

Jon Goodchild
Director
20 September 2022

Corporate Governance Report

The Directors present their corporate governance report. A brief biography of each of the Directors is given below:

The Board of Directors

Peter Dodd
Non-Executive Director – Independent – Chair

Peter was appointed a non-executive Director in 2009. Peter is Chair of the Board following PRA approval on 10 February 2017.
Peter worked for the Post Office for 23 years and then for the Communication Workers Union (CWU) for 10 years. Peter held positions within the CWU from 1976 to 2007. He is a Director of the Mechanics Centre Ltd, an Employment Tribunal Member and a Disability Qualified Tribunal member of the Social Entitlement Chamber.
Peter will retire from the Board with effect from the 2022 AGM

Jon Craven
Chief Executive Officer - Executive

Jon was appointed CEO on 4 April 2016 and resigned on 14 January 2022. Jon has extensive experience within the financial services sector and has specific skills in the initiation and delivery of major strategic and profitable partnerships in banking, insurance and healthcare. Prior to joining UIA, he operated as a business consultant to Simply Health and held the position of Commercial Director at Benenden Health. His early career was in the building society sector, specialising in Mortgages and Insurance.

Jon Goodchild
Chief Executive Officer

Jon has extensive experience within Financial Services, Legal and Insurance sectors and has specific skills in the delivery of complex change programmes. Prior to joining UIA, Jon operated as Chair of a Law Firm and a business consultant to Insurers and Insurance Brokers. Jon previously completed senior roles within Retail Banking and holds an MBA. Jon was the Chief Commercial Officer for two years at UIA prior to becoming our CEO.

John Nickson
Finance Director - Executive

John was appointed Finance Director on 26 June 2018. John is a Chartered Accountant and Chartered Insurer and has extensive finance experience in a wide range of financial services organisations. Past employers include Wesleyan Assurance, Legal and General Insurance, Ecclesiastical Insurance, the Prudential and Swiss Re.

Bob Abberley
Non-Executive Director - Independent

Bob has been on the Board since June 2014. Bob was previously Assistant General Secretary for UNISON, with responsibilities ranging from inter-union relationships, industrial action strategies and pension governance. Bob is Chair of the Nominations and Remuneration Committee.
Bob is a member of UNISON and has been a UIA policyholder for over 15 years.

Tim Holliday
Non-Executive Director – Senior Independent Director

Tim joined the Board in May 2016. Tim spent 19 years working in insurance for Eagle Star and then Zurich Insurance. Tim was Chief Underwriting officer for Zurich's UK Branch and also Managing Director of Zurich's Personal Lines business including its student broking subsidiary Endsleigh. Tim has also previously sat on the Board of the Motor Insurance Bureau and the Insurance Fraud Bureau and is a former President of the Southampton Chartered Insurance Institute.
Tim will retire from the Board with effect from the 2022 AGM

Lucia McKeever
Non-Executive Director – Independent

Lucia has been on the Board since January 2014 and is a past President of UNISON. Lucia is a champion of equality and human rights, and became active in the trade union movement more than 20 years ago. Lucia joined the Board as a UNISON representative and transitioned to Independent.

Lucia will retire from the Board with effect from the 2022 AGM

The Board of Directors (continued)

Kathryn Morgan
Non-Executive Director – Independent

Kathryn joined the Board in July 2021 and is Chair of the Audit Committee. Kathryn is a Fellow of the Institute of Actuaries and a Chartered Enterprise Risk Actuary. She has worked at a senior level at the Prudential Regulation Authority and the Gibraltar Financial Services Commission. Kathryn is currently a non-executive director at Soteria Insurance and Marshmallow Insurance where she also chairs the Audit Committees.

Oliver Peterken
Non-Executive Director - Independent

Oliver joined the Board in May 2016 and is Chair of the Risk Committee.
Oliver is Chairman of Mitsui Sumitomo Insurance Europe and Soteria Insurance Limited. Previously he was Chief Risk Officer at BUPA UK and at Aspen Insurance Holdings, and before that held senior roles at Willis and the Prudential.
Oliver resigned from the Board in May 2022.

Tony Woodley
Non-Executive Director – Unite Representative

Tony was appointed to the UIA Board in February 2014 and is the representative for Unite, galvanising UIA's tie-in to the trade union. Tony has extensive experience within the union movement and was instrumental in the formation of Unite, at the forefront of negotiations with his union (TGWU) and Amicus. Tony is still heavily involved in the automotive industry and is a member of the influential Automotive Council UK, a government body designed to improve inward investment and create jobs in the UK.
Tony will retire from the Board with effect from the 2022 AGM

Neil Southworth
Non-Executive Director - Independent

Neil worked for Royal Sun Alliance for 25 years in the UK. He then joined the Coop Group involved in banking, life and general Insurance. For the last ten years he has been the Chief Risk Officer of the Coop General Insurance business, where he has transitioned the business into run-off. Neil is a Fellow of the Institute of Actuaries and a Chartered Enterprise Risk Actuary.

Statement of compliance with the Association of Financial Mutuals Corporate Governance Principles

The Board supports the principles of good corporate governance and is committed to maintaining a high standard of compliance by adopting the Association of Financial Mutuals Corporate Governance Principles, in the best interests of its members.

The Board considers that throughout the year ended 31 December 2021, the Society has applied the relevant principles and complied with the relevant provisions of the Association of Financial Mutuals Corporate Governance Principles. This is evidenced below:

Principle	Applied	How UIA has evidenced
Principle one: Purpose and Leadership An effective Board promotes the purpose of an organisation, and ensures that its values, strategy and culture align with that purpose.	✓	• Through the leadership of the Board, a clear vision for the Society's purpose is articulated which underpins and defines the strategy and culture of the organisation and is embedded at every level. • UIA's purpose, goals, values and target behaviours were set, under the Board's direction, to guide the Society's strategy, decisions, processes and culture; ensuring that members, colleagues, and partners remain at the heart of all decisions made. UIA's values are; Stronger Together, Be Courageous, Inspire Trust, Celebrating Differences, and Community Minded. These values have been communicated to our stakeholders and build on the organisation's existing commitment to good governance and responsibility to members. • The Board works to promote long-term ethos of inclusion, diversity, community engagement, social responsibility, and environmental sustainability, whilst remaining focused on driving improvements through strategy, serving members, effective oversight, risk management, and complying with regulations. This is further underpinned by our values. • Policies, processes and procedures are in place to support the execution of the Society's purpose and strategy across the organisation, which drives overall engagement with colleagues, union partners, members and wider stakeholders. • In 2020, UIA underwent an IIP evaluation and achieved the 'Established' status. This level has been maintained in 2021. • UIA's response to the Covid pandemic was led by the previous CEO who worked closely with the Board and Executive Team to protect colleagues and provide an uninterrupted service to our members. • Over the last year the Board has conducted the strategic review as detailed in the Strategic Report (page 4-5).
Principle two: Board Composition Effective Board composition requires an effective Chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a Board should be guided by the scale and complexity of the organisation.	✓	• The Society has in place a Charter, which sets out clear Governance processes, and documents the defined standing items for the Board and Committee meetings. The Board and Committees have agreed terms of reference, and delegated authorities. This allows for both independent challenge and transparency in the Board decision making process. • The Board is supported through the Executive Group, comprised of Heads of Department from within the Society, and has appropriate delegated authority, decision tracking and MI. • UIA has a separate Chairperson and Chief Executive to ensure that the balance of responsibilities, accountabilities and decision making across the Society is effectively maintained. The Chairperson is supported by a Senior Independent Director. The Chairperson was assessed as Independent on appointment, and all Board Level decisions are appropriately tracked, with no individual having undue influence on the decisions or decision making process. • Accountability is further driven through internal and external evaluations of the Board, with actions and recommendations tracked appropriately. • The Board is of an appropriate size for the organisation, with composition balanced between Executive and Independent Non-Executive Directors, with Directors bringing a wide range of experiences, expertise, and backgrounds to allow issues and initiatives to be considered from different perspectives.

Corporate Governance Report (continued)

Principle	Applied	How UIA has evidenced this
Principle three: Director Responsibilities The Board and individual Directors should have a clear understanding of their accountability and responsibilities. The Board's policies and procedures should support effective decision-making and independent challenge.	✓	• Board appointments have been made with care and to ensure that its membership includes the right and appropriate levels of skills and experience to address the challenges of the business, help drive the strategic plan, and protect the interests of the colleagues, members, partners, and the wider community. • Each Board Member, Director, and approved individual, has a clear understanding of their accountability and responsibilities. These are documented within the UIA Charter and reviewed as appropriate. • The Board tracks its appropriate governance, Board reserved powers, and delegated authority, through the Society's governance documents and policies, to allow them to undertake their work with due care, aligned to achieving the Society's long-term success and vision. The governance framework in place within UIA supports open and fair business, ensuring that the Society has the right safeguards in place and ensures that the key decisions it takes are underpinned by the right considerations. • Certain governance responsibilities are delegated to the Board Committees. These Committees include both Independent Non-Executive Directors, Executive Directors, and Trade Union Nominated Directors, and support effective decision making and challenge. • The Board receives regular and timely information on all key aspects of the business, through Quarterly MI, and regular communication from the business on key issues and areas of highlight.
Principle Four: Opportunities and Risk A Board should promote the long-term sustainable success of the organisation by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks	✓	• Through clear definition of the Group's corporate purpose and values the Board's decisions are focused on promoting and delivering long term value; at the heart of which are its members. This is embedded across the Group's key operating businesses and strategic decision-making areas. • The Society has an established internal control framework, and clearly drafted roles and responsibilities for the Board and Committees. • The Board has the overall responsibility of strategic decision-making and risk management and this is managed through the Risk Committee at a Board level and through a Risk Working Group at operational level. Principal operational risks have been identified across the Society with robust reporting to the Board to address these. These are articulated in the annual report. • The Board has undergone a strategic review and continues to consider appropriate opportunities.
Principle Five: Remuneration A Board should promote Executive remuneration structures aligned to the long-term sustainable success of an organisation, taking into account pay and conditions elsewhere in the organisation.	✓	• The Society's remuneration policy is set out and monitored by its Nominations and Remuneration Committee. Remuneration is set with the objective of long-term success of the Society's strategic goals and business plans. • The Colleague Remuneration Strategy, and pay banding is set by the Executive Group, in conjunction with ACTS Union. The Colleague Recruitment and Reward Working Group meets monthly, and has members from HR, Executive Directors, and a Union Representative present. • Each role within UIA was considered by the Job Evaluation Panel, which has undergone specific training and has had attendance from external expertise, to allocate each role a points-based score, to set the salary banding for each position. Every new role is considered individually by the panel, to set the remuneration at an appropriate level. • Succession planning and talent retention are key focus areas for the Society and at operating business levels.

Principle	Applied	How UIA has evidenced
Principle Six: Stakeholder Relationships and Engagement Directors should foster effective stakeholder relationships aligned to the organisation's purpose. The Board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.	✓	• The Board is clear that good governance and effective communication are essential on a day-to-day basis to deliver the purpose and to best serve the members, colleagues, and entire stakeholder community. • The Member Engagement Group meets to discuss feedback from members, and considers the impact of strategy and any business or regulatory changes on the members. In addition to the feedback received through regular surveys, UIA conducts annual member engagement surveys which work to determine the Net Promoter Score (NPS) of the business, which is then benchmarked and communicated to the Board. • The Society holds an Annual General Meeting. Members vote on issues such as Executive and Non-Executive elections and re-elections, approval of the Financial Statements and Accounts, remuneration, and reappointment of the Auditors. The vote is run and counted by an external company to ensure independence • UIA has operated alongside Trade Unions for over 125 years and continues to work closely with the Union Partners. • The Colleague Engagement Working Group meets to consider feedback, and help create a positive working environment. • The Society conducts an annual Colleague Engagement Survey, which assesses a wide range of factors to identify areas to celebrate, and areas of improvement. The anonymised results are communicated to the Executive Group, Nominations & Remuneration Committee, and Board, and are published on the intranet for colleagues to view. • UIA continues to work with local projects that support and develop the social aims and aspirations of not only the trade union partners, but also the staff who have raised additional funds for local causes. • UIA has in place a Corporate Social Responsibility Policy & Procedure, which lays out the Society's policy for colleagues on volunteering, charitable giving and fund-raising, and the 'Give As You Earn' scheme. • UIA supported the local community during the pandemic through donations to a local foodbank.

Role of the Board

The role of the Board is to set and manage the strategy for the Society in a manner that upholds the vision of the organisation and to deliver the maximum value to the Society for the benefit of its members, whilst complying with the relevant regulatory requirements, and that the Society meets the rules and has the highest corporate governance standards.

The Board usually has six regular formal meetings in a year but other meetings are convened as required to allow the Board to review the Society's strategy and to agree the plans and budget for the forthcoming year. In 2021, the Board conducted its meetings online due to the risks posed by the ongoing pandemic.

Board's reserved powers

The Statement of the Board's Reserved Powers is set out in the Society's Charter and relates in the main to factors affecting the long- term strategy of the Society, while day-to-day decisions are delegated to the Executive Directors. These powers are set out below.

The Board reserves itself to decisions that determine:

- The long-term prosperity, viability, security and reputation of the Society;
- Policies governing the way the Society is perceived and treats others;
- Relations with stakeholders;
- Policies covering material financial matters and commitments, statutory obligations, compliance, probity and ethical matters;
- Matters concerning the Board and senior management; and
- Delegated authority levels.

Insurance

The Society has a Directors' and Officers' insurance policy covering any potential legal actions against the Directors arising in the performance of their duties with an aggregate limit of £5 million. This cover was in force during the year and as at the date of signing this report.

Chairperson and Chief Executive Officer (CEO)

The roles of Chairperson and CEO remained separate throughout the year and their respective responsibilities have been agreed by the Board. The Chairperson's main responsibility is to lead and manage the work of the Board, to ensure it operates effectively, fully managing its responsibilities and ensuring the effective engagement and contribution of all Directors. The Chairperson encourages and promotes a culture of openness and debate by facilitating the effective contribution of Non-Executive Directors in particular and ensuring constructive relations between Executive and Non-Executive Directors. Responsibility for the day-to-day management of UIA is delegated to the CEO, supported during 2021 by the Finance Director and other senior managers within the Society.

Non-executive Directors

At the start of the year, the Board comprised of the Non-executive chairperson plus seven non-executive Directors and two executive Directors. During 2021, Angie Roberts and Eithne McManus decided to leave the Board. John Craven also left at the beginning of 2022. In June 2021, Kathryn Morgan joined the Board as a Non-executive Director.

As at the date of signing of these financial statements, the Society has five Non-executive Directors who fall within the definition of "independent" as outlined in the AFM Corporate Governance Principles.

The Board believes that it functions effectively and efficiently and provides a balance of skills and experience, manages conflicts of interest and allows changes in composition without undue disruption. It also believes that it was able to provide leadership and give direction without any imbalance that may have allowed one individual or group to dominate decision-making.

The Board regularly reviews its own balance, diversity, and effectiveness to meet the Society's requirements and business strategy.

The Board has appointed a Senior Independent Director, to provide an alternative point of contact to the Chairperson, and Executive Directors, for members who have concerns that cannot be addressed through the normal channels. The Senior Independent Director also leads the appraisal of the Chairperson.

Board appointments and re-election

All Board appointments are subject to a rigorous process instigated by the Nominations and Remuneration Committee, and ratified by the Board.

All Non-Executive Directors receive a full, formal and tailored induction on joining the Board.

All Directors are subject to election by the members at the Annual General Meeting following their appointment. They are required to seek re-election every three years following their first election. Before being appointed as a new Director, an individual is required to provide details of their current other commitments for review to ensure that they can carry out their role effectively and efficiently. In addition, all Directors are required to be notified to the Prudential Regulation Authority and Financial Conduct Authority, with roles, such as the Chairperson and certain Committee Chairs requiring prior approval before they can operate in role.

Board performance evaluation and training

Members of the Board have participated in in-house training activities covering regulatory and compliance matters.

Information and support

All Directors are authorised to seek, at the Society's expense, appropriate professional advice which enables proper discharge of their collective responsibilities.

Board diversity policy

At the April 2019 Board meeting, the Board agreed a diversity policy, which still stands. It was agreed that the Board is fully committed to the elimination of unlawful and unfair discrimination and values the differences that diverse individuals bring to the organisation, and also, the Board of UIA.

The Board will not discriminate because of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race (which includes colour, nationality and ethnic or national origins), religion or belief, sex or sexual orientation. It will not discriminate because of any other irrelevant factor and will build a Board culture that values meritocracy, openness, fairness and transparency.

Duty to prepare accounts

The Directors acknowledge their responsibilities for preparing accounts and a full statement of Directors' Responsibilities is set out on page 27. These narrative statements, together with the Consolidated Statement of Profit and Loss, the Consolidated Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Consolidated Cash Flow Statement and notes to the accounts, provide relevant and proportionate detail to our members in order for them to assess business performance and business strategy. The Directors also consider that this annual report and accounts together, taken as a whole, represent a fair, balanced and understandable view of the business at the present time and provides the information necessary for a proper assessment of the performance of the Society.

Going concern

The Strategic Report as outlined on page 4 provides an overview of business performance, together with the Society's key performance indicators in respect of the year ended 31 December 2021. The Strategic Report also provides details on the Directors' assessment of the major risks and uncertainties facing the business in the future.

We have adopted the going concern basis in respect of the preparation of the accounts for the year ended 31 December 2021, as we have adequate financial resources in order to meet our liabilities as they fall due. We have total assets of £56m including investment and cash assets of £41m. Our unaudited fourth quarter reported solvency capital ratio was 114% as at 31 December 2021. Due to the significant reduction in the pension deficit during 2022, this solvency cover has improved since the year end. As a result of de-risking our insurance assets by moving them into shorter dated bond and cash funds, we have reduced significantly the impact of recent market volatility to the Society.

The FAA has now removed the Society's exposure to volatility from the assets of the pension scheme.

Due to the nature of our lines of business, we do not anticipate any significant exposure to liability risk from climate change. As claims are paid and the Society winds down, our exposure to the risk of climate change will reduce.

The Board has reviewed the financial status of the Society both now and over the next twelve months on a regular basis, taking account of the actions the Board has taken and is taking.

Given the FAA has completed, the Society is proceeding on the basis that it will be able to maintain a solvent run-off.

The Society has entered into the third-party administrator contract (TPA), which was beneficial in terms of the wider sequencing for the Society leading to a reduction of risk on the pensions position, with only three members of Society staff remaining members of the pension scheme when the scheme closed. These colleagues were offered a Defined Contribution Scheme as an alternative. Following completion of the Davies Group TUPE process and the FAA; the Society has sufficient financial resources to meet its obligations as they fall due. The Board continues to give regular consideration to the "capital burn" of the business. At the rate of "capital burn" the Society has enough resources to continue to operate over the next twelve months.

Given the signing of the FAA, planning and projections the directors, the directors concluded that the directors concluded that the Society would continue to be a going concern for the next twelve months.

Risk management and internal controls

The Society is committed to high standards of risk management and internal control. The Board is accountable to the members of the Society for ensuring that an appropriate system of internal control is maintained, and for reviewing its effectiveness. Taking account of the limitations in any system of control, the system is designed to limit rather than eliminate the risk of failure and, as such, can only provide reasonable but not absolute assurance against material misstatement or loss.

During 2021 and up to the date of approval of the annual report, the Society has operated a system of internal control which provides reasonable assurance of effective and efficient operations covering all controls including financial and operational controls, and compliance with laws and regulations.

Processes are in place for identifying, evaluating and managing on an ongoing basis, through the systems of risk management and internal controls, the risks facing the Society. The processes include:

- Board discussion and approval of the Society's strategic objectives and plans, and the risks to achieving them;
- Board review of performance and approval of budgets;
- Regular reviews by management of the risks to achieving objectives and actions being taken to mitigate them;
- Review by the Risk Committee of any incidents of fraud, suspected fraud, material error or misstatement, and the controls in place to protect the Society against these risks;
- Regular reviews by the Audit Committee of the scope and results of internal audit and compliance work, and of the implementation of recommendations;
- The Audit Committee reviews the scope of work undertaken by the external auditors and any significant issues arising from them;
- The Audit Committee reviews accounting policies; and
- The Risk Committee and the Board consider the key risks facing the Society, as documented in the risk register and of the effectiveness of the controls in place to mitigate their impacts.
- The Audit Committee reviews accounting policies; and

The internal control system is monitored and supported by the Internal Audit function that reports to the Audit Committee on the Society's operations. During 2021, the information received and considered by the Audit Committee provided appropriate assurance about the control environment.

The Board has put in place an organisational structure with formally defined roles and responsibilities. Operational responsibility rests with the CEO and devolves through the Executive structure with clearly defined levels of authority. There are established procedures for planning, approval of capital expenditure, information and reporting systems, and for monitoring the Society's business and performance.

These include:

- A governance framework including terms of reference for the Board and its Committees;
- A clear organisational structure;
- Documented apportionment of responsibilities across the Society;
- Processes for assessing the adequacy and effectiveness of internal controls and for ensuring that these remain appropriate to the scale and complexity of activities;
- Detailed financial controls to safeguard assets from inappropriate use or loss;
- Monthly monitoring of key performance indicators against plans for the year;
- Detailed framework of operating policies and procedures including risk management and control

standards;
- Recruitment policies to select employees of the necessary calibre and experience to fulfil their responsibilities;
- Appropriate Handover Procedures;
- Conduct Rule training and awareness;
- Clear roles and accountabilities with regular performance reviews; and
- A whistle blowing procedure to enable staff to raise concerns in confidence.

The Board actively encourages a culture of continuous improvement to ensure systems of control are maintained.

As part of this process, managers of the operational areas and of each major project are required to identify the risks, the probability of their occurrence, the impact if they occur and the actions being taken to manage these probabilities and impacts to the desired level.

Managers are required to monitor and report on the key risks in their areas, highlighting whether these are stable, increasing or decreasing, as well as maintaining a risk log providing details of significant incidents and loss events. A consolidated report is submitted to every meeting of the Risk Committee providing an analysis of risks reported in the period, together with all significant changes to the Society Risk Register.

The Board confirms that there has been in place for the year under review an ongoing process for identifying, evaluating and managing the risks faced by the Society that are significant to the achievement of its business objectives.

In light of the above, the Board has made an assessment of the effectiveness of its system of governance, risk management and internal control and concluded that it is appropriate for its size and complexity and no significant weaknesses have been identified.

We present our principal risks and uncertainties within our strategic report and our exposures to price, credit, liquidity and cash-flow in Note 4 to the Reports and Accounts.

Internal Audit Function

During the year under review, our internal audit function remained outsourced to RSM.

Internal audit reviews are scheduled using a risk-based approach, in accordance with a three-year audit cycle. The risk-based approach concentrates on those areas that are considered higher risk, derived from the Society's risk register, through discussions with senior management and the Chair of the Audit Committee, and through the Internal Auditor's own independent assessment. The Internal audit function reports directly to the Chair of the Audit Committee.

Annual General Meeting (AGM)

The Board believes that it is important to obtain the views of its members and understand any issues which may concern them. The Society gathers valuable feedback from members using questionnaires and surveys. The AGM is another opportunity for the Society to communicate with members. The Directors attend the AGM and members have the opportunity to ask questions during the meeting and to meet Directors following the conclusion of the formal part of the meeting.

The 2022 AGM is being held on 27 September 2022. Formal notices are be issued to members in due course.

At the 2021 AGM, a number of resolutions were voted on as below:

To receive the annual report of the Board, the auditors' report and the audited financial statements for the year ended 31 December 2020.	98.41%
To approve the remuneration report for the year ended 31 December 2020.	96.08%
To appoint BDO LLP to be auditors of the Society, to hold office until the conclusion of the next Annual General Meeting, and to agree that their remuneration will be determined by the Board.	97.82%
To suspend Rule 72 of the Company's rules in respect of Lucia McKeever, and re-elect her as a member of the Board for the period of 23 June 2021 until the Annual General Meeting in 2022.	95.37%
To elect Kathryn Morgan as a member of the Board for a period of 3 years.	97.38%
To re-elect Jon Craven as a member of the Board.	97.99%
To re-elect John Nickson as a member of the Board.	97.56%

Corporate culture

The Society created a set of five core values in 2021 through colleague working groups. These values – Stronger Together, Be Courageous, Inspire Trust, Celebrating Differences, Community Minded, continue to be embedded and shape how we behave and drive our business.

Since 2017, we have carried out annual colleague engagement surveys and have created working groups to take forward appropriate actions to enhance the working environment and drive engagement. Colleagues of all levels are encouraged to contribute and be involved in these working groups.

We believe it is important to support and develop colleagues to enhance their skills and progress their careers and are proud to have achieved and held the Investors in People (IIP) accreditation at Silver (Established) level since 2016, with our most recent assessment taking place in 2020.

Following our move to working from home during the COVID 19 restrictions, we are looking to enhance colleagues' work life balance and provide more flexible working arrangements in the future and are currently carrying out a Hybrid Working trial to assess the feasibility of this.

The Board and senior leadership team actively support a strong and open ethical corporate culture where colleagues can act and speak openly about any subject which affects them. The Society has a whistle-blowing policy and supports the development and enhancement of other culturally minded policies as part of Human Resources development.

Regulation

The Board is very mindful of the expectations of its two regulators, the PRA and the FCA. It fosters and maintains a culture of regulatory awareness and openness throughout the Society and is committed to operating all aspects of the business in a compliant fashion.

Environmental

The Board is aware of its environmental foot print and impact on the local economy. We consider ourselves to be a significant employer in the local economy.

Complaints Policy

We aim to deliver a high standard of service to our members. If any member believes that we have failed in this aim, they have recourse to our complaints procedures. We have documented procedures for the handling and recording of complaints. We deal with all complaints with due care, ensuring that they are thoroughly investigated. The Audit and Risk Committee regularly reviews the number and type of complaints received in order to monitor that complaints are properly dealt with and corrective action is taken to prevent recurrence. Senior management deals with serious complaints. In the unlikely event that a complaint cannot be resolved to the complainant's satisfaction, they will be made aware of the option to appeal to the Financial Ombudsman Service.

Board Committees

The Board has established Committees to deal with certain functions in detail. The Terms of Reference of the Committees are detailed in the Board Charter. Details of the Board Committees are as follows:

Attendance of Directors at 2021 Board and Committee meetings

	Board	Audit Committee	Risk Committee	Nominations and Remuneration Committee
Director	Meetings attended	Meetings attended	Meetings attended	Meetings attended
Bob Abberley	8 (8)	5 (5)	-	3 (3)
Jon Craven	8 (8)	5 (5)	5 (5)	3 (3)
Peter Dodd	8 (8)	5 (5)	5 (5)	3 (3)
Tim Holliday	8 (8)	5(5)	5 (5)	2 (3)
Lucia McKeever	8 (8)	-	5 (5)	3 (3)
Eithne McManus	4 (4)	2 (2)	2 (2)	-
Kathryn Morgan	6 (6)	3 (3)	3 (3)	-
Oliver Peterken	8 (8)	5 (5)	5 (5)	-
Angie Roberts	2 (3)	-	-	1 (1)
Tony Woodley	7 (8)	-	2 (5)	1 (3)
John Nickson	7 (8)	4 (5)	4 (5)	3 (3)

The number in brackets represents the number of meetings that the Director was eligible to attend during the year.

The Chair of the Board is Peter Dodd, and the Chair of the Risk and Audit Committee is Kathryn Morgan. The Chair of the Risk Committee until his resignation in May 2022 was Oliver Peterken. At this point, the Risk and Audit Committees were combined, under the Chairmanship of Kathryn Knowles. The Chair of the Nominations and Remunerations Committee is Bob Abberley.

Changes to Directors in the year are noted in the Directors' report on page 12.

Audit Committee

The Audit Committee presents a separate report on Page 24.

Risk Committee

The Committee met five times in 2021, chaired by Oliver Peterken.

The Committee assists the Board in establishing, monitoring and amending the effectiveness and appropriateness of the Group's risk management strategy and policies. At least once a year the Committee reviews the Risk Appetite and reports to the Board any recommendations including assessing the appropriateness of the Corporate Plan in the context of Risk Appetite. At each meeting it reviews the Risk Register to ensure that all material risks are included and assessed in accordance with the Risk Appetite and to ensure that for each risk a set of risk management processes and measures are in place to mitigate or minimise the impact of the risk identified. It reports to the Board any actions arising from the review of the Risk Register to be incorporated in the financial and operational plans as appropriate.

It reviews the Own Risk and Solvency Assessment (ORSA) policy and the ORSA itself, including having an input into the choice of stresses and scenarios that are considered as part of the ORSA and the appropriateness of the Standard Formula for the purposes of setting the Solvency Capital Requirement (SCR). The Committee encourages a culture of risk awareness throughout the Society. It provides advice on aspects of risk on request from the Board.

The Committee reports to the Board the outcome of each meeting and ensures that all members of the Board are fully aware of the output of the work of the Committee and the sensitivities or risks associated with the recommendations of the Committee.

The issues the Committee considered during the year under review included:

- Review and recommend for approval the ORSA;
- The Society's risk appetite statement;
- Review and monitor the risk management framework and internal controls systems;
- Review of Committee effectiveness;
- Review of the commission disclosure statement; and
- Monitor and review of the investment strategy and investment management arrangements.

In April 2022, the Committee carried out a review of its activities for the year and was able to confirm to the Board that it had discharged its responsibilities to the Board in respect of the year ended 31 December 2021.

Nominations and remuneration Committee

The Committee met twice in 2021, chaired by Bob Abberley. The responsibilities of the Committee include reviewing the Board's structure, size and composition, selecting and proposing to the Board suitable candidates for appointment as Directors, and succession planning. The Committee considers the balance of skills, knowledge, experience, length of service, independence, diversity, gender, potential conflicts of interest and time commitment for all Directors.

The Committee determines the remuneration policy and individual remuneration packages for Directors. It reviews and approves changes to their annual salaries, performance award arrangements, fees, service contracts and other employment conditions.

Executive and Executive Directors' remuneration is externally benchmarked every 3 years, the last being in 2019. In the intervening years, their remuneration is increased at the same basic inflationary rate as that awarded to our colleagues.

In April 2022, the Committee carried out a review of its activities for the year and was able to confirm to the Board that it had discharged its responsibilities to the Board in respect of the year ended 31 December 2021.

By order of the Board

Jon Goodchild
Director
20 September 2022

Audit Committee Report

Membership

This Committee assists the Board in discharging its responsibilities for the integrity of the financial statements and for ensuring the effectiveness of systems of internal control. It also assists the Board in providing leadership, direction and oversight with regard to the Society's governance and regulatory policies and procedures, including those relating to compliance, financial malpractice and internal non-financial controls.

All members of the Committee are Non-Executive Directors and three members of the Committee have recent and relevant financial experience. Three Committee members have expertise in insurance, including one member with specific household general insurance experience.

The Committee met five times during 2021. The Committee invites a number of attendees to its meetings during the year, including the CEO, the Finance Director, the Head of Operational Risk and Compliance, the external and internal auditors, the Chair of the Board and members of senior management. The Committee also met separately with the internal auditors without Executive Directors or management present. The Chair met with the external and internal auditors on a regular basis without Executive Directors or management present.

Following the 2021 AGM, the Chair of the Audit Committee stepped down and was replaced by a new Non-Executive Director.

Activity

The Committee is authorised to investigate any activity within its terms of reference. It monitors the integrity of the financial statements of the Society, reviewing the significant reporting judgements, in particular going concern, the adequacy of insurance technical provisions and the calculation and recognition of retirement benefit obligations contained in the accounts. It reviews the Society's internal financial controls and the internal control and risk management systems.

In April 2022, the Committee carried out a review of its activities for the year in order to discharge its responsibilities to the Board in respect of the year ended 31 December 2021.

Significant issues considered by the Committee

The issues the Committee considered during the year under review included:

- An assessment of the significant estimates and judgements used by the Directors in preparing the financial statements including the technical provisions, the assumption of going concern (in particular, the implications of the strategic review as detailed in the page 4-5).
- An assessment of the method and assumptions used to determine the Pension Scheme liability in the financial statements;
- There is no requirement for the Solvency and Financial Condition Report (SFCR) to be audited, as the Society has utilised an exemption from the requirement to have the SFCR audited which applies to smaller insurance firms.
- The service provided by the external auditor.
- The tender process and appointment of a new external auditor.
- The compliance monitoring plan, and regular compliance reports.
- The internal audit plan, the main internal audit findings and progress throughout the year in addressing these findings.
- A quarterly review carried out on the technical provisions, and progress in refining the methodology used.

Internal audit

Over the course of the year, the Committee monitored and reviewed the effectiveness of the Society's internal audit function, reviewed and approved the plan for the following year and considered all material findings and recommendations raised in respect of specific audits. The Committee Chair updated the Board on key issues from the internal audits.

The Committee updated the internal audit plan as needed due to the strategic challenges facing the Society.

In addition, the Committee reviewed the effectiveness of RSM, the internal audit service provider, and concluded that it played an effective and important role in the overall control framework.

External audit

Including this year end, our external auditor, BDO, has audited the first set of financial statements for us, having been appointed in 2021.

Kathryn Morgan
Chair of the Audit Committee
20 September 2022

Directors; Remuneration Report

Executive pay

The Nominations and Remuneration Committee reviews Executive pay using external advisers on a triennial basis. On an annual basis, subject to the approval of the Committee, Executive pay is increased at the same rate as that applied to our colleagues.

Remuneration policy for Executive directors

The policy is that the remuneration for Executive directors should reflect performance and enable the Society to attract, motivate, and retain suitably qualified individuals.

Salaries

Base salaries are reviewed triennially using external consultants. This was last carried out in 2019 and the next review is in 2022. In the intervening years, subject to the approval of the Nominations and Remuneration Committee, the policy is to increase base salaries at the same basic inflationary rate as the Society's colleagues. No increase was applied for 2021 or 2022.

Pension

Executive directors are eligible to be members of UNISON's Staff Pension Scheme, which is a defined benefit plan with a pension paid on retirement based on salary and length of service. Contributions of 9.1% were made in 2021 by way of salary sacrifice by the Directors that elected to join the scheme, and a further 26.8% by the Society. Additionally, social security taxes associated with the salary sacrifice are contributed. Future contributions rates are disclosed in Note 30: Retirement benefit obligations. A director who doesn't join the scheme is eligible for a pension allowance. The Society provides a lump sum benefit of four times basic salary in the event of death in service to Executive directors, either through the scheme or independently.

Other benefits

Executive directors are provided with a car or receive a car allowance equivalent in value to the maximum permitted lease cost, plus insurance and servicing costs. The maximum permitted value varies with the role. In addition, Executive directors are eligible to participate in the Society's Healthcare Cash plan arrangement which is run by Westfield Health.

All Executive directors have contracts of employment incorporating their terms and conditions that are normally terminable by either party giving six months' notice.

	Jon Craven	John Nickson
	£	£
Salary and Fees	158,869	132,600
Pension and travel allowance	37,599	45,329
Other benefits	560	560
Compensation for loss of office	131,175	
Total 2021	**328,203**	**178,489**
Total 2020	197,028	178,489

Remuneration policy for Non-Executive Directors

Fees for Non-Executive Directors are reviewed annually by the Nominations and Remuneration Committee with changes normally effective from 1 January. Fees are designed to recognise their responsibilities and are reviewed using external third-parties on a triennial basis. This was last carried out in 2019. In the intervening years, subject to the approval of the Nominations and Remuneration committee, the policy is to increase base salaries at the same rate as the Society's colleagues. No increase was applied for 2021 or 2022.

The policy is to allow discretion to accommodate the need to attract different skills, experience and knowledge. Fees comprise a basic annual fee, paid in monthly instalments. Fees are neither pensionable nor performance-related and Non-Executive Directors do not participate in any bonus schemes. The basic salary for the Chairperson is £48,376. The basic salary for the Non-Executive Directors is £28,596 (2020: £28,596), with industry specialist Non-Executive Directors receiving £32,250. Committee Chairs are paid an additional £3,225 in recognition of their additional responsibilities. If Non-Executive Directors and Chairs of Committee are appointed or resign during the year, then a pro-rata fee is applied.

Directors; Remuneration Report (continued)

	Salary and fees 2021	Salary and fees 2020
	£	£
Peter Dodd	**48,376**	48,376
Bob Abberley	**31,821**	31,821
Tim Holliday	**35,475**	35,475
Lucia McKeaver	**28,596**	28,596
Eithne McManus	**17,738**	35,475
Oliver Peterken	**35,475**	35,475
Tony Woodley	**28,596**	28,596
Angie Roberts	**14,298**	25,920
Kathryn Morgan	**18,556**	-
Total	**258,931**	269,734

The Nominations and Remuneration Committee agreed a supplementary payment of £40,000 to Tim Holliday, for his services as Interim Chief Executive following the departure of the previous Chief Executive in January 2022.

Directors' Responsibility Statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. The Co-operative and Community Benefit Societies law, as modified by the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008 (the Regulations) and the Companies Act 2006 require the Directors to prepare financial statements for each financial year. In accordance with the Regulations the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”. Under the Regulations 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 Society and of the profit or loss of the Society 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 accounts; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Society and Group will continue in business.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Society’s website.

Jon Goodchild
Director
20 September 2022

Independent Auditor’s Report to the Members of UIA (Insurance) Limited

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Group’s and of the Society’s affairs as at 31 December 2021 and of the Group’s loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014 and the Companies Act 2006, as applied to insurance undertakings by The Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008.

We have audited the financial statements of UIA (Insurance) Limited (the ‘Society’) and its subsidiaries (the ‘Group’) for the year ended 31 December 2021 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Balance Sheet, the Statements of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and Financial Reporting Standard 103 *Insurance Contracts* (United Kingdom Generally Accepted Accounting Practice), and in accordance with the provisions of the Co-operative and Community Benefit Societies Act 2014 and the Companies Act 2006 as applied to insurance undertakings by The Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs

(UK)) and applicable law. Our responsibilities under those standards are further described in the

Auditor’s responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 26th July 2021 to audit the financial statements for the year ended 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 1 year, covering the year ended 31 December 2021.

We remain independent of the Group and the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Society.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors’ assessment of the Group and the Society’s ability to continue to adopt the going concern basis of accounting is included in the Key audit matters section of our report.

Based on the work we have performed, other than the Key Audit Matter relating to going concern, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Society's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage[1]	*100% of Group loss before tax* *100% of Group net earned premium* *100% of Group total assets*	
Key audit matters		**2021**
	Valuation of technical provisions	3
	Valuation of defined benefit pension scheme	3
	Going concern	3
Materiality	*Group financial statements as a whole:* £400k based on 2% of Net assets.	

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group is made up of one significant component and two non-significant components, all of which were subject to full scope statutory audits undertaken by the Group engagement team. Our approach to the audit was risk based, with our audit work being tailored to ensure that sufficient assurance was gained for us to be able to give an opinion on the financial statements as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

[1] These are areas which have been subject to a full scope audit by the group engagement team

<table>
<tr><th colspan="2">Key audit matter</th><th>How the scope of our audit addressed the key audit matter</th></tr>
<tr><td>Valuation of technical provisions

Refer to notes 2.13 - insurance contracts, 3 - Critical accounting judgements and key sources of estimation uncertainty, and 22 – Technical provisions</td><td>The financial statements include reserves for gross outstanding claims of £9,777k (2020: £9,630k) which includes individual case reserves and claims incurred but not yet reported (‘IBNR’). Estimation of these reserves requires significant management judgement.

IBNR modelling by actuarial experts is reliant on:
• Relevant claims data being input correctly into actuarial models.
• The application of appropriate actuarial techniques, judgements and assumptions.

Furthermore case reserves are inherently uncertain and rely on:
• The expertise of the claims handlers; and
• The correct and timely entry of claims information onto the claims system.

We have assessed this area as being of significant risk to the audit, and a key audit matter, due to the significance of these amounts in deriving the Group’s and Society’s results and because of the degree of assumptions and estimation underpinning the valuation, which can be highly subjective.</td><td>Our procedures included the following:

We obtained and reviewed the actuarial reports prepared by the Society and evaluated and challenged the methodology, any assumptions made, and the conclusions reached through consideration of the appropriateness of the methods and assumptions applied in respect of the nature of the insurance contract liabilities to which the Society is exposed, with the assistance our internal actuarial team as auditors expert.With the assistance of our own internal actuarial expert, we independently projected IBNR.

We reconciled the underlying data used by our actuarial expert in their projections with that used by the Society’s internal insurance technical provision estimation process to ensure completeness and accuracy of the data used.

On a sample basis, we tested claims reserves held at year end by agreeing the reserve to supporting documentation.

We reviewed claims movements around the year end and tested a sample of movements by agreeing the movements to supporting documentation.

We agreed a sample of paid claims to the movement in case reserves to gain assurance over the accuracy of setting case reserves.

Key observations:

Based on our audit procedures performed we consider the judgements and assumptions made in the valuation of technical provisions to be appropriate.</td></tr>
<tr><td>Valuation of defined benefit pension scheme

Refer to Notes 2.9 - Retirement benefit costs, 3 - Critical accounting judgements and key sources of estimation uncertainty, 24 – Provisions for other risks, 30 –</td><td>The financial statements include a defined benefit pension scheme net deficit of £12,675k (2020: £16,732k).

The pension scheme is the defined benefit scheme of UNISON, which is a multi-employer scheme. UIA assumes approximately 5.6% of the total UNISON scheme assets and liabilities.

The calculation of the Society’s pension provision</td><td>Our procedures included the following:

With the assistance of our external actuarial expert, we assessed assumptions underpinning the calculation of the defined benefit pension obligation and benchmarked against other schemes to determine an acceptable and appropriate range. We considered whether the assumptions applied to the scheme fell within those ranges and sought explanations from the Scheme as to why outliers were considered appropriate.</td></tr>
</table>

Retirement benefit obligations	requires Management to make significant judgements regarding a variety of factors including discount rate, RPI inflation, CPI inflation and mortality improvement rate. We have assessed this area as being of significant risk to the audit, and a key audit matter, due to the significance of these amounts in deriving the Group's and Society's results and because of the degree of assumptions and estimation underpinning the valuation, which can be highly subjective.	We tested the underlying data used in the estimation process to verify completeness and accuracy of the data used by the actuaries. We obtained 3rd party confirmations for the assets held within the pension scheme and obtained independent valuations of a sample of the scheme's investments. We obtained and reviewed controls reports for the custodians of the schemes assets to understand the effectiveness of controls over rights and custody of assets, over valuation, and over information management and in order to identify any matters of relevance to the audit. **Key observations:** As a result of the procedures performed, we consider the judgements and assumptions made in the valuation of the defined benefit scheme to be appropriate.
Going concern Refer to notes 2.1 - Basis of preparation, 2.1.2 – Going concern, and 31 – Subsequent events	Subsequent to the year end, management have undertaken a Strategic Review which has resulted in the decision to cease writing new business and enter solvent run-off. In order to enter solvent run-off, the Society has agreed Heads of Terms for a Flexible Apportionment Arrangement ('FAA') in respect of the Society's share of the UNISON Staff Pension Scheme. The arrangement requires the Society to make an initial payment of £10m to the Scheme in return for the Society's share of the Scheme being passed to UNISON. On completion of solvent run-off, any surplus assets of the Society will also be passed to the Scheme. We have assessed this area as being of significant risk, and a key audit matter, due to decisions and negotiations directly affecting the ability to enter solvent run-off taking place during 2022.	Our evaluation of the Directors' assessment of the Group and the Society's ability to continue to adopt the going concern basis of accounting, and our response to the key audit matter, included the following: Review of the latest available Own Risk and Solvency Assessment ('ORSA') return to check compliance with regulatory solvency requirements. This included checking that stress testing was performed and reviewing the results of the stress testing; Assessing the Society's solvency position through reference of sufficiency of assets to meet liabilities and the adequacy of regulatory capital; Enquiries of the Directors and scrutiny of management information, board minutes and regulatory correspondence to ascertain the existence of undisclosed events or obligations that may cast doubt on the Society's ability to continue as a going concern; Critical evaluation of the modelling and the underlying methodology forming the basis of solvency projections for the next 12 months from when the financial statements are authorised for issue, the audit team verified that Solvency projections using an appropriate model and reconciled projections to the outcomes of the strategic review; Review of management actions arising from the strategic review and critical consideration of the impact on the ability of the Group to continue as a going concern, using information provided by management and copies of agreements with third parties;

		Review of the outturn of previous forecasts and challenge of the Society's current plans and budgets through an assessment of future budget against the audited 2021 results; We read copies of minutes of Board and other meetings relating to the Strategic Review in order to assess the nature and scope of the review and the implications of decisions made for the ability of the Group to continue as a going concern; We obtained and reviewed management's assessment of the ability to continue as a going concern, including forecasts and assumptions in relation to entering solvent run-off. We considered the appropriateness and validity of this information given the knowledge about the Society that we obtained during the course of our audit; We spoke with senior management, including the Chair of the Audit Committee, to discuss the progress of the Strategic Review throughout the audit timeline and were provided with FAA documentation. We used this to consider whether this provided sufficient assurance on the ability of the Society to enter solvent run-off; We considered the appropriateness of the disclosures made in the financial statements in respect of basis of preparation and subsequent events; and We obtained specific representations as at the date of signing the audit opinion regarding the basis of preparation. **Key observations:** Refer to the Conclusions relating to going concern section of our report.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements	**Society financial statements**
	2021 £'000	2021 £'000
Materiality	400	390
Basis for determining materiality	2% Net assets	2% Net assets
Rationale for the benchmark applied	Net assets are considered to reflect a key measure of the performance of an insurance company and is used to assess the overall financial strength of the Group and in assessing solvency.	
Performance materiality	240	234
Basis for determining performance materiality	In determining performance materiality, we considered, the groups control environment, our risk assessment and the fact this was our first year of appointment. We have assessed performance materiality as 60% of overall materiality for both the Group and the Society financial statements.	

Component materiality

We set materiality for the remaining components of the Group based on 1% of Revenue. Component materiality ranged from £26k to £1.3k. In the audit of each component, we further applied performance materiality levels of 60% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £7.8k (2020:£14.5k). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Reports and Financial Statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other reporting requirements

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Co-operative and Community Benefit Societies Act 2014, the Companies Act 2006 as applied to insurance undertakings by The Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008, and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Society and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Co-operative and Community Benefit Societies Act 2014 and the Companies Act 2006 as applied to insurance undertakings by The Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Society, or returns adequate for our audit have not been received from branches not visited by us; or • the Society's financial statements are not in agreement with the accounting records and returns; or • a satisfactory system of controls over transactions has not been maintained by the Society, 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.

Responsibilities of Directors

As explained more fully in the Directors' Responsibility Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Society or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

The most significant laws and regulations with a direct effect on the financial statements were the Co-operative and Community Benefit Societies Act 2014, the Companies Act 2006 as applied to insurance undertakings by The Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008. Furthermore, we considered compliance with other laws and regulations that do not have a direct effect on the financial statements but compliance with which is fundamental to the Group's and Society's ability to operate or to avoid a penalty, these included the regulatory solvency requirements.

We identified fraud risks in relation to the recognition of premium, Management override of controls and the Valuation of technical provisions.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management and those charged with governance to ascertain if there has been any actual or suspected fraud;
- review of minutes of board meetings throughout the period to ascertain if there has been any actual or alleged fraud discussed at meetings and to corroborate our understanding gained from our enquiries;
- obtaining an understanding of the legal and regulatory framework applicable to the Society's operations;
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- review of correspondence with the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA);
- review of the Society's Own Risk and Solvency Assessment (ORSA);

- we addressed the risk in relation to the recognition of premium by reviewing the earnings pattern for premiums through comparison to the claims notifications made during the year, recalculating the unearned premiums

- recognised, and, on a sample basis, verifying the amount of premium recognised to policy documents and bank receipt;
- we addressed the risk of management override of controls, including testing journals and evaluating whether there was evidence of bias by the directors that might reasonably represent a risk of material misstatement due to fraud; and
- the procedures documented in the key audit matter section of our report in respect of the Valuation of technical provisions;

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Society's members, as a body, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and Chapter 3 of part 16 of the Companies Act 2006, as applied to insurance undertakings by The Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008. Our audit work has been undertaken so that we might state to the Society'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 Society and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Rupert Livingstone (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

55 Baker Street

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Consolidated Statement Profit and Loss Account of the Society and subsidiaries

For the year ended 31 December 2021

Technical account - General Business

	Notes	2021 £'000	2020 £'000
Earned premiums net of reinsurance			
Gross earned premiums	5(a)	**18,429**	19,468
Reinsurance premium ceded	5(a)	**(3,070)**	(3,165)
	6	**15,359**	16,303
Allocated investment return transferred from the non-technical account		**223**	76
Other technical income		**-**	-
Total technical income		**15,582**	16,379
Claims incurred net of reinsurance			
Gross insurance claims and claims settlement expenses	5(b)	**(9,412)**	(9,663)
Insurance claims and claims settlement expenses recoverable from reinsurers	5(b)	**677**	338
		(8,735)	(9,325)
Net operating expenses	7	**(10,524)**	(9,865)
Total technical charges		**(19,259)**	(19,190)
Balance on technical account for general business		**(3,677)**	(2,811)

Note for the prior year, the Overriding Commission Income was included in the Other technical income, and it's been reclassified to the Net operating expenses this year, please further see Note 2.5 and Note 7.

The notes on pages 46 to 88 form part of these financial statements

Consolidated Statement Profit and Loss Account of the Society and subsidiaries (continued)
For the year ended 31 December 2021

Non-technical account

	Notes	2021 £'000	2020 £'000
Balance on the general business technical account		**(3,677)**	(2,811)
Investment income	10	**564**	859
Unrealised (losses) / gains on investments		**(764)**	486
Net investment expenses	10	**(2)**	19
Allocated investment return transferred to the technical account.		**(223)**	(77)
Other Net Income	11	**93**	16
Interest charged on defined benefit pension net liability	24	**(238)**	(208)
Loss on ordinary activities before taxation		**(4,247)**	(1,716)
Tax charge on loss on ordinary activities		**37**	(262)
Loss for the financial year		**(4,210)**	(1,978)

All of the income and expenditure relates to continuing operation and is attributable to the members

The notes on pages 46 to 88 form part of these financial statements

Consolidated Statement of Comprehensive Income of the Society and its subsidiaries

For the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Loss for the year		**(4,210)**	(1,978)
Re-measurement of net defined benefit pension liability	30	**4,927**	(6,292)
Total comprehensive income for the year		**717**	(8,270)

All results are derived from continuing operations and are attributable to the members

The notes on pages 46 to 88 form part of these financial statements

Consolidated Balance Sheet of the Society and subsidiaries
as at 31 December 2021

	Notes	Group	
		2021	2020
		£'000	£'000
Assets			
Intangible Assets	14	**3,778**	3,117
Other financial investments	15	**38,631**	44,215
		38,631	44,215
Reinsurers' share of technical provisions			
Unearned premiums	17(a)	**677**	729
Outstanding claims	17(b)	**874**	950
		1,551	1,679
Debtors			
Arising out of direct insurance operations		**7,577**	8,102
Arising out of direct reinsurance operations		**214**	220
Other debtors	18	**965**	306
		8,756	8,629
Other assets			
Tangible assets	19	**69**	181
Cash at bank and in hand		**2,758**	1,729
		2,827	1,910
Prepayments and accrued income			
Deferred acquisition costs	20	**272**	459
Other prepayments and accrued income		**905**	580
		1,177	1,038
Total Assets		**56,720**	60,588

The notes on pages 46 to 88 form part of these financial statements

UIA (Insurance) Limited

Consolidated Balance Sheet of the Society and subsidiaries (continued)

for the year ended 31 December 2021

	Notes	Group	
		2021	2020
		£'000	£'000
Liabilities			
Capital and reserves			
Share capital	21	**1**	1
Profit and loss account		**20,015**	19,298
Total equity		**20,016**	19,299
Technical provisions			
Gross unearned premiums	22a	**8,909**	9,420
Gross outstanding claims	22b	**9,777**	9,630
Unearned commission	22c	**370**	404
		19,056	19,454
Provisions for other risks			
Provisions for pensions and similar obligations	24	**12,675**	16,732
Other provisions		**150**	150
		12,825	16,882
Creditors			
Arising out of direct insurance operations		**2,255**	2,335
Arising out of reinsurance operations		**882**	1,019
Other creditors including taxation and social security	25	**1,136**	964
		4,273	4,318
Accruals and deferred income		**550**	635
Total equity, reserves and liabilities		**56,720**	60,588

Approved by the Board of Directors and authorised for issue on 19 September 2022 and signed on behalf by:

Chair and Director	Director	Director and Society Secretary
Peter Dodd	Jon Goodchild	John Nickson

The notes on pages 46 to 88 form part of these financial statements

Balance Sheet of the Society

for the year ended 31 December 2021

	Notes	Society 2021 £'000	2020 £'000
Assets			
Intangible Assets	14	**3,778**	3,117
Investments			
Investment in group undertakings	16	**256**	256
Other financial investments	15	**38,631**	44,215
		38,887	44,471
Reinsurers' share of technical provisions			
Unearned premiums	17(a)	**677**	729
Outstanding claims	17(b)	**874**	950
		1,551	1,679
Debtors			
Arising out of direct insurance operations		**7,577**	8,102
Arising out of direct reinsurance operations		214	220
Other debtors	18	**822**	210
		8,613	8,532
Other assets			
Tangible assets	19	**55**	127
Cash at bank and in hand		**2,447**	1,409
		2,502	1,536
Prepayments and accrued income			
Accrued interest and rent		-	-
Deferred acquisition costs	20	**272**	459
Other prepayments and accrued income		**901**	575
		1,173	1,034
Total Assets		**56,503**	60,369

The notes on pages 46 to 88 form part of these financial statements

UIA (Insurance) Limited

Balance Sheet of the Society (continued)

for the year ended 31 December 2021

	Notes	Society	
		2021 **£'000**	2020 £'000
Liabilities			
Capital and reserves			
Share capital	21	**1**	1
Profit and loss account		**19,917**	19,213
Total equity		**19,918**	19,214
Technical provisions			
Gross unearned premiums	22a	**8,909**	9,420
Gross outstanding claims	22b	**9,777**	9,630
Unearned commission	22c	**370**	404
		19,056	19,454
Provisions for other risks			
Provisions for pensions and similar obligations	24	**12,675**	16,732
Other provisions		**150**	150
		12,825	16,882
Creditors			
Arising out of direct insurance operations		**2,255**	2,336
Arising out of reinsurance operations		**882**	1,019
Other creditors including taxation and social security	25	**1,017**	829
		4,154	4,184
Accruals and deferred income		**550**	635
Total equity, reserves and liabilities		**56,503**	60,369

The Society has taken advantage of the exemption allowed under Section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The Society's profit for the year is £704,097 (2020: loss of £ 8,284,457). (see Note 13).

Approved by the Board of Directors and authorised for issue on 20 September 2022 and signed on behalf by:

Chair and Director	Director	Director and Society Secretary
Peter Dodd	Jon Goodchild	John Nickson

The notes on pages 46 to 88 form part of these financial statements

Statements of Changes in Equity

for the year ended 31 December 2021

Consolidated Statement of Changes in Equity of the Society and its subsidiaries	Share capital £'000	Profit and loss account £'000	Total £'000
At 1 January 2020	1	27,568	27,569
Loss for the financial year	-	(1,978)	(1,978)
Re-measurement of net defined benefit pension scheme liability	-	(6,292)	(6,292)
At 31 December 2020	1	19,298	19,299
Loss for the financial year	-	(4,210)	(4,210)
Re-measurement of net defined benefit pension scheme liability	-	4,927	4,927
At 31 December 2021	1	20,015	20,016

Statement of Changes in Equity of the Society	Share capital £'000	Profit and loss account £'000	Total £'000
At 1 January 2020	1	27,497	27,498
Loss for the financial year	-	(1,991)	(1,991)
Re-measurement of net defined benefit pension scheme liability	-	(6,292)	(6,292)
At 31 December 2020	1	19,214	19,215
Loss for the financial year	-	(4,223)	(4,223)
Re-measurement of net defined benefit pension scheme liability	-	4,927	4,927
At 31 December 2021	1	19,918	19,919

The notes on pages 46 to 88 form part of these financial statements

Consolidated Statement of Cash Flows of the Society and its subsidiaries

for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Cash generated from operating activities			
Net cash flow used by operation activities before investment of insurance assets	26	**(2,962)**	(2,380)
Cash flow from investing activities			
Cash generated from investment of insurance assets	26	**18,186**	896
Purchase of intangible and tangible assets		**(1,390)**	(1,065)
Net cash used in investing activities		**16,796**	(171)
Net cash increase/decrease in cash at bank and in hand		**13,834**	(2,550)
Cash and cash equivalents at beginning of year		**7,443**	9,993
Cash and cash equivalents at end of year		**21,277**	7,443
Cash at bank and in hand		**2,758**	1,729
Short term deposits presented within other financial instruments		**18,519**	5,714
Cash and cash equivalents		**21,277**	7,443

Note, for the prior year cash generated from investment of insurance assets is being presented under operating category. Cash generated from investment of insurance assets has now been reclassified from Cash generated from operating activities to Cash flow from investing activities. The amounts reclassified are £18.2m for 2021 and £896K for 2020.

The reclassification has been made following management's review of the financial statements, which indicated that the classification of UIA's existing investments as investing activities would be more appropriate and reflects that UIA's existing investments are not its principal revenue-generating activities.

The notes on pages 46 to 88 form part of these financial statements

Notes to the Financial Statements

for the year ended 31 December 2021

1. General information

UIA (Insurance) Limited is a Registered Society ("the Society") under the Co-operative and Community Benefit Societies Act 2014 and is authorised and regulated by the Prudential Regulation Authority and regulated by the Financial Conduct Authority to carry out non-life insurance business. The address of the registered office is given on page 1. The nature of the Group's operations and its principal activities are set out in the strategic report on pages 4 to 11.

2. Accounting policies

2.1 Basis of preparation, subsequent events, going concern and sustainability information

The financial statements have been prepared under the historical cost convention, modified to include the valuation of investments at fair value or at amortised cost, and in accordance with Financial Reporting Standards 102 & 103 (FRS 102 & 103) issued by the Financial Reporting Council. The Society is subject to the requirements of the Companies Act 2006 as modified by the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008 and the Co-operative and Community Benefit Societies Act 2014.

In accordance with FRS 103, the Group has applied existing accounting policies for insurance contracts.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairperson's Statement and the Strategic Report. The Strategic Report also describes the financial position of the Group, its cash flows and liquidity position, the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments, and its exposure to credit and liquidity risk.

The intangible assets consist primarily of the new policy administration system which went live in October 2021 and the new claims system which went live in the Summer of 2018. It is expected that these two systems will continue in operation until the autumn of 2023 when information will be migrated to the Davies Group Limited ('Davies Group') claims system or archived. The precise outcome is still being discussed, but given the shortened lifespan of these assets, they and all the other intangibles are being written off between June 2022 and August 2023, this being their revised period of useful economic life.

2.1.1 Key developments since the 2020 accounts were published

During 2021 and 2022 to date, the Society's board of directors have been undertaking a strategic review of the Society's business and the possible solutions that would be in the best interests of all the stakeholders of the Society, including its members.

Key considerations have been:

- The Society has been loss-making for many years, in part because of a lack of scale, which means that the ever-increasing cost of being an insurance entity is spread across a smaller premium base.

- It had previously been the case that insurance underwriting losses were more than offset by significant investment returns on a portfolio that had included higher return assets such as equities. The advent of Solvency II in 2016 required the Society to hold significantly larger amounts of capital against what are seen as higher risk (volatile) investments. In recent years, as the capital cover has come under threat, successive rounds of de-risking have taken place, including in 2021 when the Society took the decision to move to much shorter dated bond and cash funds. However, this de-risking has come at the cost of investment yield, particularly at a time when interest rates on short term assets were very low.

- It has also proved very challenging to maintain the premium base of the Society due to increasing price competition, particularly from the aggregator channels. The Society had in turn tried to grow through aggregator sourced business, but risk selection and pricing deficiencies led to increasing insurance business losses, particularly in 2018.

- The advent of GDPR brought further pressure on the business, as our Union partners sought to minimise GDPR risk, which in turn limited our access and sales to their members.

- Finally, the Financial Conduct Authority's "general insurance pricing practices – amendments" removed the Society's ability to discount the price of new business from the start of 2022. This substantially reduced our ability to win new business as we had relied heavily on a new business discount to obtain business.

- All the above factors led to a strategic review of the future of the entity during 2021 and 2022. The relatively high expense base of a small insurance entity coupled with an ever-decreasing premium base meant that losses were expected to grow indefinitely.

- We explored the possibility of becoming a broker rather than an insurer, as this would remove the Solvency II capital pressures. However, a declining premium and commission base would have swiftly returned the entity to a loss-making position.

- Merger and acquisition options were also explored. However, the Society is one of the member employers in the UNISON Staff Pension Scheme (the 'Scheme'), a multi-employer defined benefit scheme. This Scheme has a large deficit, as can be seen from the details in note 30 to these financial statements. The Society has approximately a 5.6% share in the Scheme assets, liabilities and deficit. The Scheme also has a last man standing clause, which means that each party in the Scheme would be responsible for the debts of other participating employers should another participating employer fail. These arrangements meant that the Society's board, with the benefit of advice, was left to conclude that it was an unattractive target for M&A activity.

In December 2021, the Society undertook a significant redundancy (£365k) and cost reduction exercise, which followed previous cost management activity. However, whilst this reduced losses, it did not alter the prospect of ever-growing losses.

2.1.2 Going Concern

The Directors have a reasonable expectation that the Society has adequate resources to complete a solvent run-off of the business by the end of 2026. This expectation is based on the Scheme of Operations that is being prepared and filed with the Society's regulators in September 2022. This document shows that the Society can be run off by 2026 and still have capital left at the end of this process. This residual capital will pass to UNISON/the Scheme as required by the FAA.

The most significant part of the run-off exercise is expected to be completed by the end of 2023. After that time there will be a continuation of any claims run-off until all member claims have been met. Some of the claim categories tend to have a somewhat longer run-off period. This includes claims for, ancillary liability, subsidence, large fires, large/complicated escape of water or oil, and legal expenses where the Society has written both before the event and after the event legal expenses insurance.

We have adopted the going concern basis in respect of the preparation of the accounts for the year ended 31 December 2021 as we have adequate financial resources in order to meet our liabilities as they fall due over the next 12 months. We have total assets of £56m, including investments and cash assets of £41m. Our unaudited fourth quarter reported solvency capital ratio was 114% as at 31 December 2021. Due to the significant reduction in the pension deficit during 2022, this solvency cover has improved since the 2021 year-end. This is expected to improve further once the pension assets, liabilities and deficit no longer need to be recognised as a liability of the Society given signing of the FAA. As noted above, the solvent run-off period is expected to extend well beyond the next 12 months and so the going concern basis is appropriate for the 2021 accounts. Towards the end of the run-off period, it is expected that this basis will not be appropriate.

Other aspects which support the going concern basis include:

- As a result of de-risking our insurance assets by moving them into shorter dated bond and cash funds, we have reduced significantly the impact of recent market volatility to the Society.

- Until the FAA takes effect, the Society is exposed to some volatility in its share of the pension scheme assets; the Scheme's equities are, however, protected by a collar arrangement which provides some mitigation from equity market falls. Note, the FAA has signed on 13th September, 2022.

- Due to the nature of our lines of business, we do not anticipate any significant exposure to liability risk from climate change.

2.1.3 Sustainability information statement

The above sections highlight that the focus of the Directors has been on protecting key stakeholder groups, including the Society's members. Further sustainability details are included in the Strategic report (page 10) and Climate Change Risk (page 9) sections.

2.2 Basis of consolidation

The consolidated financial statements consolidate the financial statements of the Society and its subsidiary Companies made up to 31 December of each year. The acquisition method of accounting is adopted with assets and liabilities valued at fair values at the date of acquisition.

Results of subsidiaries acquired or disposed of are included in the consolidated profit and loss account from the effective date of acquisition or to the effective date of disposal. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the Group.

2.3 Parent Society disclosure exemptions

UIA (Insurance) Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to presentation of a cash flow statement, intra-group transactions and remuneration of key management personnel.

2.4 Insurance classification

The Group's contracts are classified at inception, for accounting purposes, as insurance contracts. A contract that is classified as an insurance contract remains an insurance contract until all rights and obligations due under it are extinguished or expire. Insurance contracts are those contracts that transfer significant insurance risk, if, and only if, an insured event could cause an insurer to make significant additional benefits or incur losses in any scenario, excluding scenarios that lack commercial substance. Such contracts may also transfer financial risk.

2.5 Revenue recognition

Premiums written
Insurance and reinsurance premiums written comprise the total premiums receivable for the whole period of cover provided by contracts incepted during the financial year, adjusted by an unearned premium provision, which represents the proportion of premiums incepted in prior periods and that relate to periods of insurance cover after the balance sheet date.

Unearned premiums are calculated over the period of exposure under the policy, on a daily basis, 24ths basis or allowing for the estimated incidence of exposure under policies.

Premiums collected by intermediaries or other parties, but not yet received, are assessed based on estimates from underwriting or past experience, and are included in insurance premiums. Insurance premiums exclude insurance premium tax or equivalent local taxes and are shown gross of any commission payable to intermediaries or other parties.

Overriding Commission Income

Overriding Commissions represent reinsurers commission receivables for the whole period of cover provided by contracts incepted during the financial year, adjusted for an unearned commission provision, recognised within technical provisions.

Unearned commissions are calculated over the policy period on a 24th basis. The methodology fits to our current portfolio, as our insurance policies spread evenly through the policy period.

Overriding commission income have been historically identified within 'Other Technical income' within our profit and loss account. This has now been reclassified within 'Net Operating Expenses' to clarify the treatment and disclosures of the balance. The resulting overriding commission income will also be disclosed in note 7.

Investment return
Investment return consists of dividends, interest, movements in amortised cost on debt securities, realised gains and losses, and unrealised gains and losses on fair value assets. Investment return is allocated between the technical and non-technical accounts based on the return on assets and liabilities attributable to insurance and non-insurance activity.

Interest income
Interest income is recognised by applying the effective interest rate method, except for short-term receivables when recognition of interest would be immaterial.

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income
Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Realised gains and losses
The realised gain or loss on disposal of an investment is the difference between the proceeds received, net

of transaction costs, and its original cost or amortised cost as appropriate.

Unrealised gains and losses
Unrealised gains or losses represent the difference between the carrying value at the financial year-end and the carrying value at the previous financial year-end or purchase value during the financial year, less the reversal of previously recognised unrealised gains and losses in respect of disposals during the financial year.

2.6 Taxation

Current tax including United Kingdom Corporation Tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The taxation expense represents the sum of the tax currently payable and deferred tax.

United Kingdom taxation charged in the non-technical account is based on profits and income including realised gains and losses on all investments for the year as determined in accordance with the relevant tax legislation, together with adjustments in respect of earlier years. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in future or a right to pay less tax in the future have occurred at the balance sheet date.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded are more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

The carrying amount of deferred taxation assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or that asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Group intends to either settle on a net basis or to realise the asset and settle the liability simultaneously.

2.7 Intangible assets

Software expenditure
An internally-generated intangible asset arising from the Group's software development is recognised only if all the following conditions are met:

- an asset is created that can be identified (such as software);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Assets resulting from the purchase of software are initially measured at cost. Software is amortised on a straight-line basis over its estimated useful life, which is typically three to five financial years. Where no internally-generated asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

The impairment policy is set out in note 2.10 below.

2.8 Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

Computer equipment	50%
Plant and machinery	20% - 50%
Fixtures and fittings	20% - 50%

2.9 Retirement benefit costs

The UNISON Staff Pension Scheme is a multi-employer scheme. During the year our employees were eligible to join the defined benefit scheme of UNISON. However, due to the Flexible Apportionment Agreement with UNISON, our employees are no longer eligible to be members of the scheme effective from 13th September 2022. The disclosures required to be made under the provisions of FRS 102 are made in note 30. Employees of both UIA (Insurance) Limited and UIA (Call Centres) Limited were eligible to participate in the scheme. As part of the Flexible Apportionment Agreement with UNISON and the Trustees of the scheme, future accrual for employees of UIA (Insurance) Limited have cease from the date of the Agreement. On the same date, UIA (Call Centres) Limited has been sold to UNISON for £1;

accrual for those colleagues who are members of the DB Scheme will continue.

The Directors consider UIA (Insurance) Ltd's share (31 Dec 2021: 5.6%) of the UNISON Staff Pension Scheme assets and liabilities attach as a participating employer and as such the scheme was accounted for as a defined benefit scheme within the parent Society's accounts and at group level.

The current and past service costs are included within operating expenditure. Net interest costs are included within investment income. Re-measurement of the net defined benefit liability is accounted for in the statement of comprehensive income. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the scheme liabilities. Full actuarial valuations are obtained every three years and are updated at each balance sheet date. The resulting defined benefit scheme liability, as 31 December 2021 is shown within note 24.

2.10 Impairment of assets

Assets, other than those measured at fair value, are assessed for indicator of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the statement of profit and loss account as described below.

Non-financial assets
An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than he carrying value if no impairment had been recognised.

Financial assets
For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of its estimated future cash flows, discounted at the financial asset's original effective interest rate. For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for the decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value if no impairment had been recognised.

2.11 Financial assets and liabilities

The Society's investments comprise debt and equity instruments, cash and cash equivalents and receivables.

Recognition
Financial assets and liabilities are recognised when the Society enters into the contractual provisions of the instrument.

Initial measurement
All financial assets and liabilities are initially recognised at the transaction price (including transactional costs), with the exception of any financial assets and liabilities that are measured at fair value through the profit and loss account (which is normally the transaction price less the transaction cost), or if the arrangement constitutes a financing transaction. If the arrangement constitutes a financing transaction, then the financial asset or liability is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Fair value measurement
Where available, fair value is taken as a quoted price of an identical asset in an active market. If a quoted price is not available, the price of a recent transaction for an identical asset is used as long as there has not been a change in economic circumstances. If there is no active market and no recent transactions and an identical asset on its own is not a good estimate of fair value, an estimate of the fair value is made using another valuation technique.

Fair value estimate
The fair value measurement used to value financial assets and financial liabilities held at fair value is categorised into a fair value hierarchy as follows:

FRS102 – Appendix to Section 2 – Fair Value Measurement establishes a fair value hierarchy that prioritises the inputs to valuation methods used to measure fair value. The hierarchy is as follows:

Level 1: Fair value is measured using quoted prices of an identical asset in an active market. An active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions at an arm's length basis;

Level 2: When quoted shares are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the entity can demonstrate that the last transaction price is not a good estimate of fair value (e.g., because it reflects the amount an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), that price is adjusted; and

Level 3: If the market of the asset is not active and recent transactions of an identical asset on their own are not good estimates of fair value, the fair value is estimated using a valuation technique.

All our financial assets are held at Level 1 and there have been no transfers in or out of this level during the current year.

Subsequent measurement
Non-current debt instruments that are directly held which meet the following criteria set out under FRS 102 section 11.9 are measured at amortised cost using the effective interest method:

a) Returns to the holder are a fixed amount, or a fixed rate of return over the life of the instrument, or a variable return that, throughout the life of the instrument, is equal to a single referenced quoted or observable interest rate, or some combination of such fixed and variable rates as long as both are positive;
b) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods;
c) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put back to the issuer before maturity are not contingent on future events other than to protect the holder against credit deterioration of the issuer, or a change in control of the issuer, or the holder or issuer, against changes in relevant taxation or law; and
d) There are no conditional returns or repayment provisions except for the variable rate return described in (a) and prepayment provision described in (c).

Debt instruments that are payable and receivable within one year are measured at the undiscounted amount of the cash or other consideration expected to be paid or received net of impairment. Other debt instruments not meeting these conditions are measured at fair value through the profit and loss account.

Shares and other variable securities in unit trusts are measured at fair value through profit and loss.

Commitments to make and receive a loan that meet the conditions above are measured at cost less impairment.

Investments in non-convertible preference shares and non-puttable ordinary shares or preference shares are measured at their fair value with changes in fair value being recognised in the statement of profit and loss when the shares are publicly traded or if their fair value can be measured reliably. All other such investments are measured at cost less impairment.

Impairment of financial instruments measured at amortised cost or cost

For a directly held instrument measured at amortised cost, the impairment loss is the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate.

For an instrument measured at cost less impairment the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that the entity would receive.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the entity shall reverse the previously recognised impairment loss either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised. The Group recognises the amount of the reversal in the profit and loss account immediately.

Cash and cash equivalents
Cash and cash equivalents comprise of cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities three months or less and bank overdrafts.

2.12 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the term of the relevant lease.

Where the Society has a legal obligation, a dilapidations provision is created over the period of a lease. These provisions are a best estimate of the cost required to return leased properties to their original condition upon termination of the lease.'

2.13 Insurance contracts

Claims

Claims consist of claims paid to policyholders, changes in the valuation of the liabilities arising on policyholder contracts and internal and external claims handling expenses, net of salvage and subrogation recoveries.

Acquisition costs

Acquisition costs comprise all direct and indirect costs arising from the sale of insurance contracts. Deferred acquisition costs are those proportions of costs which relate to periods after the balance sheet date. The deferred acquisition costs are calculated on the same basis as the unearned premium.

Provision for outstanding claims

Provision for the liabilities of non-life insurance contracts is made for outstanding claims and settlement expenses incurred at the balance sheet date including an estimate for the cost of claims incurred but not reported (IBNR) at that date. The provisions are not discounted. Included in the provision is an estimate of the internal and external costs of the handling of the outstanding claims. Material salvage and other recoveries including reinsurance recoveries and recoveries from third parties where liability for loss exists are presented as assets.

Where significant delays are experienced in the notification and settlement of certain types of general insurance claims, particularly in respect of liability business and subsidence claims, the ultimate cost of which may vary from the original assessment. Adjustments to the amounts of claims provisions established in prior financial years are reflected in the financial statements for the period in which the adjustments are made and disclosed separately, if material.

Liability adequacy

At each reporting date the Group performs a liability adequacy test on its insurance liabilities less related intangible assets to ensure that the carrying value is adequate, using current estimates of cash flows, taking into account the relevant investment return. If that assessment shows that the carrying amount of the liabilities is inadequate, any deficiency is recognised as an expense in the profit and loss account initially by writing off the intangible assets and subsequently by recognising an additional liability for claims provisions or recognising a provision for unexpired risks. The unexpired risks provision is assessed in aggregate for business classes which are managed together.

2.14 Reinsurance

The Society enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outwards reinsurance premiums are accounted for in the same period as the related premiums for the direct or inwards insurance business being reinsured.

Reinsurance liabilities comprise premiums payable for outwards reinsurance contracts and are recognised as an expense when due.

Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses. Reinsurance assets are measured consistently with the amounts associated with the underlying insurance contract and in accordance with the terms of the reinsurance contract.

Reinsurance is recorded as an asset unless a right of set-off exists, in which case the associated liabilities are reduced to take account of reinsurance.

Reinsurance assets are subject to impairment testing and the carrying amount is reduced to its recoverable amount. The impairment loss is recognised as an expense in the profit and loss account. The asset is impaired if objective evidence is available to suggest that it is probable that the Group will not be able to collect the amounts due from reinsurers.

2.15 Insurance receivables and payables

Receivables and payables arising under insurance contracts are recognised when due and measured at cost. No discounting is applied due to their short-term nature.

2.16 Investment in subsidiaries

In the Society balance sheet, investments in subsidiaries are measured at cost less impairment.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects that period only or in the period of the revision and future periods if the revision affects both current and future periods.

The intangible assets consist primarily of the new policy administration system which went live in October 2021 and the new claims system which went live in the Summer of 2018. It is expected that these two systems will continue in operation until the autumn of 2023, when information will be migrated to the Davies Group claims system or archived. The precise outcome is still being discussed, but given the shortened lifespan of these assets, they and all the other intangibles are being written off between June 2022 and August 2023, this being their revised period of useful economic life.

Technical provisions

Reserving for outstanding claims, claims incurred but not reported, and whether any management risk margins should be applied is a critical judgement and is described in note 2.13 above.

Key sources of estimation uncertainty

The estimates and associate assumption are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimations.

Pensions

The employer pension scheme is valued on actuarial basis. The Society was (until the FAA) a small part of a much larger scheme and therefore assets and liabilities are valued in total and an assessment is made as to the Society's share of those assets and liabilities at 31 December 2021. The estimated proportion allocated to the Society is described in note 30.

Details of sensitivities are described in note 30.

In non-valuation years this apportionment is used to determine the pension scheme surplus or deficit.

Technical provisions

Reserving for outstanding claims, claims incurred but not reported, provision for future claims handling costs and the level of any management risk margin are areas of estimation uncertainty and is described in note 2.13 above.

Details of sensitivities are described in note 4.1.

4. Management of insurance and financial risk

The Society monitors and manages the risks relating to it through the Risk Committee and Board. A quarterly management information pack covering matters such as operational risks, complaints data, compliance monitoring plans and an update on regulatory matters and developments is presented to the Risk Committee and Board. Additionally, the Society maintains risk registers which are reviewed by the Risk Committee, and other reports are produced on an ad hoc basis as and when necessary for the Risk Committee and Board.

The Society considered its largest risk exposures to be for 2021 accounts:

- Market risk - due to exposure to spread risk from holding short-dated corporate bonds, and to risk from equities and other assets in the pension fund;
- Insurance risk - due to the uncertainty surrounding the timing, frequency and severity of household claims, more than half of which relates to the potential for catastrophe events, and
- Pension risk - due to the uncertainty surrounding the obligations to our share of the Scheme.

The above pension risks will be eliminated in September 2022 by the signing of the FAA. This will remove the risks associated with the Scheme.

The run-off will however bring different risks as follows:

- Household claims longevity risk at a time when the Directors are seeking to close the Society as quickly as possible to ensure a solvent run-off. This is in the process of being managed by transferring activities to Davies Group a specialist in third party claims administration. Davies Group are being incentivised to accelerate in an appropriate manner the management of claims for the benefit of members and the Society.
- Legal expense claims longevity risk which may also impact the ability to close the Society expeditiously. Solutions are being worked on with other providers, which may involve the cancellation and re-issue of policies in order to bring accelerated claims finality.
- Expense risk should the run-off take longer than expected. This is mitigated by the Davies Group outsourcing, which means that the Society does not have to maintain a fully resourced insurance company and costs when the claims tail reduces. The Scheme of Operations also includes a full set of stress tests covering claims, expenses and investment stresses.
- The Davies Group outsourcing also helps to manage skills risks in run-off. The ability to draw on a group employing more than 5,000 colleagues provides greater security compared to the Society seeking to resource all activities itself.
- Investment risk in that investment values may fluctuate thereby reducing capital for the run-off. This has been mitigated by the move to short-dated cash and bond funds. The results for 2021 include some impact from the previous holding of longer dated bonds, but this does show that investment risk is relatively modest. The funds themselves contain a spread of underlying investments, many of which are backed by assets; collateral includes, for example, properties.

4.1 Insurance risk

The Society accepts insurance risk through its insurance contracts. The Society is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts.

The Society manages its risk via its underwriting and reinsurance strategy. Pricing is based on assumptions made by looking at trends and past experiences. Exposures are managed by having documented underwriting limits and criteria. Reinsurance is used to reduce the effect of potential loss from individual large losses or events.

The main control against insurance risk is the careful underwriting and pricing of policies, and the effective management of claims. Moreover, the portfolios are heavily dominated by policies that renew regularly, so that historic data is relevant in assessing premium rates. Experience is reviewed continuously through the year and the monthly PPUP meeting, chaired by a member of the Executive, brings together technical specialists and senior decision makers who review performance data and decide on the Society's response.

As the Society is a relatively small insurer, its results are prone to volatility and the reinsurance programmes are designed to protect against individual large claims and collections of claims.

The main business of the Society is Household insurance. Other insurance exposures are 100% reinsured. For Household, the reinsurance programme protects against individual large claims (over £250,000 up to £5m) and against Catastrophe losses (above £1.5m, up to £28m in total per "Loss occurrence", i.e. Catastrophe, subject to an Hours clause). The programme is designed with advice from the brokers Guy Carpenter and placed with a panel of well-rated reinsurers. In addition, the Society cedes its highest Flood risks to Flood Re via the Flood Re scheme. The Flood Re cession is reviewed on a monthly basis, taking account of the size and location of all live risks.

Earned reinsurance premium in 2021 was £3,070,000 and recoveries were £677,000. This represented a loss on reinsurance of £2,393,000. It is to be expected that a reinsurance programme designed to protect against very large claims or catastrophes will produce a loss in most years.

Capital management

The following table is a summary of our capital position as reported in our Solvency and Financial Condition Report

	At 31 December	
	Unaudited	**Unaudited**
	2021	**2020**
	£m	£m
Market risk	**10.5**	8.2
Counterparty default risk	**2.4**	1.8
Non-life underwriting risk	**6.7**	6.8
Operational risk	**0.6**	0.6
Loss absorbing capacity of deferred tax	**(0.2)**	(0.2)
Diversification credit	**(4.6)**	(4.0)
Total solvency capital requirement (SCR)	**15.4**	13.2
Total own funds	**17.6**	18.4
Total surplus	**2.2**	5.2
SCR coverage	**114%**	139%

Assumptions and sensitivities

The risks associated with the household insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. We use several statistical and actuarial techniques on past claims development experience for estimating its liabilities, including chain ladder methods applied to:

- incurred claims amounts;
- paid data amounts;
- reported claim counts and average severities; and
- considering various categorisations of claims data.

We consider that the liability for claims recognised in the balance sheet is adequate but actual experience will differ from the expected outcome. In order to mitigate this risk, we hold a prudential margin of reserves above the Best Estimate.

We have carried out some sensitivity tests on the actual results for the year ended 31 December 2021 and these are set out below. The table shows the underwriting deficit as reported, and as if the listed variations had occurred.

	2021	2020
	£'000	£'000
Balance on technical account for general business	**(3,674)**	(2,811)
5% Increase in loss ratio (60% - 65%) (2020: 79% - 84%)	**(4,496)**	(3,675)
Weather event in UK – industry loss £250m	**(4,424)**	(3,561)
5% increase in expenses	**(4,243)**	(3,350)

The movements in the balance on the technical account would flow through to the profit and loss account and would deplete the equity as shown.

The *types* of scenarios were chosen to represent the most important reasonably possible adverse variations in experience: a generally higher loss ratio which could for example be caused by higher claims frequencies, inflation of claims amounts, or inadequate pricing; a large weather catastrophe which can occur at any time, where the Society is exposed up to the reinsurance deductible; and an over-run of expenses.

The *severity* of the scenarios was chosen to show the scale of each impact, and as examples of deteriorations that could have happened.

Claims development tables

The following tables show the development of our claims excluding non-specific prudential and management margins and claims handling expense reserves over a period of time on both a gross and net of reinsurance basis.

Estimates of ultimate claims Gross of RI	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013 and prior**	**Total**
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
End of accident year	7,532	**9,677**	**11,764**	**16,581**	**14,474**	**10,984**	**10,121**	**9,471**		
One year later		9,693	**11,122**	**16,652**	**13,384**	**10,151**	**9,718**	**8,854**		
Two years later			11,364	**16,835**	**13,413**	**9,539**	**9,449**	**8,759**		
Three years later				16,794	**13,971**	**9,464**	**9,094**	**8,639**		
Four years later					14,163	**9,488**	**9,217**	**8,310**		
Five years later						9,548	**9,382**	**8,334**		
Six years later							9,540	**8,605**		
Seven Years Later								8,598		
Current Estimate Of Ultimate Claims	7,532	9,693	11,364	16,794	14,163	9,548	9,540	8,598	94,024	181,256
Cumulative Payments To Date	- 3,403	- 8,125	- 10,751	- 16,416	- 13,683	- 9,309	- 9,490	- 8,526	- 93,627	- 173,329
In Balance Sheet	4,129	1,568	613	377	480	240	51	72	397	7,927

Claims Handling Expenses (CHE)	218
Prudential Margin	910
Management Margin: TP rec booked + (inflated) ibnr	422
Margin: Liability	300
	9,777
Liability in balance sheet	9,777

For Household, ULR is ten points better in 2021 than in either 2020 or 2019, which were bad years (2021 closer to historical average). This is a 20% relative improvement. Earned Premium is down about 17.5% vs 2019 and 6% vs 2020. Non-household is much smaller.

Estimates of ultimate claims net of RI	2021	2020	2019	2018	2017	2016	2015	2014	2013 and prior	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
End of accident year	7,229	9,222	11,237	16,105	13,882	10,814	9,497	9,027		
One year later		9,309	10,487	16,187	13,269	9,953	9,037	8,593		
Two years later			10,792	15,842	13,383	9,474	8,778	8,481		
Three years later				15,770	13,406	9,476	9,102	8,365		
Four years later					13,529	9,271	9,156	8,276		
Five years later						9,285	9,147	8,268		
Six years later							9,145	8,260		
Seven Years Later								8,254		
Current Estimate Of Ultimate Claims	7,229	9,309	10,792	15,770	13,529	9,285	9,145	8,254	84,692	168,006
Cumulative Payments To Date	- 3,273	- 7,973	- 10,368	- 15,529	- 13,155	- 9,144	- 9,119	- 8,221	- 84,373	- 161,154
In Balance Sheet	3,956	1,336	424	242	375	141	27	33	319	6,852
Claims Handling Expenses (CHE)										218
Prudential Margin										897
Management Margin TP Rec										422
Management Margin Liab										300
Liability in balance sheet										8,689
Gross Claims Provisions in Balance Sheet										9,777
Reinsurers' share										1,088
Net Claims Liabilities										8,689

4.2 Market risk

Market risk is the risk of adverse financial impact as a consequence of market movements such as interest rates. Market risk arises due to fluctuations in both the value of the assets held and the value of liabilities. Risk is managed in line with the Society's risk appetite. The Society has established policies and procedures in order to manage market risk and methods to measure it.

The market values of the asset categories are included in Note 15.

Based on guidance issued by The Committee or European Securities Regulators (CESR), UIA classifies debt securities in level 1 only if it can be demonstrated on an individual security by security basis that the price quotes obtained are representative of actual trades in an active market (through obtaining binding quotes or through corroboration to published market prices). Pricing providers cannot guarantee that the prices that they provide are based on actual trades in the market. Therefore, all of the corporate bonds and gilts are classified as level 2 and valued using the market prices as at the reporting date multiplied by the number of each security held. Therefore, all UIA (Insurance) Limited's financial investments are classified to Level 2.

The financial investments are valued or disclosed at fair value, by the three level fair value hierarchy as defined within FRS 102, where valuations are based on:

- Level 1: Unadjusted quoted price in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unavailable inputs)

4.2.1 Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Society is exposed to interest rate risk from movements on financial investments that have a fixed interest rate. As the amount of financial investments exposed to this risk is £3.7m (2020: £3.1m) the Board does not consider this to be a significant risk to the Society.

4.2.2 Equity risk

At the year-end we held £0.3m (2020: £0.3m) in equities or equity-based investments, being the Society's investment in subsidiaries. Under Solvency II, which is measured at Society not Group level, we are required to hold capital amounting to £0.1m (before portfolio diversification benefits) in respect of these assets in recognition of a potential fall in value.

4.2.3 Market Risk on Pension Scheme assets

As noted in (4) above and 4.5 below, the market risk on the Scheme's assets represents a significant contribution to the overall Solvency Capital Requirement. As noted in the earlier sections, the signing of the FAA, in September 2022, removed this risk from the Society.

4.3 Credit risk

The Society has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts owing in full when due. Areas where the Society is exposed to credit risk are:

- Reinsurers' share of insurance liability and amounts due from reinsurers in respect of claims already made;
- The risk of default in relation to corporate bond holdings;
- Amounts due from policyholders; and
- Deposits held with banks.

The carrying amount of financial and reinsurance assets represents the Society's maximum exposure to credit risk. There are no loans and receivables or insurance debtors due past 90 days and therefore none are considered impaired. No collateral is held or issued in respect of any financial assets or liabilities.

The Society monitors the credit risk in relation to its investment portfolio and reinsurance programme by monitoring external credit ratings for the investment and reinsurance assets held. Our potential exposure to any issues arising from Russian and Ukrainian war are disclosed on Page 5 in the Strategic Report.

Reinsurance assets are reinsurers' share of outstanding claims and IBNR and reinsurance receivables. All reinsurers on the household programme are contracted to have a credit rating of A- or better. The investment credit rating applies Standard & Poor's ratings. These are allocated below:

2021	**AAA**	**AA**	**A**	**BBB**	**BB**	**B**	**CCC***	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Debt securities	14,225	4,181	15,786	3,529			776	38,497
Other investments								-
Deposits								-
Cash and cash equivalents			134				2,758	2,892
Reinsurance share on Claims outstanding			874					874
Debtors arising out of Direct Insurance operations							7,576	7,576
Other debtors							965	965
Other prepayments							905	905
Debtors arising out of Direct reinsurance operations			214					214
	14,225	4,181	17,008	3,529	-	-	12,981	51,924

*includes unrated

2020	**AAA**	**AA**	**A**	**BBB**	**BB**	**B**	**CCC***	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Debt securities	7,906	4,231	11,083	19,307			1,171	43,698
Other investments								-
Deposits								-
Cash and cash equivalents				517			1,729	2,246
Reinsurance share on Claims outstanding			950					950
Debtors arising out of Direct Insurance operations							8,102	8,102
Other debtors							306	306
Other prepayments							579	579
Debtors arising out of Direct reinsurance operations			220					220
	7,906	4,231	12,253	19,824	-	-	11,888	56,102

*includes unrated

4.4 Liquidity risk

Liquidity risk is the risk that the Society cannot meet its obligations associated with its financial liabilities as they fall due. The Society has in place a liquidity management framework for the management of the Society's requirements.

The Society is exposed to liquidity risk from client insurance contacts. With regard to a catastrophic event there is liquidity risk arising from the timing difference between claim payment and recoveries from reinsurers. All claims are considered to be payable within one year from the balance sheet date, albeit we recognise some claims may in practice take longer to settle.

The Society has sufficient funds to cover insurance claims and in practice most of the Society's assets are marketable securities which can be converted into cash when required.

This disposition of assets provides the society with a strong level of liquidity.

	Short term assets	Within 1 year	Within 1-2 years	Within 2-5 years	Over 5 years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
As at 31 December 2021						-
Shares and other variable-yield securities and units in unit trusts						-
Debt securities and other fixed-income securities	16,315	13,724	5,044	3,068	346	**38,497**
Forward currency contracts	-	-	-	-	-	-
Cash balances	2,892					**2,892**
Debtors		8,756				**8,756**
Reinsurers' share of claims outstanding		542	230	86	16	**874**
	19,207	**23,022**	**5,274**	**3,154**	**362**	**51,019**
As at 31 December 2020						
Shares and other variable-yield securities and units in unit trusts						-
Debt securities and other fixed-income securities	18,519	15,578	5,725	3,482	393	**43,698**
Forward currency contracts						-
Cash balances	2,246					**2,246**
Debtors		8,629				**8,629**
Reinsurers'share of claims outstanding		571	286	76	17	**950**
	20,766	24,778	6,012	3,558	410	**55,523**

Cash flows may be materially different from those disclosed below.

	Within 1 year	Within 1-2 years	Within 2-5 years	Over 5 years	Total
	£'000	£'000	£'000	£'000	£'000
As at 31 December 2021					-
Gross outstanding claims	1,842	5,318	2,196	420	**9,777**
Creditors	4,273				**4,273**
Accruals and deferred income	550				**550**
	6,665	**5,318**	**2,196**	**420**	**14,600**
As at 31 December 2020					-
Gross outstanding claims	946	6,263	1,959	461	**9,630**
Creditors	4,318				**4,318**
Accruals and deferred income	635				**635**
	5,899	**6,263**	**1,959**	**461**	**14,582**

Although some of the durations above are longer than the expected run-off period, there is little risk here, as the assets are all in cash and bonds funds which can be realised in a matter of days.

The assets with a duration shorter than three years represent a surplus over the current estimate of the insurance liabilities and those with durations beyond three years will be required only if the insurance or expense liabilities increase beyond current expectations. There would in the case of the current expectations be no need to realise the longer dated assets to meet insurance and expense liabilities. If the longer assets are required, they will have to be realised at their market value at the time. This cannot be predicted but the underlying assets are marketable securities.

4.5 Pension risk

As disclosed in note 30, the Society is a participating employer within the UNISON Staff Pension Scheme. This is a multi-employer Defined Benefit pension scheme. As such our financial commitment to the Scheme can vary significantly over time as we are dependent on a significant range of variables such as investment performance, longevity, interest rates, inflation and retirement ages.

However, the highest impact single risk facing the Society relates to the covenant of the other sponsoring employer within the Scheme. In the event of the insolvency of the other sponsor, liability for the entire deficit would fall on the Society. This is known as the “last man standing” commitment.

As noted in the earlier sections, the signing of the FAA which is scheduled for September 2022, is expected to remove the pension risk from the Society.

Notes to the Financial Statements (continued)
for the year ended 31 December 2021

5 Underwriting Activities

5(a) Net earned premium

Gross earned premium	2021 £'000	2020 £'000
Gross written premium	**17,918**	18,863
change in unearned premium	**511**	605
Gross earned premium	**18,429**	19,468
Reinsurance premium ceded		
Reinsurance premium payable	**(3,015)**	(3,159)
Change in reinsurers share of unearned premium	**(55)**	(6)
Reinsurance premium ceded	**(3,070)**	(3,165)
Net earned premium	**15,359**	16,303

5(b) Net insurance claims settlement expenses

Insurance claims and claims settlement expenses		
Gross insurance claims and claims settlement expenses paid	**(9,247)**	(10,840)
Gross change in provision for claims	**(165)**	1,177
Gross incurred insurance claims and claims settlement expenses	**(9,412)**	(9,663)
Insurance claims and claims settlement expenses recoverable from reinsurers		
Gross claims and claims settlement expenses paid recoverable from reinsurers	**636**	402
Gross change in provision for claims and claims settlement expenses recoverable from reinsurers	**(76)**	(282)
Adjustments in prior year liabilities / reinsurance assets	**117**	219
Gross claims and claims settlement expenses recoverable from reinsurers	**677**	339
Net incurred claims and claims settlement expenses	**(8,735)**	(9,324)

Notes to the Financial Statements (continued)
For the year ended 31 December 2021

6 Segmental analysis

Technical account 2021	Household	Home Emergency	Legal	Legal expenses	Total
	£'000	£'000	£'000	£'000	£'000
Net earned premium					
Gross written premium	**16,302**	**574**	**625**	**417**	**17,918**
Change in gross unearned premium	**455**	**31**	**25**	**0**	**511**
Gross earned premium	**16,757**	**605**	**650**	**417**	**18,429**
Reinsurance premium ceded	**(1,398)**	**(605)**	**(650)**	**(417)**	**(3,070)**
Net earned premium	**15,359**	**-**	**-**	**-**	**15,359**
Allocated investment return transferred from the non-technical account	**223**	**-**	**-**	**-**	**223**
Total technical income	**15,582**	**-**	**-**	**-**	**15,582**
Net claims incurred					
Gross insurance claims and claims settlement expenses	**(8,852)**	**(107)**	**4**	**(456)**	**(9,411)**
Insurance claims and claims settlement expenses recoverable from reinsurance	**117**	**107**	**(4)**	**456**	**676**
Net claims incurred	**(8,736)**	**-**	**-**	**-**	**(8,735)**
Gross operating expenses	**(11,331)**	**-**	**-**	**(22)**	**(11,353)**
Overriding commission	**-**	**378**	**387**	**64**	**829**
Net operating expenses	**(11,331)**	**378**	**387**	**42**	**(10,524)**
Change in other technical provisions	**-**	**-**	**-**	**-**	**-**
Total technical charges	**(20,066)**	**378**	**387**	**42**	**(19,259)**
Balance on technical account	**(4,484)**	**378**	**387**	**42**	**(3,677)**

All insurance underwritten by the Society is in respect of risks located in the United Kingdom. Note 7 includes the breakdown of the Net Operating Expenses, and the total commissions are recognised as the total acquisition costs and detailed in the Note 7.

Notes to the Financial Statements (continued)

for the year ended 31 December 2021

6 Segmental analysis (continued)

Technical account 2020	Household	Home Emergency	Legal	Legal expenses	Total
	£'000	£'000	£'000	£'000	£'000
Net earned premium					
Gross written premium	17,142	633	673	415	18,863
Change in gross unearned premium	599	16	(10)	-	605
Gross earned premium	17,741	649	663	415	19,468
Reinsurance premium ceded	(1,438)	(649)	(663)	(415)	(3,165)
Net earned premium	16,303	-	-	-	16,303
Allocated investment return transferred from the non-technical account	76	-	-	-	76
Total technical income	16,379	-	-	-	16,379
Net claims incurred					
Gross insurance claims and claims settlement expenses	(9,544)	(103)	(98)	82	(9,663)
Insurance claims and claims settlement expenses recoverable from reinsurance	219	103	98	(82)	338
Net claims incurred	(9,325)	-	-	-	(9,325)
Gross operating expenses	(10,704)	-	-	(70)	(10,774)
Overriding commission	-	396	399	114	909
Net operating expenses	(10,704)	396	399	44	(9,865)
Total technical charges	(20,029)	396	399	44	(19,190)
Balance on technical account	(3,650)	396	399	44	(2,811)

All insurance underwritten by the Society is in respect of risks located in the United Kingdom.

Notes to the Financial Statements (continued)

for the year ended 31 December 2021

7 Net Operating Expenses

(a) Net Operating Expenses	**2021** £'000	2020 £'000
Acquisition costs	3,161	2,923
Changes in deferred acquisition costs	1,076	893
Administrative expenses including amortisation	7,116	6,958
Gross Operating Expenses	11,353	10,774
Overriding commission	(829)	(909)
Net Operating Expenses	10,524	9,865

(b) Auditor's remuneration		
Fees payable to the auditor for the audit of the annual accounts	111	186
Fees payable to the audit of subsidiary companies pursuant to legislation	12	10
	123	196

(c) Operating lease payments		
Rental of buildings	363	324
Hire of plant and machinery	58	66
	421	390

Notes to the Financial Statements (continued)

for the year ended 31 December 2021

8 Colleague information

The average monthly number of colleagues (including Executive Directors) employed by the Group during the year was as follows:

	2021	2020
	Number	Number
Underwriting and claims	34	39
Administration and finance	33	36
Sales and marketing	24	25
Subsidiary activities	57	59
	148	159

Colleague costs were as follows	**2021**	2020
	£'000	£'000
Wages and Salaries	**4,330**	4,037
Social Security cost	**397**	396
Pension costs	**1,217**	1,234
	5,944	5,667

9 Directors' emoluments

The remuneration of the Executive Directors who served during the year is detailed below:

	2021 £'000	2020 £'000
Aggregate emoluments	339	337
Employer's Pension Contribution	36	36
Total Directors' emoluments	**375**	**373**

Note, in addition to the renumeration paid in 2021 above, the compensation for loss of office £131,175 was paid in February 2022 (see further details on page 25).

Disclosures on Directors' remuneration, long-term incentive schemes, pension contributions and pension entitlements, including those of the highest paid Director, as required by the Companies Act 2006, are contained in the Directors' Remuneration report on page 25.

10 Net investment return

2021	Net Investment income	Net realised gains/ losses	**Total investment income**	Net investment expenses	Net unrealised gains/ losses	**Net investment result**
	£'000	£'000	£'000	£'000	£'000	£'000
Unit trusts	199		199		(622)	(423)
Term deposit						-
Cash and cash equivalents	134	345	479		(142)	337
Other investment income	(114)		(114)			(114)
Other investment expenses				(2)		(2)
Investment income	**219**	**345**	**564**	**(2)**	**(764)**	**(202)**

2020	Net Investment income	Net realised gains/ losses	**Total investment income**	Net investment expenses	Net unrealised gains/ losses	**Net investment result**
	£'000	£'000	£'000	£'000	£'000	£'000
Unit trusts	815		815		464	1,279
Term deposit						-
Cash and cash equivalents	62	2	64		22	86
Other investment income	(22)		(22)			(22)
Other investment expenses				19		19
Investment income	**855**	**2**	**857**	**19**	**486**	**1,362**

11 Net result of non-underwriting activities

The net results of the non-underwriting activities of the Society's trading subsidiaries are shown separately in the non- technical account. Revenue consists of commission receivable by UIA (Insurance Services) Limited and recharges of expenses incurred in the provision of call centre help lines to members of UNISON by UIA (Call Centres) Limited. We received a VAT refund of £78,196.00 from HMRC in 2021.

2021	UIA (insurance Services) Ltd £'000	UIA (Call Centre) Ltd £'000	UIA Management Services Ltd £'000	UIA Insurance £`000	Total £'000
Turnover	**136**	**2,690**	**-**	**-**	**2,826**
Administration expenses	**(121)**	**(2,690)**	**-**	**78**	**(2,733)**
Retained profit for the year	**15**	**-**	**-**	**78**	**93**

2020	UIA (insurance Services) Ltd £'000	UIA (Call Centre) Ltd £'000	UIA Management Services Ltd £'000	UIA Insurance £`000	Total £'000
Turnover	**154**	**2,531**	**-**	-	**2,685**
Administration expenses	**(138)**	**(2,531)**	**-**	-	**(2,669)**
Retained profit for the year	**16**	**-**	**-**	**-**	**16**

12 Taxation on profit on activities

The Society, as a mutual, is not taxed on its transactions with members and only the Society's investment income subject to corporation tax.

	2021 £'000	2020 £'000
(a) Analysis of the tax charge		
UK corporation tax:		
Current tax (see (b))	(36)	262
Adjustment in respect of previous periods	(1)	-
Total Corporation tax	(37)	262
Changes in deferred tax balances (see ©)		
Total current tax charge for the year	(37)	262

(b) Factors affecting tax charge for the year

The tax credit for the year is lower than 19% (2020: lower than 19%) of taxable income of the year.
The differences are explained below

	2021 £'000	2020 £'000
Losses on ordinary activities before tax	**(4,247)**	(1,716)
Tax on ordinary activities at 19% (2019: 19%)	**(807)**	(326)
Effects of		
Loss on technical account	**699**	534
Allocated investment return	**42**	14
Return on pension scheme	**45**	40
Tax Refunds	**(15)**	-
Total current tax charge for the year	**(36)**	262

(c) Provision for deferred taxation

	2021 £'000	2020 £'000
Deferred tax at 1 January	**(1)**	(1)
Movement in the provision	**-**	-
Deferred tax at 31 December	**(1)**	(1)

On 3 March 2021 the Chancellor announced that the rate of UK corporation tax will increase to 25% from April 2023. This is not reflected in the figures above as it was not substantively enacted at the balance sheet date, however the effect is not expected to be material.

13 Deficit for the financial year

The Group Total comprehensive expense for the year for the financial year was £717,000 (2020: (£8,270,000)). The Society has reported a profit which includes a £704,097 for the year of 2021 (2020: loss £8,285,000), as disclosed on the Society's Balance Sheet and the Statement of Changes in Equity.

14 Intangible assets

	Group	The Society
	Software development £'000	Software development £'000
Cost		
At 1 January 2021	7,186	7,186
Additions	1,373	1,373
At 31 December 2021	8,559	8,559
Accumulated amortisation		
At 1 January 2021	(4,069)	(4,069)
Charge for the year	(712)	(712)
At 31 December 2021	(4,781)	(4,781)
Net book value at 31 December 2021	3,778	3,778
Net book value at 31 December 2020	3,117	3,117

The intangible assets consist primarily of the new policy administration system which went live in October 2021 and the new claims system which went live in the Summer of 2018. It is expected that these two systems will continue in operation until the autumn of 2023, when information will be migrated to the Davies Group claims system or archived. The precise outcome is still being discussed, but given the shortened lifespan of these assets, they and all the other intangibles are being written off between June 2022 and August 2023, this being their revised period of useful economic life.

15. Financial Investments

The carrying values of the Group's financial assets and liabilities are summarised by category below:

	Group		The Society	
	2021	**2021**	**2021**	**2021**
	Fair Value	Cost	Fair Value	Cost
	£'000	£'000	£'000	£'000
Financial assets				
Debt securities and other fixed-income securities	**38,497**	**38,607**	**38,497**	**38,607**
Cash and cash equivalents	**134**	**134**	**134**	**134**
Total	**38,631**	**38,741**	**38,631**	**38,741**

	Group		The Society	
	2020	2020	2020	2020
	Fair Value	Cost	Fair Value	Cost
	£'000	£'000	£'000	£'000
Financial assets				
Debt securities and other fixed-income securities	43,698	42,930	43,698	42,930
Cash and cash equivalents	517	517	517	517
Total	44,215	43,447	44,215	43,447

In Q1 2021, approval was granted to de-risk our investments in order to improve the Solvency Capital Ratio and reduce our exposure to future market volatility. Four scenarios were presented to the Board and the "Splitting all funds from short dated credit between cash plus and enhanced short-term fund" option has been approved by the Board. As a result of the de-risking investment decision, the Solvency Capital Ratio has improved by 11%, however it led to a drop in investment income as a result.

The prior year's disclosure on the classification of our Royal London Asset Management (RLAM) investment funds has changed, from "Shares and other variable securities in unit trusts" to "Debt Securities and other fixed-income securities.

Further examination of these funds has revealed that their reclassification as "Debt Securities and other fixed-income securities" more accurately reflects the nature of the underlying financial assets which are primarily debt securities and other fixed income. There has been no impact on the valuation of these investments as measured and recognised at the end of the prior year. This classification is also applicable for the current year.

The total investment portfolio of £38,631k includes two investment cash investment funds (2020: £44,215k). It consists 91.8% corporate bonds (2020: 89.6%), 3.3% government bonds (2020: 0.6%), 4.6% collateralized securities (2020: 8.6%) and 0.3% cash and cash equivalents (2020: 1.2%). The assets can be converted into cash immediately.

Notes to the Financial Statements (continued)
for the year ended 31 December 2021

16 Investment in subsidiaries

	The Society	
	2021	2020
	£'000	£'000
Cost at 31 December	**375**	375
Provision for impairment at 1 January	**(119)**	(211)
Movement in provision	**-**	92
Provision for impairment at 31 December	**(119)**	(119)
Net book value at 31 December	**256**	256

The Society owns 100% of the ordinary shares of four subsidiaries, all of whom are registered in England and Wales at Kings Court, London Road, Stevenage, Hertfordshire, SG1 2TP. The subsidiaries are UIA (Insurance Services) Limited, which acts as an insurance broker, UIA (Call Centres) Limited, which acts as an operator of telephone call centres, UIA (Trustees) Limited, which acts as corporate trustee for the UIA Charitable Foundation and Uniservice Limited, a dormant Company. As UIA (Trustees) Limited and Uniservice Limited were dormant companies and there have not been any transactions for years, they have been struck off on 30 June 2022.

Please also see the subsequent events note 31 in relation to the potential sale of UIA (Call Centre) Limited.

17 Technical provisions - assets

	The Group		The Society	
	2021	2020	**2021**	2020
	£'000	£'000	£'000	£'000
a) Reinsurers share of unearned premium				
At 1 January	**729**	668	**729**	668
Movement in Provision	**(52)**	61	**(52)**	61
Reinsurers share of unearned premiums at 31 December	**677**	729	**677**	729
b) Reinsurers share of outstanding claims				
At 1 January	**950**	1,232	**950**	1,232
Movement in Provision	**(76)**	(282)	**(76)**	(282)
Reinsurers share of outstanding claims at 31 December	**874**	950	**874**	950

18 (a) Debtors arising out of Direct insurance Operations

	The Group		The Society	
	2021	2020	**2021**	2020
	£'000	£'000	£'000	£'000
Receivables from Policyholders	**7,525**	8,042	**7,525**	8,042
Receivables from Agents and intermediaries	**52**	60	**52**	60
Debtors arising out of Direct insurance Operations	**7,577**	8,102	**7,577**	8,102

18 (b) Other debtors

	The Group		The Society	
	2021	2020	**2021**	2020
	£'000	£'000	£'000	£'000
Amounts owed by other parties	**965**	306	**822**	210
	965	306	**822**	210

19 Tangible assets

(a) Tangible assets - Group

	Computer equipment & Systems £'000	Furniture, fixtures & fittings £'000	Total £'000
Cost			
At 1 January 2021	**607**	**298**	**905**
Additions	**17**	**-**	**17**
Disposals	**-**	**-**	**-**
At 31 December 2021	**624**	**298**	**922**
Accumulated Depreciation			
At 1 January 2021	**(444)**	**(279)**	**(724)**
Charge for the year	**(118)**	**(12)**	**(129)**
Disposals	**-**	**-**	**-**
At 31 December 2021	**(562)**	**(291)**	**(853)**
Net book value at 31 December 2021	**62**	**7**	**69**
Net book value at 31 December 2020	163	18	181

(b) Tangible assets - The Society

	Computer equipment & Systems £'000	Furniture, fixtures & fittings £'000	Total £'000
Cost			
At 1 January 2021	**490**	**251**	**741**
Additions	**17**	**-**	**17**
Disposals	**-**	**-**	**-**
At 31 December 2021	**507**	**251**	**758**
Accumulated Depreciation			
At 1 January 2021	**(380)**	**(234)**	**(614)**
Charge for the year	**(79)**	**(10)**	**(89)**
Disposals	**-**	**-**	**-**
At 31 December 2021	**(459)**	**(244)**	**(703)**
Net book value at 31 December 2021	**48**	**7**	**55**
Net book value at 31 December 2020	110	17	127

20 Deferred Acquisition costs

	The Group		The Society	
	2021	2020	**2021**	2020
	£'000	£'000	£'000	£'000
At 1 January	**459**	463	**459**	463
Additions	**889**	889	**889**	889
Amortisation	**(1,076)**	(893)	**(1,076)**	(893)
Deferred acquisition costs at 31 December	**272**	459	**272**	459

21 Share capital

	The Group		The Society	
	2021	**2020**	**2021**	**2020**
	£'000	£'000	£'000	£'000
Issued and fully paid up 88,196 ordinary shares of 1p (2020:96,210)	**1**	1	**1**	1

Policyholders and joint policyholders of home insurance policies are also members of the Society. A 1p share is allocated to each member when they first take out a home insurance policy and the share or shares are cancelled upon cessation of their policy. As such, the number of ordinary shares in issue changes each year in line with the number of members.

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22 Technical provisions - liabilities	The Group		The Society	
	2021	2020	**2021**	2020
	£'000	£'000	£'000	£'000
(a) Provision for gross unearned premium				
At 1 January	**9,420**	10,024	**9,420**	10,024
Movement in provision	**(511)**	(604)	**(511)**	(604)
Unearned premium at 31 December	**8,909**	9,420	**8,909**	9,420

	The Group		The Society	
	2021	2020	**2021**	2020
	£'000	£'000	£'000	£'000
(b) Provision for gross outstanding claims				
Notified claims 1 January	**5,808**	6,736	**5,808**	6,736
Movement in provision	**148**	(928)	**148**	(928)
Notified at 31 December	**5,956**	5,808	**5,956**	5,808
Claims incurred but not yet reported (IBNR at 1 January	**3,822**	4,041	**3,822**	4,041
Movement in provision	**(1)**	(219)	**(1)**	(219)
Claims incurred but not yet reported (IBNR at 31 December	**3,821**	3,822	**3,821**	3,822
Gross outstanding claims at 31 December	**9,777**	9,630	**9,777**	9,630

The movement in Gross Claims Outstanding provision (BS) also includes decreases in the provision when claims have been paid. This therefore will be different to what has actually moved in the year when looking at the movements in claims reserves excluding any paid claims movements, where this is done in the P&L for 'Gross change in provision for claims'.

Notes to the Financial Statements (continued)
for the year ended 31 December 2021

22 Technical provisions - liabilities (continued)

	The Group		The Society	
	2021	2020	**2021**	2020
	£'000	£'000	£'000	£'000
(c) Unearned commissions				
At 1 January	**404**	402	**404**	402
Movement in the provision	**(34)**	2	**(34)**	2
Unearned commission at 31 December	**370**	404	**370**	404

23 Other technical provisions

There is nothing to report.

24 Provisions for other risks

Pension Contributions made by the Employer into the Scheme's Assets amounting to £1,681k (2020: £1,733k) as a separate line item in the reconciliation, after the subtotal for the Expenses recognised in the P&L, e.g., there will be 3 subtotals making up the movements:

	The Group		The Society	
	2021	2020	**2021**	2020
	£'000	£'000	£'000	£'000
Defined benefit pension scheme liability				
Provision at 1 January	**16,732**	10,303	**16,732**	10,303
Credit recognised through changes in equity	**(4,927)**	6,292	**(4,927)**	6,292
Expenses recognised through profit and loss				
Net interest expenses	**238**	208	**238**	208
Running costs	**160**	142	**160**	142
Current service cost	**2,153**	1,520	**2,153**	1,520
Expense recognised through profit and loss	**2,551**	1,870	**2,551**	1,870
Pension contributions	**(1,681)**	(1,733)	**(1,681)**	(1,733)
Net movement in provision	**(4,057)**	6,429	**(4,057)**	6,429
Provision at 31 December	**12,675**	16,732	**12,675**	16,732

As part of the FAA, the Society paid an upfront initial payment of £10m into the Scheme at the date of signing 13th September 2022. Now the FAA is complete, the liability for the Society's share of the pension assets, liabilities and deficit has passed to UNISON. Also, as part of the FAA, subsequent payments will, subject to the affordability criteria (described in Note 31), be made into the Scheme/UNISON, including any residual capital on winding up the Society.

25 Other creditors

	The Group		The Society	
	2021	2020	**2021**	2020
	£'000	£'000	£'000	£'000
Corporation tax	**(32)**	243	**(38)**	239
Amounts owed to other parties	**1,168**	721	**1,005**	558
Amounts due to subsidiaries	**0**	0	**50**	32
	1,136	964	**1,017**	829

Amounts due to subsidiaries are unsecured and are payable on demand.

26 Reconciliation of Loss before taxation to Cash generated by Operations

	2021	2020
	£'000	£'000
Loss before taxation	(4,247)	(1,716)
Adjustment for:		
Investment income	202	(1,363)
Pension Expenses recognised through the P&L	2,551	1,870
Pension Cash Contributions by employer	(1,681)	(1,733)
Depreciation	129	96
Amortisation	713	572
Operating cash flows before movements in working capital	(2,333)	(2,274)
Decrease in reinsurance assets	82	705
Decrease in deferred acquisition costs	187	4
Increase / (Decrease) in provision for unearned commission	(34)	2
Increase in insurance contract liabilities	147	(1,148)
Decrease in receivables	192	842
Decrease in accrued interest and prepayments	(599)	343
(Decrease) in unearned premiums	(511)	(605)
(Decrease) in payables	145	(133)
(Decrease) in other technical provisions	0	0
Cash generated by operations	(2,724)	(2,264)
Taxes paid	(238)	(116)
Net cash flow used by operating activities before investment of insurance assets	(2,962)	(2,380)
Interest and dividends received	334	877
Sales of financial investments	35,700	0
Purchase of financial investments	(17,846)	0
Other investment income	0	0
Net investment expenses	(2)	19
Cash generated from investment of insurance assets	18,186	896

27 Operating Lease Commitments

A term of 10 years lease commencing on 29th September 2020 and terminating on and including 28th September 2030. However, the early break clause has been agreed in 2022, and the date is 28th September 2023.

The annual lease payments payable operating leases expiring in the years shown below, are as follows:

	The Group Land and Buildings		**The Society Land and Buildings**	
	2021	2020	**2021**	2020
	£'000	£'000	£'000	£'000
Operating leases which expire:				
- within one year	**360**	360	**360**	360
- in two to five years	**270**	1,440	**270**	1,440
- after more than five years	**0**	1,710	**0**	1,710
	630	3,510	**630**	3,510
Operating lease rentals charged to profit and loss in the year	**363**	306	**363**	306

28 Related Parties

Directors

Members of the Board of Directors may also be members of the Society through having insurance policies with the Society. These are on the same terms as other colleagues. Directors' emoluments are disclosed in note 9.

Group Companies

UIA (Insurance) Limited transacts with other group companies in the normal course of business.

The Society has taken advantage of the exemption available under paragraph 33.1A of FRS 102 and has not provided details of transactions with entities forming part of the UIA Group.

29 Capital Commitments

The Group has no capital commitments for tangible or intangible assets contracted for and payable within 12 months (2021: nil).

30 Retirement benefit obligations

The Company participated in a funded pension scheme, the UNISON Staff Pension Scheme, which provided benefits for some of its employees based on final pensionable pay. On 13 September 2022 the scheme closed to new members from UIA (Insurance) Limited as part of the Flexible Apportionments Arrangement (FAA).

The assets of the scheme are held in a separate trustee administered fund. The scheme is administered by trustees and is independent of the Company's finances.

Contributions are paid to the scheme in accordance with the Schedule of Contributions agreed between the trustees and the employers. The estimated amount of contributions expected to be paid to the scheme by the Company during 2022 is £507,500.99 (2021: £1,681,000).

The scheme is actuarially valued every three years. The valuation as at 30 June 2020 has now been completed by the Trustees and the scheme actuary and the Trustees of the scheme and the sponsoring employers have agreed a revised schedule of contributions.

This schedule includes increased contributions payable as part of the deficit recovery plan as detailed below:

- additional annual contributions of £109,704 for the period 1 January 2020 to 30 September 2035;
- a standard employers contribution rate on pensionable salaries of 27.7% and
- in March 2022, as a part of the UNISON pension recovery plan, it's been agreed to pay an additional one-off contribution payable by 28 February 2022 of £50,000 and additional annual contributions of £99,996 for the period 1 January 2022 to 30 September 2035.

The initial results of the formal actuarial valuation as at 30 June 2020 were updated to 31 December 2021 by an independent qualified actuary in accordance with FRS102. As required by FRS102, the value of the defined benefit liabilities has been measured using the projected unit method. The funding target is for the scheme to hold assets equal in value to the accrued benefits based on projected salaries. If there is a shortfall against this target, then the Company and trustees will agree on deficit contributions to meet this deficit over a period.

The Trustee team carried out two pieces of analysis for the 30 June 2020 actuarial valuation of the UNISON Staff Pension Scheme:

- The team carried out an analysis of the recent mortality experience for the Scheme's pensioners and dependents. This analysis showed that actual Scheme experience over the three years to 30 June 2020 was in line with 128% of the series mortality tables (S3).
- The team also carried out mortality profiling of the Scheme's membership using LCP Life Analytics. The characteristics of the Scheme's members analysed were age, gender, region, pension amount, socio economic class and status (member or dependent). The model allocates the extent to which each characteristic is correlated to (or predicts) the probability of dying, which were derived by examining the mortality rates of members of pension schemes with the same characteristics. The results from LCP Life Analytics implied an average adjustment to the S3 tables of 107%.

Taking into account the results of these two analyses we proposed using an adjustment to the S3 tables of 115% for the purposes of the FRS 102 accounting figures for UIA. This is consistent with the provisionally agreed assumptions for the 30 June 2020 valuation.

The assets and liabilities of the scheme are not segregated between the employers that participate in the scheme. Consequently, the share of the scheme's liabilities in respect of the Company's employees and former employees, and the assets backing those liabilities, has been estimated. UIA (Insurance) Limited's share of the FRS 102 liabilities is 5.6% at 31 December 2021.

Since 31 December 2021, there have been major changes in respect of pension matters. These are set out in note 31 which covers subsequent events.

30 Retirement benefit obligations (continued)

The following table sets out the key FRS 102 assumptions used for the scheme.

Assumptions	**2021**	2020
Discount rate	**2% pa**	1.5% pa
Retail Prices Index inflation	**3.2% pa**	2.8% pa
Consumer Prices Index inflation	**2.7% pa**	2.3% pa
Pension increases in payment	**3.2% pa**	2.8% pa
General salary increases	**3.2% pa**	2.8% pa
Life expectancy of male s currently aged 65	**25.6 years**	25.8 years
Life expectancy of female currently aged 65	**28.4 years**	28.4 years
Life expectancy of male aged 65 in 20 years' time	**27 years**	27.2 years
Life expectancy of female aged 65 in 20 years' time	**29.9 years**	29.9 years

The amount included in the Group and Society balance sheets arising from the Society's obligations in respect of the scheme is as follows

	2021 £'000	2020 £'000
Present value of defined benefit obligation	(53,527)	(52,704)
Fair value of scheme assets	40,852	35,972
Deficit	(12,675)	(16,732)

The amounts recognised in the loss for the year are as follows:

	2021 £'000	2020 £'000
Current service costs	2,153	1,520
Running costs	160	142
Interest expense on net defined benefit liability	238	208
Post service costs	-	-
Total expense recognised in profit and loss	2,551	1,870

The following amounts are included in finance income:

	2021 £'000	2020 £'000
Running costs	160	142
Net interest charged on net defined liability	238	208
Total charge to finance income	398	350

The current allocation of the scheme's assets is as follows:

	2021 %	2020 %
Equity instruments	45	46
LDI instruments	21	14
Debt instruments	8	10
Property	9	9
Multi-asset funds	-	20
Diversified growth	17	-
Cash	-	1
	100%	100%

Changes in the present value of the Society's share of the defined benefit obligation are as follows

	2021 £'000	2020 £'000
Opening present value of defined benefit obligation	52,704	42,510
Current service cost	2,153	1,520
Interest on obligation	783	926
Contributions from scheme members	-	-
Actuarial gain	(1,146)	8,613
Benefits paid	(967)	(865)
Past service costs	-	-
Closing present value of defined benefit obligation	53,527	52,704

Changes in the fair value of the Society's share of the scheme's assets are as follows:

	2021 £'000	2020 £'000
Opening fair value of the scheme assets	35,972	32,207
Interest on scheme assets	545	718
Actuarial return less interest on scheme assets	3,781	2,321
Running costs	(160)	(142)
Contributions by the employer	1,681	1,733
Contributions by scheme members	-	-
Benefits paid	(967)	(865)
Closing fair value of scheme assets	**40,852**	35,972

The Total Actuarial Gains of £4,927k includes the actuarial gains of the movement in present value of defined benefit obligation of £1,146k and the movement in fair value of plan assets of £3,781.

30 Retirement benefit obligations (continued)

The actual return on the Society's share of the scheme's assets over the year was a gain of £4,326,000 (2020: a gain of £3,039,000).

The sensitivity of defied benefit obligation to alternative assumptions is as follows:	**Increase** £'000	**Decrease** £'000
Discount Rate		
Effect of an increase/decrease of 0.1% pa in net liabilities	**(1,171)**	**1,209**
Price inflation		
Effect of an increase / decrease of 0.1% pa in net liabilities	**1,102**	**(1,073)**
Life expectancy		
Effect of an increase / decrease of one year in net liabilities	**1,856**	**(1,838)**

Note: positive values represent an increase in net liabilities / negative values a reduction in net liabilities

Defined contribution scheme

The Society's defined contribution scheme is administered by a third party. The Society pays contributions along with participating colleagues, and benefits are linked to the total level of contributions paid, the performance of each colleague's chosen investment fund and the form in which colleagues chose to take their benefits. The estimated amount of contributions expected to be paid to the scheme by the Society during 2022 is £4,741.07 (2021: £27,000).

The pension related subsequent events are included in the note 31.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

31. Subsequent events

During the period since the balance sheet date, various strategic decisions and actions have taken place. The key steps taken are as follows:

- In agreement with the Society's regulators, the Prudential Regulatory Authority ('PRA') and the FCA, the Society ceased to write new business to new customers from 1 May 2022, whilst continuing to write renewal business for existing customers.

- In order to continue the Society's brand and to ensure our members have the best future options available to them, after a three-month process involving detailed assessment, the Society selected Uinsure Ltd ('Uinsure') to offer future renewals to the Society's members from 15 July 2022, with the Society then entering into "run-off". The Board believe that Uinsure provide the best potential value and alignment of values for our members. Uinsure has achieved a five-star Defaqto rating for 9 years in a row. Uinsure also has existing relationships with several mutuals (Building Societies) ensuring strong alignment of values and understanding of our members expectations. The consideration for the sale of the renewal rights is expected to rise to £5.3m, depending on the levels of new business and renewals achieved by Uinsure.

- To ensure that the Society's management of claims that are in progress or that are incurred during its run-off is completed in a cost-effective manner, Davies Group have been appointed as outsourcer/third party administrators to manage the remaining functions of the Society until the closure of the Society. The transaction completed in August 2022. The Society will oversee the servicing by its outsourcer/third party administrator.

- In order to facilitate the run-off for the Society being on a solvent basis, the Society agreed Heads of Terms in May 2022 for a Flexible Apportionment Arrangement ('FAA') in relation to the Society's share of the UNISON Staff Pension Scheme (the 'Scheme'). The FAA completed on 13th September 2022, and enable the Society to cease contributions to the Scheme and to eliminate any future liability for the Society to the Scheme. The FAA completed after a consultation with the Society's employees who lost the benefit of membership of a defined benefit pension scheme from that date. This should mean that, following the appointment of Davies Group, the Society can 'run-off' from July 2022 in an orderly fashion on a solvent basis, ensuring all policyholder claims are paid. Now the FAA is complete, the liability for the Society's share of the pension assets, liabilities and deficit will pass to UNISON. However, as part of the FAA, subsequent payments will be made into the Scheme, depending on certain "affordability criteria" being met. The affordability criteria are as follows:

- Each of the following are satisfied in respect of the Society immediately after the relevant payment is to be made:

  a) The Society has at least 150% of the solvency capital requirement (as calculated using standard formula in place at the time, applied to the Solvency II balance sheet calculated in accordance with guidance at that time);

  b) The Society has at least three times the minimum capital requirement (as calculated using guidance at the time); and

  c) The Society has sufficient capital to satisfy its obligations if the scenario envisaged by the most significant stress test occurs, where such stress tests are based on the versions of the stress tests already applied in relation to the making upfront initial payment of £10m.

- At the same time that the FAA concluded on 13th September 2022, the Society sold its wholly owned subsidiary, UIA (Call Centres) Limited, to UNISON for £1 (see note 31). This subsidiary employed the colleagues who provide the helpline services for UNISON members. UNISON is the only client of UIA (Call Centres) Limited. 57 colleagues work for UIA (Call Centres) Limited and their employment will remain with that subsidiary company. These members will remain part of the UNISON Staff Pension Scheme.

The Board has throughout the process ensured that the two regulators Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) were kept fully informed. A Scheme of Operations, which is required as part of commencing the Society's run-off, will articulate the strategy and plan for all liabilities to be met. This will be submitted to both regulators later in September 2022.

UIA (Insurance) Ltd will enter into run-off based on the approved scheme of operations in Autumn 2022. The following non-adjusting events are indicative of the run-off decision and do not result in adjustment to the financial statements.

- Intangible asset: As described in Note 14, our current IT systems useful economic life will be shortened due to the migration to Davies Group's IT systems in August 2023. The greatest impact is from our premium management system (PAS) launched on 1st October 2021. The estimated impact of this accelerated amortisation is an increase in the annual amortisation charge of £245k as the useful economical life time decreases from 60 to 23 months.

- Operating lease: UIA (Insurance) Ltd has a 10 years lease for the office rent. The contract includes an early break clause of 28th September 2023, and will come into motion. More details about the decreased financial liabilities, refer to Note 27, Operating lease.

Post Balance Sheet Events – the Russian – Ukrainian war

The main impact of the war is wider uncertainties over prospects for future macroeconomic growth, inflation, credit and interest rates.

UIA (Insurance) Limited's two RLAM investment funds (RLAM Short Term Fixed Income and Short-Term Fixed Income Enhanced) have no direct exposure to companies in Russia and Ukraine. There are no delays to cashflow on any inflows or outflows within the funds, based on the agreement all cash transactions can be processed within 48 hours. The key impact on the investment funds is the price volatility was a result of wider market forces (inflation concerns, rate hike expectations, credit spreads widening). The portfolios have continued to be managed in line with the parameters, no special circumstances have occurred.

UIA (Insurance) Limited

Glossary

For the year ended 31 December 2021

Strategic Report

Key performance indicators

Combined Operating Ratio = $\frac{\text{Total Technical charges}}{\text{Net Earned Premiums}}$

Household Loss Ratio = $\frac{\text{Claims paid + Change in provision for claims – reinsurers' share + other technical provisions}}{\text{Net Earned Premiums}}$

Underlying Household Expense ratio = $\frac{\text{Net Operating Expenses}}{\text{Net Earned Premiums}}$

Investment Yield = $\frac{\text{Net Investment Income + Realised gains – Investment expenses}}{\text{Prior year investment balance}}$

Return on Capital employed (ROCE) = $\frac{\text{Total comprehensive income for the year}}{\text{Prior year Shareholders Equity}}$

Solvency II cover = $\frac{\text{Total eligible own funds}}{\text{SCR}}$

Conduct risk indicators

Service levels – customer service and new business = % of calls answered within 30 seconds

Claims abandoned calls = % of claims calls not answered before caller stops the call

Not taken up = % of sales cancelled within the 14-day cooling off period

Declined claims = % of $\frac{\text{Claims declined in month}}{\text{Claims logged in the month}}$

Customer satisfaction = % of respondents of the "How are we doing" survey responding "Extremely" or "Quite" satisfied to the question "Overall, how satisfied have you been with customer services?"

Reportable complaints to the Financial Ombudsman is the number of complaints taken to the mediator in the year