UIA (Insurance) Limited

Annual Reports and Financial Statements for the year ended 31 December 2022 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 2022

2022 has been an extremely busy year implementing changes agreed following the comprehensive strategic review of late 2021 and early 2022. These changes were key to streamline and simplify the Society's affairs in preparation for it to be placed into an orderly run-off. The Society ceased writing new policies on 15 July 2022.

Details of the key initiatives actioned during 2022 were reported in the Chairperson's report of the 2021 financial statements and are listed below again below for ease of reference:

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 lost 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. It was agreed under the Business Transfer Agreement that the Society would sell Uinsure Ltd the renewal rights. 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 also owned UIA Call Centres Ltd which provided and still 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 transferred to 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.

Financial and solvency position

Now that the Society is formally in run-off it has adapted its accounting policies to report on a closed book basis. This means that a cessation expense provision of circa £2.38m has been created for all anticipated future restructuring costs for the Society up to its final closure (currently projected to be concluded in 2026), for further details see pages 45 and 52 This cessation provision is recognised in the 2022 financial statement (see note 23). It is worth noting this is in addition to the separate claims reserves already held in the balance sheet.

For the year ending 31st December 2022 post tax losses for the year were c. £11.3m, (2021: £4.2m). This includes the £2.38m future cessation expense provision and recognising a deterioration in claims experience due to additional subsidence, escape of water claims and several large claims higher than experienced in past years.

As a result of the Society being placed into run-off and moving to a closed book basis of accounting, as mentioned above, there has been a material impact on its net assets position and solvency cover over the standard formula solvency capital requirement (“SCR"). The Board’s target appetite is 150% SCR cover however as a result of moving to a closed book basis for accounting purposes the unaudited solvency cover is now standing at 53% (2021: 114%).

Should the estimates made for the claims and cessation expense provision hold true the net assets position for the Society should remain broadly static throughout the run-off period.

However, over time the SCR should reduce as claims are settled, claims reserves reduce as the book comes off risk. The solvency cover at 31st December 2022 should be at its lowest point and as SCR reduces the solvency cover should improve.

The Solvency II standard formula SCR is extremely prudent to insurers in run off, not recognising the rapid fall in risk over the following year. As such itis arguably not the best benchmark for the Society's solvency to be measured against. For example, the Nat Cat section of the standard formula assumes that exposure remains constant at the 1/1/2023 level throughout 2023, whereas in reality the exposure is quickly reducing, reaching zero in July 2023.

Solvency projections have been prepared to end 2026 and these demonstrate the correction of the solvency cover to above 100% over the course of 2023 as the Society comes off risk in July 2023 and far exceeding the target 150% in 2024-2026 if the current held assumptions on net assets are maintained.

For this reason, the board do not deem this temporary breach of target solvency as a material cause for concern but accept this as a short term issue which will correct itself during 2023.

Governance arrangements

There were changes to our governance arrangements in 2022, the Society’s Board subcommittees reduced from three to two. The Audit Committee and the Risk Committee were merged to form a new Audit and Risk Committee and the Nominations and Remuneration Committee has remained in place.

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 a small Executive Team. There are also Working Groups covering all aspects of the Society’s business.

Board composition

There have been changes to the Board composition during 2022 to reflect the changes in the Society and to ensure an orderly run-off.

Kathryn Morgan who joined the Board at the 2021 was appointed Chairperson of the board at the 2022 AGM replacing Peter Dodd who retired from the Board.

Neil Southworth joined the Board in September 2022; and Neil chairs the Audit and Risk Committee.

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

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 remained on the Board and is the Senior Independent Director, replacing Tim Holliday.

Caroline Gilchrist Estella has been appointed to the Board as Chief Financial Officer with effect from 1st December 2022, (subject to regulatory approval) to replace John Nickson who retired from the Board 14th October 2022.

I would like to thank the departing directors for all their contributions. The size and shape of the Board moving forward reflects 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 last year whilst continuing to deliver excellent service to our members.

Many of our former colleagues continue to serve our members in their new roles in the Davies Group and we thank them and the Davies Group for their continued support in the run-off.

Kathryn Morgan
Chair of the Board
10 May 2023

Strategic Report

The Directors present their Strategic Report on the Group for the year ended 31 December 2022.

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 period under review and in addition to its core household insurance products, the Society continued to underwrite Home Emergency Assistance (Class 18) business and Before The Event (BTE) Legal Expenses insurance. New business for all products ceased from 15 July 2022 and all existing cover will cease from 15 July 2023. After the event (ATE), legal expenses policies are being cancelled where alternative cover is being offered by another insurer during 2023.

Scheme of Operations

The FCA and PRA requires a comprehensive plan to be in place for firms, such as the Society, that enter into run-off. This document was completed and submitted to the regulators in October 2022. At the time of writing, it is being updated to reflect changes in performance during the first 6 months of run-off.

Business model and strategy

Our results for the year ended 31 December 2022 are set out on pages 35 to 37 and the balance sheet position at the year-end is set out on pages 38 to 42.

Membership has continued to decrease in line with our plan during 2022. Total membership including joint policyholders decreased to 40,599 (2021: 88,196). The main reason for the decline was as a direct result of the planned run-off following the actions taken in the Chairperson's statement.

2022 saw the Society make a loss of £11m (2021: £4.2m). This is because the restructuring cost of cessation provision (c£2.38m) is recognised in the 2022 accounts (note 23), and high claims experience. Further details are on pages 45 and 52.

In line with the loss for the year, the retained profit decreased to £11.3m (2021: £20m). This is due to the total cessation expenses provision (note 23) and pension scheme changes in note 30.

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

Staff Impact

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

In August 2022, a further 37 staff transferred under TUPE to Davies Group Limited to continue servicing the Society's policyholders through the run-off of the business.

2 full time 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. They are supported by an expert team of advisors and the Board which has significantly reduced in size to best meet the needs of a business in run-off.

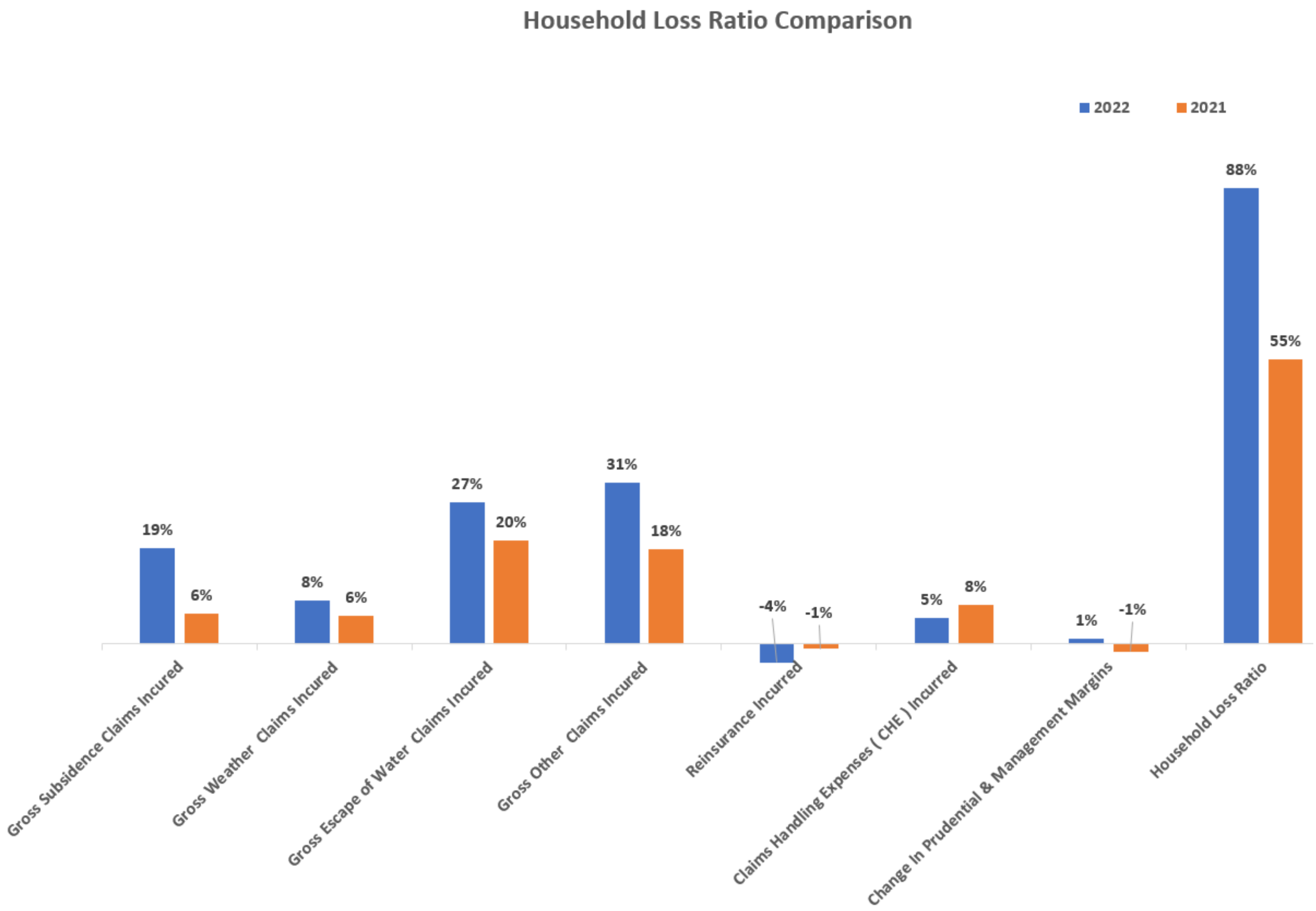
At the same time that the FAA concluded on 13th September 2022, the Society sold its wholly owned subsidiary, UIA (Call Centres) Limited, to UNISON for £1 (see note 30). This subsidiary employed the colleagues who provide the helpline services for UNISON members. UNISON is the only client of UIA (Call Centres) Limited. 57 colleagues work for UIA (Call Centres) Limited and their employment has remained with the company. Each employee will (if they choose) remain part of the UNISON Staff Pension Scheme.

The five steps outlined in the Chairperson's Statement (pages 2 and 3) clearly define the future of the Society and what it means to members.

UIA (Insurance) Limited

The financial statement includes a comprehensive disclosure that covers our business review and analysis of KPIs. This disclosure provides a detailed overview of our company's service level and performance, including key metrics such as loss ratio evolution, key conduct indicators and risks. A fair, balanced and comprehensive review of the business has been completed and please see further explanation of amounts included in the financial statements.

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



Incurred loss ratio are expressed as earned ultimate loss over earned premium for the year. Gross experience over the year has been adverse, which results in a net incurred loss ratio over the year being 33% worse than the previous year. Experience has been driven by:

- A poor subsidence year due to the dry summer, particularly impacting loss ratios in Q3;
- High Q4 loss ratios on escape of water due to the December freeze conditions; and
- Higher "Other" losses driven by adverse large claims experience over Q4 and Q2 (in particular, two large fire claims and a large escape of oil claim).

The graphs are on a loss ratio basis, so although the absolute net claims amounts are more similar to the previous year, the difference is exaggerated by reduced net earned premium volumes due to run-off. There have been some offsetting movements, for example the slightly higher incurred reinsurance (driven by the large "other" losses) and lower claims handling expenses due to the running off of the book.

Key conduct indicators

The service level agreement between UIA (Insurance) Ltd and Davies Group is positioned in line with the industry standards and client/claim requirements. These typically are standard but allow for agility when reviewing differing correspondence types to ensure impactful post (where the claim will be moved along, or service delivered to the customer) is reviewed and actioned within suitable time frames. One of the ways in which UIA 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.

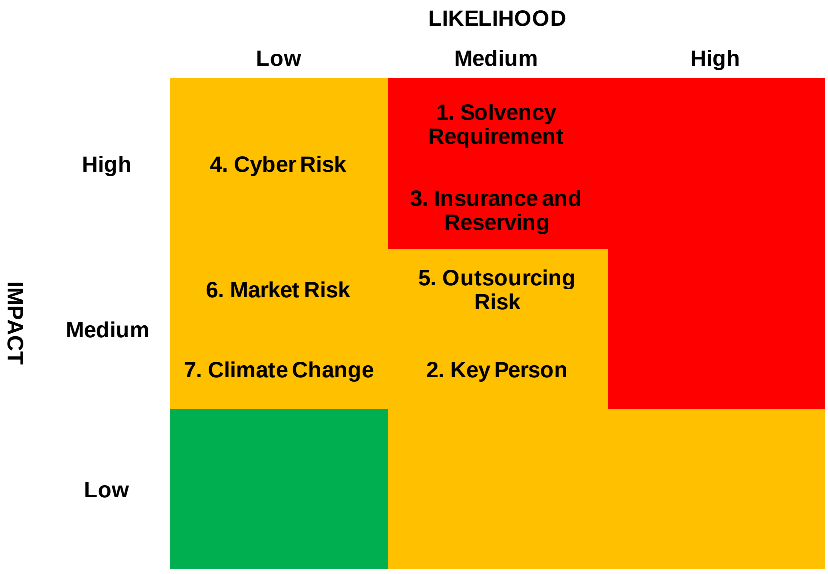
Conduct Risk Indicator		Dec-22	Target	Comment
Service Levels (Telephony)	Customer Services	92%	>80%	
	Claims abandoned calls	8%	<5%	The higher than usual percentage of abandoned claims calls was due to the adverse cold weather experienced in December
Declined claims	Claims declined	16%*	<25%	*34 declinatures vs 208 closed claims in December 2022
Reported complaints to Financial Ombudsman	Claims and Customer services	0*	<25	*we currently have 3 open complaints with the FOS although none of these were reported within December

Executive pay

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:



UIA (Insurance) Limited

Risk Number	Risk heading	Risk description	Controls and actions
1	Solvency Requirements Risk and Orderly Run-Off	During 2022, as anticipated, the SCR reduced below the Society's risk appetite of 150% as a result of moving to closed book basis. The risk is that we are unable to maintain an orderly and timely run-off; meeting our regulatory and legislative requirements.	A strategic review continued into 2022 and a decision was taken to place the Society into an orderly run-off. A detailed Scheme of Operations, demonstrating our run-off plan, has been prepared and is actively reviewed. This risk is managed through regular governance and review of performance, costs and service levels. This demonstrates the Society remains in a position to meet all future liabilities and return any surplus to the UNISON pension fund. Our governance structure, forums and policies were reviewed and amended in 2022 following the decision to enter into an orderly run-off, and formalised forums monitor our performance against the Scheme of Operations. As referred to above in the Chairperson's report, whilst solvency cover as at 31st December 2022 has dropped to 53% solvency projections have been prepared to end 2026 and these demonstrate the correction of the solvency cover to above 100% over the course of 2023 as the Society comes off risk in July 2023 and far exceeding the target 150% in 2024-2026 if the current held assumptions are maintained.
2	Key Person Risk	Following the outsourcing of run-off activities to Davies Group, there are two permanent employees remaining at the Society.	The appointment of Davies Group as outsourcer/third party administrator to manage the run-off of UIA has reduced the Key Person Risks faced in 2021 and the first half of 2022. External expertise for business critical roles is called upon where necessary, ensuring that the Society is able to minimise any future risks. A specific retention scheme was also implemented for Davies colleagues to retain key personnel as required during the run-off period.
3	Insurance and Reserving Risk	The Group's business was to accept insurance risk which was 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.	Particular attention is paid to actual and forecast loss ratios, being claims incurred divided by premiums. The actuarial team uses a range of recognised actuarial techniques to monitor claims development patterns and determine claims provisions. Our claims reserves also include possible future inflationary increases. The Board review the reserving position at least quarterly.
4	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. The outsourcing to Davies Group will further mitigate this risk.

Principal risks and uncertainties

Risk Number	Risk Heading	Risk description	Controls and actions
5	Outsourcing risk to deliver UIA services during run-off	Davies are now responsible for the daily duties completed by IT, Finance, Compliance, Claims and Customer Service departments.	Regular formal meetings are held with Davies to ensure compliance with the Agreement signed in August 2022, and this is managed by UIA's executive group, Audit and Risk Committee and Board.
6	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. Our short term investments ensure we can access funds as and when needed, and regular meetings are held with the Society's investment fund manager.
7	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 have projected adequate reserves to pay claims during run-off.

Changes to principal risks

Our principal risks have differed to the previous year given that we have entered an orderly run-off. One of our historically larger risks, the pension risk, is no longer present, and the nature of our risks are now largely shorter-term.

Reinsurance arrangements

Our core reinsurance arrangements ran from 1 January 2022 to 31 December 2022. 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 2022. Our core arrangements for 2023 were in place from 1 January 2023. It was not possible to 100% place reinsurance across all layers as desired due to a hardening in the market and lack of appetite from Reinsurers due to Society's run-off status. However, the level of cover placed was acceptable to the Board. Liability cover was 100% placed, and we continue to cede policies to Flood Re at a similar rate to 2022. 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.

The reporting against the AFM Corporate Governance Principles has been included on page 12-15.

Throughout 2022, 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 it's creditors, 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

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 10.

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. The Society purchases per risk and catastrophe reinsurance to protect against the potential impact of large weather and other catastrophic natural events

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 Executive.

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. 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 maintain a dialogue with Trade Union partners during run-off.
Colleagues	UIA has outsourced its administration to Davies Group. Only two full time colleagues are now employed by UIA.
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) are 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.
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.
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
10 May 2023

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2022.

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 16. 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 pages 6-8.

Future developments

Details of future developments are contained within the strategic report.

Distribution

The Directors do not recommend the payment of a distribution for 2022 (2021: nil).

Directors

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

Chairperson

Peter Dodd Resigned on 27 September 2022

Kathryn Morgan – Appointed on 27 September 2022

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 - Resigned on 14 October 2022

Caroline Gilchrist Estella Chief Financial Officer – Appointed on 1 December 2022

Non-executive directors

Bob Abberley

Tim Holliday - Resigned on 27 September 2022

Lucia McKeever - Resigned on 27 September 2022

Oliver Peterken - Resigned on 31 May 2022

Tony Woodley - Resigned on 27 September 2022

Neil Southworth– Appointed on 27 September 2022

Charitable donations

During the year we made charitable donations of 2022: £172 (2021: £5,652) 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
10 May 2023

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

Kathryn Morgan
Non-Executive Director – Independent

Kathryn joined the Board in July 2021 and is Chair of the Audit Committee. She now chairs the board. 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.

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.

Caroline Gilchrist Estella
Chief Financial Officer

Caroline was invited to join the board on 1st December 2022 and to perform the SMF2 role of Chief Financial Officer subject to regulatory approval. Caroline is a Fellow of the Association of Chartered Certified Accountants and is also a Chartered Insurer. She has worked in the insurance sector for over 20 years and has gained a wealth of experience working in insurance management consulting.

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 and the Senior Independent Non-Executive Director.
Bob is a member of UNISON and has been a UIA policyholder for over 15 years.

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 10 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. Neil chairs the Audit and Risk Committee.

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 2022, 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:

UIA (Insurance) Limited

Corporate Governance Report (continued)

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 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.
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 who have 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.
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 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 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 and Executive Directors and support effective decision making and challenge. • The Board receives regular and timely information on all key aspects of the business, through at least Quarterly MI, and regular communication from the business on key issues and areas of highlight.

Principle	Applied	How UIA has evidenced this
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	✓	• The long-term sustainable success of the Society is to ensure the solvent run-off of its insurance operations, paying claims, servicing our members to finality. • 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 Audit and Risk Committee at a Board 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.
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 the Society's Scheme of Operations. • Key person retention is a key focus area for the Board.

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 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.

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 2022, the Board conducted the majority of its meetings online due to the residual risks posed by the 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 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 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 potential legal actions against the Directors arising in the performance of their duties with an aggregate limit of £2.5 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 2022 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 2022, Peter Dodd, Jon Craven, Lucia McKeever, Oliver Peterken and Tony Woodley decided to leave the Board. In September 2022, Neil Southworth joined the Board as a Non-executive Director.

As at the date of signing of these financial statements, the Society has three Non-executive Directors, including the chairperson, 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 business, 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.

Duty to prepare accounts

The Directors acknowledge their responsibilities for preparing accounts and a full statement of Directors' Responsibilities is set out on page 25. 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 2022. 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 financial statements for the year ended 31 December 2022. The Society has adequate financial resources to meet liabilities as they fall due. Given the main trading activity of an insurer is the settlement of claims whilst the Society is in run-off it is still undertaking this activity and for these purposes can be considered a going concern.

Net assets are £11m (2021: £20m). Unaudited fourth quarter reported solvency capital ratio was 53% as at 31 December 2022 (2021: 114%).

The reduction in solvency capital ratio is significant but is projected to recover over time as the run-off progresses. The Chairperson's report on page 2 provides further explanation on this.

Although there has been a material reduction in the net asset position in the last year the Society has materially de-risked the volatility in its balance sheet.

This has been achieved by completing the FAA and entering into a 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. 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.

The Board has and continues to review the financial status of the Society monthly including projections over the next twelve months and to anticipated finalisation of the run-off.

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

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 2022 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;
- Regular management reviews with Davies Group, including governance and review of performance, claims, costs and service levels;
- Review by the Audit and 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 and Risk Committee of the scope and results of internal audit and compliance work, and of the implementation of recommendations;
- The Audit and Risk Committee reviews the scope of work undertaken by the external auditors and any significant issues arising from them;
- The Audit and Risk Committee reviews accounting policies; and
- The Audit and 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 internal control system is monitored and supported by the Internal Audit function that reports to the Audit and Risk Committee on the Society's operations. During 2022, the information received and considered by the Audit and Risk 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 Audit and 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 and Risk Committee, and through the Internal Auditor's own independent assessment. The Internal audit function reports directly to the Chair of the Audit and Risk 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 was held on 27 September 2022. Formal notices are be issued to members in due course.

At the 2022 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 2021	97.73
To approve the remuneration report for the year ended 31 December 2021	96.11
To re-appoint BDO LLP as 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	97.17
To elect Jon Goodchild	97.33
To elect Neil Southworth	97.23
To re-elect Bob Abberley	96.71
To re-elect Kathryn Morgan	96.9
To re-elect John Nickson	96.71
That the amendments to the rules of the Society produced to the meeting and initialled by the chairman of the meeting for the purpose of identification be adopted as amendments to the rules of the Society, subject to and with effect from the Financial Conduct Authority registering the amendments pursuant to section 16(4) of the Co-operative and Community Benefit Societies Act 2014	95.34
That in accordance with section 43(5) to the Co-operative and Community Benefits Societies Act 2014, the decision of the current and former directors to sell the UIA renewals rights in relation to the Society's household insurance business (the "Sale") and any decisions, resolutions or actions they have made in connection with the Sale be and are hereby approved and ratified for all purposes, notwithstanding the rules of the Society	92.41

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.

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 2022 Board and Committee meetings

	Board	Audit & Risk Committee	Nominations and Remuneration Committee
Director	Meetings attended	Meetings attended	Meetings attended
Bob Abberley	34 (37)	4 (4)	0 (0)
Peter Dodd	31 (34)	1 (1)	0 (0)
Tim Holliday	28 (34)	1 (1)	0 (0)
Lucia McKeever	29 (34)	-	0 (0)
Kathryn Morgan	37 (37)	4 (4)	0 (0)
Oliver Peterken	14 (16)	-	0 (0)
Tony Woodley	22 (34)	0 (1)	0 (0)
John Nickson	30 (34)	1 (1)	0 (0)
Jon Goodchild	32 (32)	4 (4)	0 (0)
Neil Southworth	3 (3)	4 (4)	0 (0)
Caroline Estella	3 (3)	3 (3)	0 (0)

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 Kathryn Morgan, and the Chair of the Audit and Risk Committee is Neil Southworth. 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 Morgan. 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 11.

In October, the Audit Committee and the Risk Committee were merged into one Committee as the Audit and Risk Committee.

Audit and Risk Committee

The Audit and Risk Committee presents a separate report on page 21.

Due to the run-off discussions, Committee matters were discussed by the Board until the beginning of October 2022. The Audit and Risk Committee met four times in 2022.

Nominations and Remuneration Committee

Due to the run-off discussions, Committee matters were discussed by the Board. Nomination and renumeration matters were raised and decisions made as necessary with the Board and the Committee did not meet in 2022.

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.

By order of the Board

Jon Goodchild
Director
10 May 2023

Audit and Risk 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 two members of the Committee have recent and relevant financial experience with specific household general insurance experience.

The Committee met four times during 2022. The Audit and Risk Committee matters were dealt with at Board weekly meetings earlier in the year due to the strategic change. The Committee invites a number of attendees to its meetings during the year, including the CEO, the Finance Director, the Chief Risk Officer, the Chief Actuary, the Head of Compliance, the external and internal auditors, the Chair of the Board and members of senior management.

Following the 2022 AGM the committee membership was changed to reflect the entry into runoff. The Chair of the Audit Committee stepped down and was replaced by a new Non-Executive Director chair, with one other member leaving the business.

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 contained in the accounts. It reviews the Society's internal financial controls and the internal control and risk management systems.

In April 2023, 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 2022.

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.

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 entering runoff as detailed in the page 4-5).
- 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 committee has supported the board in the review of the Scheme of Operations submitted to the PRA on entering run-off.

- The changes to Governance and the risk management framework, risk appetite policies and controls in light of the major outsourcing and entry into run-off,
- Review and recommend for approval the Scheme of Operations following entry into run-off.
- The service provided by the external auditor.
- The tender process and appointment of a new outsource of all services.
- The internal audit plan, the main internal audit findings and progress throughout the year in addressing these findings. Particularly the review of the procurement of the major outsourcing
- A quarterly review carried out on the technical provisions, and progress in refining the methodology used, especially in light of the entry into runoff and outsourcing of the claims processing.

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 outsourcing of all services

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

Our external auditor, BDO, has also supported the entry into runoff and the related business model changes and have audited these financial statements for us, having been appointed in 2021.

Neil Southworth
Chair of the Audit and Risk Committee
10 May 2023

Directors Remuneration Report

Executive pay

The Board reviews Executive pay using external advisers on a triennial basis. The Nomination and Remuneration Committee may review more regularly in light of the business and market place.

Remuneration policy for Executive directors

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

Pension

Executive directors are eligible to be members of a defined contribution scheme administered by a third party. Directors that elect to join the scheme pay contributions alongside the Society, and benefits are linked to the total level of contributions paid, the performance of each director's chosen investment fund and the form in which directors chose to take their benefits. 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.

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.

	2022 Jon Craven £	2022 John Nickson £	2022 Jon Goodchild £	2022 Caroline Gilchrist Estella £
Salary and Fees	6,110	104,650	105,000	-
Pension	-	23,691	20,300	-
Travel allowance	1,446	9,336	6,009	-
Other benefits	52	466	468	-
Compensation for loss of office	131,175	112,566	-	-
Contractor fees (Oct, Nov, Dec)	-	-	-	24,200
Total 2022	**138,783**	**250,709**	**131,777**	**24,200**
Total 2021	**328,203**	**178,489**	**-***	**-***

- did not work in this position*

Remuneration policy for Non-Executive Directors

Fees for Non-Executive Directors are reviewed annually by the Nominations and Remuneration Committee and Board 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 (2021: £28,596), with industry specialist Non-Executive Directors receiving £32,250 in 2021 and 2022. 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.

	Salary and fees 2022 £	Salary and fees 2021 £
Peter Dodd	**35,786**	**48,376**
Bob Abberley	**32,790**	**31,821**
Tim Holliday	**66,242**	**35,475**
Lucia McKeaver	**21,154**	**28,596**
Eithne McManus	**0**	**17,738**
Oliver Peterken	**14,781**	**35,475**
Tony Woodley	**21,154**	**28,596**
Angie Roberts	**0**	**14,298**
Kathryn Morgan	**38,896**	**18,556**
Neil Southworth	**11,825**	**0**
Total	**242,628**	**258,931**

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
10 May 2023

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

Opinion on the financial statements

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 2022 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 properly prepared in accordance with 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 2022 which comprise the Consolidated Statement of Profit and Loss Account, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Balance Sheet, the Consolidated Statements of Changes in Equity, the Statement 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 26 July 2021 to audit the financial statements for the year ended 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement is 2 years, covering the years ended 31 December 2021 to 31 December 2022. 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.

Material uncertainty related to going concern

We draw your attention to notes 2.1 and 2.1.2 which explains the reasons for the decrease in the Group's and Society's solvency ratio, the uncertainty around the point at which the Society can no longer be deemed to be a going concern and the Directors' considerations as to why the Group and Society is still considered a going concern. As stated in note 2.1.2, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's and Society's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 of the Society's ability to continue to adopt the going concern basis of accounting and our audit procedures in response to this key audit matter included the following:

- Reviewing the Group's and Society's latest solvency projections for the 12 months from when the financial statements are authorised for issue, and whether the methods for deriving the projections are appropriate;
- Performing stress tests of the long-term solvency projections to determine whether the Group and Society remains above the solvency requirement and continues to be a solvent run-off;
- Assessing the Group's and Society's solvency position through reference of sufficiency of assets to meet liabilities and the adequacy of regulatory capital;
- Reconciling the expected run-off duration produced by the Group and Society to the work performed on Technical Provisions by our actuarial specialists. This included concluding on the development period of claims and the ability of the Group and Society to continue to settle claims as they fall due;
- Enquiring of the Directors and scrutinising management information, board minutes and regulatory correspondence to ascertain the existence of undisclosed events or obligations that may cast doubt on the Group's and Society's ability to continue as a going concern;
- Reviewing the outturn of previous forecasts and challenge of the Group's and Society's current plans and budgets through an assessment of future budget against the audited 2022 results;
- Obtaining and reviewing the Directors, assessment of the ability to continue as a going concern, including forecasts, assumptions, and future actions in relation to entering and continuing solvent run-off. We considered the appropriateness and validity of this information given the knowledge obtained during the course of our audit about the Group and Society and transactions they have concluded; and
- Considering the appropriateness of the disclosures made in the financial statements in respect of basis of preparation and subsequent events.

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

Overview

<table>
<tr><td>Coverage</td><td>100% (2021: 100%) of Group loss before tax
100% (2021: 100%) of Group net earned premium
100% (2021: 100%) of Group total assets
100% (2021: 100%) of Group total liabilities</td></tr>
<tr><td>Key audit matters</td><td><table>
<tr><td></td><td>2022</td><td>2021</td></tr>
<tr><td>Valuation of technical provision</td><td>□</td><td>□</td></tr>
<tr><td>Valuation of defined benefit pension scheme</td><td></td><td>□</td></tr>
<tr><td>Going concern</td><td>□</td><td>□</td></tr>
</table>
Valuation of defined benefit pension scheme is no longer considered to be a key audit matter because the completion of the Flexible Apportionment Arrangement (‘FAA’) resulted in the liability for the Society’s share of the pension assets, liabilities and deficit being passed to UNISON.</td></tr>
<tr><td>Materiality</td><td>Group financial statements as a whole

£273k (2021: £400k) based on 2% (2021: 2%) of Net Assets.</td></tr>
</table>

An overview of the scope of our audit

Our Group 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, being the Society, which was subject to a full scope audit by the Group engagement team, and two insignificant components for which specified audit procedures were performed by the Group engagement team to obtain sufficient coverage for Group loss before tax. 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. In addition to the matter described in the Material uncertainty in relation to going concern section of our report, we have determined the matter described below to be a key audit matter.

Key audit matter		How the scope of our audit addressed the key audit matter
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.	The financial statements include reserves for gross outstanding claims of £11,722k (2021: £9,777k) 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; and • 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.	Our procedures included the following: We obtained and reviewed the actuarial reports prepared by the Society and, with the assistance of our own internal actuarial specialist, evaluated and challenged the methodology, assumptions, and conclusions reached through consideration of their appropriateness in respect of the nature of the insurance contract liabilities to which the Society is exposed. Our internal actuarial specialist also independently re-projected the IBNR. We reconciled the key inputs in the underlying data used by our actuarial specialist in their re-projections to audited balances to ensure completeness and accuracy of the data used. We tested a sample of claims reserves held at year end by agreeing the reserve to supporting documentation and through discussions with claims handlers. We reviewed claims movements around the year end and tested a sample of movements by agreeing the movements to supporting documentation and discussion with claims handlers. We tested a sample of claim excess values by agreeing the excess to insurance contracts. We tested reserves maintained at the automatic claim reserve value by agreeing the reserve 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.

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**	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Materiality	273	400	272	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	205	240	204	234
Basis for determining performance materiality	We have assessed performance materiality as 75% of the overall materiality for the Group and Society.			
Rationale for the percentage applied for performance materiality	In determining performance materiality, we considered the Group's control environment, the size and complexity of its operations and account balances and our previous experience on the engagement.			

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £5k (2021: £7.8k). 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 Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' Responsibility Statement on page 25, 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 extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on our understanding of the Group and the industry in which it operates, discussion with management and those charged with governance and work performed to obtain and understand the Group's policies and procedures regarding compliance with laws and regulations, we consider the most significant laws and regulations with a direct effect on the financial statements to be 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.

The Group is regulated by the Prudential Regulation Authority (‘PRA’) and Financial Conduct Authority (‘FCA’) and is subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to include the regulatory solvency requirements, Employment Rights Act 1996, Income Tax Act 2007 and the Health and Safety at Work Act 1974.

Our procedures in respect of the above included:

- Review of minutes of meetings of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with the Prudential Regulation Authority (‘PRA’) and Financial Conduct Authority (‘FCA’) for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax experts in the audit;
- Review of legal expenditure accounts to understand the nature of expenditure incurred;
- Enquiry of management and those charged with governance to ascertain if there had been any actual or suspected non-compliance with laws and regulations;
- Review of the Society’s Own Risk and Solvency Assessment (‘ORSA’); and
- Review of the Society’s breaches and complaints registers for any instances of non-compliance with laws and regulations.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;

- Obtaining an understanding of the Society's policies and procedures relating to detecting and responding to the risks of fraud and internal controls established to mitigate risks related to fraud;
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team, including forensic specialists, as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be the recognition of revenue, management override of controls and the valuation of technical provisions.

Our procedures in respect of the above included:

- Remaining sceptical and alert to the risk of management override of controls and fraud throughout all areas of the audit;
- We addressed the risk of fraud in relation to the recognition of revenue by reviewing the earnings pattern for premiums through comparison to the claims notifications made during the year, recalculating the unearned premiums recognised, and verifying the amount of premium recognised to policy documents on a sample basis;
- We addressed the risk of management override of controls by testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation and making enquiries of management; and
- The procedures documented in the key audit matter section of our report discusses how the risk of fraud was addressed in respect of the valuation of technical provisions;

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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 Society's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

DocuSigned by:

Rupert Livingstone

BA1570E593D7455...

Rupert Livingstone (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

55 Baker Street

15 May 2023

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

UIA (Insurance) Limited

Consolidated Statement Profit and Loss Account of the Society and subsidiaries

For the year ended 31 December 2022

Technical account - General Business

	Notes	2022 £'000	2021 £'000
Earned premiums net of reinsurance			
Gross earned premiums	5(a)	**14,914**	18,429
Reinsurance premium ceded	5(a)	**(2,600)**	(3,070)
	6	**12,314**	15,359
Allocated investment return transferred from the non-technical account		**-**	223
Other technical income		**-**	-
Total technical income		**12,314**	15,582
Claims incurred net of reinsurance			
Gross insurance claims and claims settlement expenses	5(b)	**(11,001)**	(9,412)
Insurance claims and claims settlement expenses recoverable from reinsurers	5(b)	**198**	677
		(10,803)	(8,735)
Other Provision relating to cessation	23	**(2,386)**	-
Net operating expenses	7	**(12,110)**	(10,524)
Total technical charges		**(25,299)**	(19,259)
Balance on technical account for general business		**(12,985)**	(3,677)

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.

UIA (Insurance) Limited

Consolidated Statement Profit and Loss Account of the Society and subsidiaries (continued)
For the year ended 31 December 2022

Non-technical account

	Notes	2022 £'000	2021 £'000
Balance on the general business technical account		**(12,985)**	(3,677)
Investment income	10	**(632)**	564
Unrealised gains on investments		**147**	(764)
Net investment expenses	10	**(4)**	(2)
Allocated investment return transferred to the technical account.		**-**	**(223)**
Other Net Income	11	**1,966**	93
Interest charged on defined benefit pension net liability	24	**182**	(238)
Loss on ordinary activities before taxation		**(11,326)**	(4,247)
Tax charge on loss on ordinary activities	12	**8**	37
Loss for the financial year		**(11,318)**	(4,210)

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

Consolidated Statement of Comprehensive Income of the Society and its subsidiaries

For the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Loss for the year		**(11,318)**	(4,210)
Re-measurement of net defined benefit pension liability	24	**2,576**	4,927
Total comprehensive expense for the year		**(8,742)**	717

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

Consolidated Balance Sheet of the Society and subsidiaries
as at 31 December 2022

	Notes	Group	
		2022	2021
		£'000	£'000
Assets			
Intangible Assets	14	**1,756**	3,778
Other financial investments	15	**22,557**	38,631
		22,557	38,631
Reinsurers' share of technical provisions			
Unearned premiums	17(a)	**175**	677
Outstanding claims	17(b)	**501**	874
		676	1,551
Debtors			
Arising out of direct insurance operations		**1,749**	7,577
Arising out of direct reinsurance operations		**605**	214
Other debtors	18	**391**	965
		2,745	8,756
Other assets			
Tangible assets	19	**4**	69
Cash at bank and in hand		**2,288**	2,758
		2,292	2,827
Prepayments and accrued income			
Deferred acquisition costs	20	**68**	272
Other prepayments and accrued income		**800**	905
		868	1,177
Total Assets		**30,894**	56,720

UIA (Insurance) Limited

Consolidated Balance Sheet of the Society and subsidiaries (continued)

for the year ended 31 December 2022

	Notes	Group 2022 £'000	2021 £'000
Liabilities			
Capital and reserves			
Share capital	21	**-**	1
Profit and loss account		**11,273**	20,015
Total equity		**11,273**	20,016
Technical provisions			
Gross unearned premiums	22a	**2,185**	8,909
Gross outstanding claims	22b	**11,722**	9,777
Unearned commission	22c	**94**	370
		14,001	19,056
Provisions for other risks			
Provisions for pensions and similar obligations	24	**-**	12,675
Cessation provision	23	**2,386**	-
Other provisions		**251**	150
		2,637	12,825
Creditors			
Arising out of direct insurance operations		**1,385**	2,255
Arising out of reinsurance operations		**647**	882
Other creditors including taxation and social security	25	**426**	1,136
		2,458	4,273
Accruals and deferred income		**525**	550
Total equity, reserves and liabilities		**30,894**	56,720

Approved by the Board of Directors and authorised for issue on 10 May 2023 and signed on behalf by:

Chair and Director	Director	Director
Kathryn Morgan	Jon Goodchild	Caroline Gilchrist Estella

Balance Sheet of the Society

for the year ended 31 December 2022

	Notes	Society 2022 £'000	2021 £'000
Assets			
Intangible Assets	14	**1,756**	3,778
Investments			
Investment in group undertakings	16	**250**	256
Other financial investments	15	**22,557**	38,631
		22,807	38,887
Reinsurers' share of technical provisions			
Unearned premiums	17(a)	**175**	677
Outstanding claims	17(b)	**501**	874
		676	1,551
Debtors			
Arising out of direct insurance operations		**1,748**	7,577
Arising out of direct reinsurance operations		**605**	214
Other debtors	18	**382**	822
		2,735	
			8,613
Other assets			
Tangible assets	19	**4**	55
Cash at bank and in hand		**1,960**	2,447
		1,964	2,502
Prepayments and accrued income			
Accrued interest and rent		**-**	-
Deferred acquisition costs	20	**68**	272
Other prepayments and accrued income		**799**	900
		867	1,172
Total Assets		**30,805**	56,503

Balance Sheet of the Society (continued)

for the year ended 31 December 2022

	Notes	Society 2022 £'000	2021 £'000
Liabilities			
Capital and reserves			
Share capital	21	**-**	1
Profit and loss account		**11,190**	19,917
Total equity		**11,190**	19,918
Technical provisions			
Gross unearned premiums	22a	**2,185**	8,909
Gross outstanding claims	22b	**11,722**	9,777
Unearned commission	22c	**94**	370
		14,001	19,056
Provisions for other risks			
Provisions for pensions and similar obligations	24	**-**	12,675
Cessation provisions	23	**2,386**	-
Other provisions		**251**	150
		2,637	12,825
Creditors			
Arising out of direct insurance operations		**1,384**	2,255
Arising out of reinsurance operations		**647**	882
Other creditors including taxation and social security	25	**422**	1,017
		2,453	4,154
Accruals and deferred income		**524**	550
Total equity, reserves and liabilities		**30,805**	56,503

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 loss for the year is £14,494,291 (2021: profit of £704,097), (see Note 13).

Approved by the Board of Directors and authorised for issue on 10 May 2023 and signed on behalf by:

Chair and Director	Director	Director
Kathryn Morgan	Jon Goodchild	Caroline Gilchrist Estella

Statements of Changes in Equity

for the year ended 31 December 2022

Consolidated Statement of Changes in Equity of the Society and its subsidiaries	**Share capital**	**Profit and loss account**	**Total**
	£'000	£'000	£'000
At 1 January 2021	1	19,298	19,299
Deficit 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
Deficit for the financial year	(1)	(11,318)	(11,319)
Re-measurement of net defined benefit pension scheme liability	-	2,576	2,576
At 31 December 2022	-	11,273	11,273

Statement of Changes in Equity of the Society	**Share capital**	**Profit and loss account**	**Total**
	£'000	£'000	£'000
At 1 January 2021	1	19,214	19,215
Deficit 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
Deficit for the financial year	(1)	(11,303)	(11,304)
Re-measurement of net defined benefit pension scheme liability	-	2,576	2,576
At 31 December 2022	-	11,191	11,191

UIA (Insurance) Limited

Consolidated Statement of Cash Flows of the Society and its subsidiaries

for the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Cash generated from operating activities			
Net cash flow used by operating activities before investment of insurance assets	26	**(16,239)**	(2,962)
Cash flow from investing activities			
Cash generated from investment of insurance assets	26	**19,745**	18,186
Purchase of intangible and tangible assets		**(14)**	(1,390)
Net cash used in investing activities		**19,731**	16,796
Net cash increase/decrease in cash and cash equivalents		**3,492**	13,834
Cash and cash equivalents at beginning of year		**21,277**	7,443
Cash and cash equivalents at end of year		**24,769**	21,277
Cash at bank and in hand		**2,288**	2,758
Short term deposits presented within other financial instruments		**22,481**	18,519
Cash and cash equivalents		**24,769**	21,277

Notes to the Financial Statements

for the year ended 31 December 2022

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 10.

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 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. All the other intangibles are being written off between June 2022 and August 2023.

2.1.1 Key developments since the 2021 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.

The cessation provision was recognised in the financial statement, see note 23. It covers only future costs that are directly related to the restructuring of the Society's run-off process and its run-off until cessation should be completed.

As part of the FAA, subsequent payments will be made into the Scheme, depending on certain "affordability criteria" being met, see note 30. It also displays the Society's final net liability position regarding the Defined Benefit Scheme.

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 was 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. A new Scheme of Operations is currently being prepared on a closed book basis and this demonstrates that the Society continues to have adequate resources. The progress of the run-off will be monitored on a monthly basis against this new Scheme of Operations.

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 2022 as we have adequate financial resources in order to meet our liabilities as they fall due over the next 12 months. We have net assets of £11.274m.

The Board has considered both positive and negative ramifications of the strategic actions taken and the financial impacts.

Positive aspects which support the going concern basis include:

Changes to investments

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.

Freezing of pension liabilities

The FAA was signed on 13th September 2022 thus removing market volatility on pension liabilities.

Low liability risk

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

Risk exposure

The Society is rapidly reducing its policyholder exposure with its last remaining policies expiring in July 2023. Some 50% of the Society's policies remained on risk as at 31 December 2022. There has been benign claims experience in during 2023 up to date of signing the financial statements.

Negative considerations and mitigations for going concern status:

These circumstances indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Society's ability to continue as a going concern and, therefore, they may be unable to realise their assets and discharge their liabilities in the normal course of business. The financial statements do not include any adjustments should the going concern basis of preparation not be appropriate.

Reduction in SCR cover

The Solvency II standard formula SCR extremely prudent to insurers in run, not recognising the rapid fall in risk over the following year. As such itis arguably not the best benchmark for the Society's solvency to be measured against. For example, the Nat Cat section of the standard formula assumes that exposure remains constant at the 1 January 2023 level throughout 2023, whereas in reality the exposure is quickly reducing, reaching zero in July 2023.

As a result of the Society being placed into run-off and moving to a closed book basis of accounting, as mentioned above, there has been a material impact on its net assets position and solvency cover over the standard formula solvency capital requirement ("SCR"). The Board's target appetite is 150% SCR cover however as a result of moving to a closed book basis for accounting purposes the unaudited solvency cover is now standing at 53% (2021: 114%).

Should the estimates made for the claims and cessation expense provision hold true the net assets position for the Society should remain broadly static throughout the run-off period. However, over time the SCR should reduce as claims are settled, claims reserves reduce as the book comes off risk. The solvency cover at 31st December 2022 should be at its lowest point and as SCR reduces the solvency cover should improve.

The Society's cover over MCR was 161% which could be considered a more appropriate measure of solvency in a run off situation.

Solvency projections have been prepared to end 2026 and these demonstrate the correction of the solvency cover to above 100% over the course of 2023 as the Society comes off risk in July 2023 and far exceeding the target 150% in 2024-2026 if the current held assumptions on net assets are maintained.

For this reason, the board do not deem this temporary breach of target solvency as a material cause for concern but accept this as a short-term issue which will correct itself during 2023.

Transition away from going concern status

The Board has recognised that there is uncertainty over the point at which the Society can no longer be deemed a going concern during the period between 2022 and 2026 financial reporting periods. The Board however are confident that there is no prospect of this being the case for the next 12 months.

Uncertainty of events within the next 12 months

The Board recognise that there is uncertainty over the point at which the Society can no longer be deemed to be a going concern as the solvent run off continues and would anticipate this timing will become more certain as insurance contract liabilities are settled. The Board however are confident that there is no prospect of this being the case for the next 12 months but recognise that, due to the nature of insurance contract liabilities and the timing of those liabilities being settled, the point at which the Society is no longer considered to be a going concern is uncertain.

The Board has considered realistic stress scenarios that could reasonably occur in the next 12 months and are performing stress tests to measure the financial impact thereof. Of these scenarios the Board are of the view that there are none which would result in the Society being unable to meet its liabilities over the next 12 months.

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. Also, we started to applied accelerated amortisation in 2022 due to run-off decision in line with asset's estimated useful life.

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 ceased from the date of the Agreement. On signing of the Flexible Apportionment Agreement the Society paid an initial £10m consideration into the pension scheme and any surplus remaining after run off of the Society's liabilities will also be paid in. The signing of the agreement was key to ensuring the solvent run-off of the Society's claims by eliminating future exposure to market volatility and potential pension fund deficits.

On the same date, UIA (Call Centres) Limited was sold to UNISON for £1 and UIA (Insurance) Ltd. have no further liability.

The Directors consider UIA (Insurance) Ltd.'s share 5.6% on 12th September 2022 (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 have been obtained every three years and are updated at each balance sheet date Due to Flexible Apportionment Agreement, as of 31st December 2022 UIA (Insurance) Ltd. no longer has any liability on defined benefit scheme liability.

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

As a result of the strategic review, non-financial assets have been amortised or depreciated using accelerated method in accordance with their new useful life.

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 the 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 securities, 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.

Cessation provision

In accordance with the cessation process, the Society recognises a provision to meet its legal and operational obligations. The cessation provision funds all anticipated future expenses which were identifiable as being specific to the restructure of the UIA (Insurance) Ltd.'s operational and run-off steps. Cessation provisions set out the probable direct costs of restructuring, estimated expenses allotted for specific expenses, e.g., legal and consulting expenses; contractors and third parties' fees who work directly in cessation restructuring; former colleagues' incentives to ensure the business continuity; the closure of the office and IT expenses, and other necessary entailed by restructuring expenses.

The cessation provision was recognised in the financial statement, see note 23.

As part of the FAA, subsequent payments will be made into the Scheme, depending on certain "affordability criteria" being met, see note 30. The last position of net liability of the Society related to the Defined Benefit Scheme is also presented in note 30.

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 12th September 2022. The estimated proportion allocated to the Society is described in note 30.

Details of sensitivities are described in note 30.

On signing of the Flexible Apportionment Agreement, the Society's exposure to these uncertainties ceased. The signing of the agreement was key to ensuring the solvent run-off of the Society's claims by eliminating future exposure to market volatility and potential pension fund deficits.

Cessation provision

The determination of the cessation provision was based on existing contracts, reasonable costs derived from past experience, and in accordance with the run-off procedures that are highly likely to occur, and as decided by management. However, there could be additional uncertainties regarding the timing and projected amount of the provision, with a 90% confidence level, which may result in reasonable discrepancies.

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 Audit and Risk Committee and Board. Additionally, the Society maintains risk registers which are reviewed by the Audit and Risk Committee, and other reports are produced on an ad hoc basis as and when necessary for the Audit and Risk Committee and Board.

The Society considered its largest risk exposure for 2022 accounts, following the discharge of the pension assets, to be insurance risk. This risk is relating to the uncertainty surrounding the timing, frequency and severity of household claims. After the exposure has run off in mid-July 2023, the largest risk will be reserve risk which captures the potential deteriorations in historical claims which could increase ultimate claims costs above what is provisioned.

There are several risks and mitigations associated to the run-off to highlight:

- Household claims longevity risk is key at a time when the Directors are seeking to close the Society quickly to ensure a solvent run-off. Activities have been transferred to Davies Group - a specialist in third party claims administration. Davies Group are incentivised to accelerate in an appropriate manner the management of claims for the benefit of members and the Society.

- Legal expense claims longevity risk may also impact the ability to close the Society expeditiously. Solutions are being worked on.

- Expense risk could impact the balance sheet should the run-off take longer or shorter 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 as the book runs down. 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 could impact capital available for the run-off. This has been mitigated by the move to short-dated cash and bond funds. The funds themselves contain a spread of underlying investments, which are largely high-security short term bonds or cash of low or zero duration.

4.1 Insurance risk

The Society accepted insurance risk through its previously written 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 was based on assumptions made by looking at trends and past experiences. Exposures were 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 was 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. Now that the business is fully run off, there is no further opportunity for future pricing and underwriting to impact the portfolio. As such, the remaining control is the effective management of claims.

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 2022 reinsurance programme protects against individual large claims (over £250,000 up to £1m) and against Catastrophe losses (above £1.5m, up to £15m 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. The 2023 programme has not been placed fully, due to a challenging reinsurance market; however, the magnitude of the shortfall is relatively small (on the order of 5-10% of the cat programme and 30% of the risk XL programme).

In addition, the Society ceded its highest Flood risks to Flood Re via the Flood Re scheme.

Earned reinsurance premium in 2022 was £2.6m and recoveries were £0.198m. This represented a loss on reinsurance of £2.402m. 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. This reinsurance data also includes earned premium and claims on the legal After The Event, Before The Event and Home Emergency business, which is reinsured at 100% as noted above and has been profitable this year. As such, this increases the loss on reinsurance from the perspective of the accounts, but is offset by a corresponding gross profit.

Capital management

The following table is a summary of our capital position. These figures are consistent with the QRT submission.

	At 31 December	
	Unaudited	**Unaudited**
	2022	**2021**
	£m	***£m***
Market Risk	*0.5*	*10.5*
Counterparty Default Risk	*0.5*	*2.4*
Non -Life Underwriting Risk	*9.6*	*6.7*
Operational Risk	*0.5*	*0.6*
Loss absorbing capacity of deferred tax	*-0.2*	*-0.2*
Diversification credit	*-0.7*	*-4.6*
Total solvency capital requirement (SCR)	*10.4*	*15.4*
Total own funds	*5.6*	*17.6*
Total surplus	*-4.8*	*2.2*
SCR coverage	*53%*	*114%*

The Charman's Statement on page 3 and note 2.1.2 Going Concern on page 46 provide an explanation of the impact of the 53% SCR shortfall on the Society's regulatory requirements.

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.

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 2022 and these are set out below. A more thorough assessment is being performed for the updated Scheme of Operations, so our approach here has been to repeat the tests performed last year. The table shows the underwriting deficit as reported, and as if the listed variations had occurred.

	2022	2021
	£'000	£'000
Balance on technical account for general business	**(12,985)**	(3,674)
5% Increase in loss ratio (including expenses) (2022: 153% -> 158%)	**(13,601)**	(4,496)
Weather event in UK – industry loss £250m	**(13,735)**	(4,424)
5% increase in expenses	**(13,590)**	(4,243)

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.

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.

UIA (Insurance) Limited

Estimates of ultimate claims Gross of RI	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013 and prior	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
End of accident year	9,422	7,532	9,677	11,764	16,581	14,474	10,984	10,121	9,471		
One year later		7,433	9,693	11,122	16,652	13,384	10,151	9,718	8,854		
Two years later			10,045	11,364	16,835	13,413	9,539	9,449	8,759		
Three years later				11,726	16,794	13,971	9,464	9,094	8,639		
Four years later					17,139	14,163	9,488	9,217	8,310		
Five years later						14,117	9,548	9,382	8,334		
Six years later							9,463	9,540	8,605		
Seven Years Later								9,539	8,598		
Eight Years Later									8,564		
Current Estimate Of Ultimate Claims	9,422	7,433	10,045	11,726	17,139	14,117	9,463	9,539	8,564	94,141	191,590
Cumulative Payments To Date	(3,487)	(6,395)	(9,131)	(11,104)	(16,634)	(13,758)	(9,301)	(9,514)	(8,540)	(93,715)	(181,577)
In Balance Sheet	5,936	1,039	915	623	505	359	162	25	24	427	10,014

Prudential Margin	1,514
Management Margin: TP rec booked	237
Management Margin: Potential higher use of advisers	128
RI IBNR included in Balance Sheet IBNR	- 171
	11,722
Liability in balance sheet	11,722

For Household, gross ULR is 25 points worse in 2022 than in 2021 and 13 points worse in 2022 than in 2020. This is a 60% relative deterioration versus 2021 and a 25% deterioration versus 2020. Earned Premium in 2022 is down roughly 23% versus 2020 and 18% versus 2021. The high loss ratios over the year are discussed elsewhere, and driven by adverse freeze, subsidence and large loss experience. Non-household is much smaller this year.

Estimates of ultimate claims net of RI	2022	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	8,995	7,229	9,222	11,237	16,105	13,882	10,814	9,497	9,027		
One year later		7,202	9,309	10,487	16,187	13,269	9,953	9,037	8,593		
Two years later			9,592	10,792	15,842	13,383	9,474	8,778	8,481		
Three years later				11,109	15,770	13,406	9,476	9,102	8,365		
Four years later					16,156	13,529	9,271	9,156	8,276		
Five years later						13,527	9,285	9,147	8,268		
Six years later							9,294	9,145	8,260		
Seven Years Later								9,141	8,254		
									8,258		
Current Estimate Of Ultimate Claims	8,995	7,202	9,592	11,109	16,156	13,527	9,294	9,141	8,258	84,817	178,090
Cumulative Payments To Date	- 3,386	- 6,279	- 8,951	- 10,706	- 15,739	- 13,229	- 9,136	- 9,120	- 8,235	- 84,412	-169,193
In Balance Sheet	5,610	923	641	402	417	297	158	21	24	405	8,897

Prudential Margin	1,488
Management Margin: TP rec booked	237
Management Margin: Potential higher use of advisers	128
Finance vs Actuarial treatment of RIPs	- 135
Liability in balance sheet	10,616
Gross Claims Provisions in Balance Sheet	11,722
Reinsurers' share	501
Net Claims Liabilities	11,221

The net ULR is 33 points worse in 2022 than in 2021, which is a 60% relative deterioration in line with the gross, again driven by the weather events of 2022.

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.

The Society is invested in a collective investment scheme of short-term fixed income securities.

The financial investments are valued at market value in the financial statements:

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 within the collective investment scheme portfolio. 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 (2021: £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.

4.3 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 underlying bond holdings with the collective investment scheme subscribed to;
- 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 collective investment scheme and reinsurance programme by monitoring external credit ratings for the investment and reinsurance assets held.

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:

2022	**AAA**	**AA**	**A**	**BBB**	**BB**	**B**	**CCC***	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Debt securities	**9,439**	**4,623**	**7,679**	**778**			**-**	**22,519**
Other investments								**-**
Deposits								**-**
Cash and cash equivalents			**39**				**2,288**	**2,327**
Reinsurance share on Claims outstanding			**501**					**501**
Debtors arising out of Direct Insurance operations							**1,749**	**1,749**
Other debtors							**391**	**391**
Other prepayments							**800**	**800**
Debtors arising out of Direct reinsurance operations			**605**					**605**
	9,439	**4,623**	**8,824**	**778**	**-**	**-**	**5,228**	**28,892**

*includes unrated

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							7,577	7,577
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

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 £'000	Within 1 year £'000	Within 1-2 years £'000	Within 2-5 years £'000	Over 5 years £'000	Total £'000
As at 31 December 2022						-
Shares and other variable-yield securities and units in unit trusts						-
Debt securities and other fixed-income securities	22,109	356	54	-	-	**22,519**
Forward currency contracts	-	-	-	-	-	-
Cash balances	2,327					**2,327**
Debtors		2,745				**2,745**
Reinsurers' share of claims outstanding		321	117	53	10	**501**
	24,436	**3,422**	**171**	**53**	**10**	**28,092**
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**

Cash flows may be materially different from those disclosed below.

	Within 1 year £'000	Within 1-2 years £'000	Within 2-5 years £'000	Over 5 years £'000	Total £'000
As at 31 December 2022					-
Gross outstanding claims	6,162	3,441	1,773	346	**11,722**
Creditors	2,458				**2,458**
Accruals and deferred income	524				**524**
	9,144	**3,441**	**1,773**	**346**	**14,704**
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**

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.

4.5 Pension risk

As disclosed in notes 30, the Society was a participating employer within the UNISON Staff Pension Scheme. This is a multi-employer Defined Benefit pension scheme (see note 30). As such our financial commitment to the Scheme could vary significantly over time as we were 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 related 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 other sections (see Chairperson’s statement and note 30), the signing of the FAA on 13th September 2022 eradicates the Society’s exposure to this risk. Further detail is contained in note 30.

Notes to the Financial Statements (continued)
for the year ended 31 December 2022

5 Underwriting Activities

5(a) Net earned premium

Gross earned premium	2022	2021
	£'000	£'000
Gross written premium	**8,191**	17,918
change in unearned premium	**6,723**	511
Gross earned premium	**14,914**	18,429
Reinsurance premium ceded		
Reinsurance premium payable	**(2,098)**	(3,015)
Change in reinsurers share of unearned premium	**(502)**	(55)
Reinsurance premium ceded	**(2,600)**	(3,070)
Net earned premium	**12,314**	15,359

5(b) Net insurance claims settlement expenses

Insurance claims and claims settlement expenses	2022	2021
Gross insurance claims and claims settlement expenses paid	**(9,057)**	(9,247)
Gross change in provision for claims	**(1,944)**	(165)
Gross incurred insurance claims and claims settlement expenses	**(11,001)**	(9,412)
Insurance claims and claims settlement expenses recoverable from reinsurers		
Gross claims and claims settlement expenses paid recoverable from reinsurers	**180**	636
Gross change in provision for claims and claims settlement expenses recoverable from reinsurers	**(373)**	(76)
Adjustments in prior year liabilities / reinsurance assets	**391**	117
Gross claims and claims settlement expenses recoverable from reinsurers	**198**	677
Net incurred claims and claims settlement expenses	**(10,803)**	(8,735)

6 Segmental analysis

Technical account 2022	Household	Home Emergency	Legal	Legal expenses	Total
	£'000	£'000	£'000	£'000	£'000
Net earned premium					
Gross written premium	7,458	265	305	163	8,191
Change in gross unearned premium	6,273	215	235	-	6,723
Gross earned premium	13,731	480	540	163	14,914
Reinsurance premium ceded	(1,411)	(480)	(540)	(169)	(2,600)
Net earned premium	12,320	-	-	(6)	12,314
Allocated investment return transferred from the non-technical account	-	-	-	-	-
Total technical income	12,320	-	-	(6)	12,314
Net claims incurred					
Gross insurance claims and claims settlement expenses	(11,202)	(24)	(35)	260	(11,001)
Insurance claims and claims settlement expenses recoverable from reinsurance	391	24	35	(252)	198
Net claims incurred	(10,811)	-	-	8	(10,803)
Other provision relating to cessation	(2,386)				(2,386)
Gross operating expenses	(12,754)	-	-	(20)	(12,774)
Overriding commission	-	299	320	45	664
Net operating expenses	(12,754)	299	320	25	(12,110)
Change in other technical provisions	-	-	-	-	-
Total technical charges	(25,951)	299	320	33	(25,299)
Balance on technical account	(13,631)	299	320	27	(12,985)

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 2022

Segmental analysis (continued)

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	-	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	(8,735)	-	-	-	(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)
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.

Notes to the Financial Statements (continued)

for the year ended 31 December 2022

7 Net Operating Expenses

(a) Net Operating Expenses	**2022** £'000	2021 £'000
Acquisition costs	1,333	3,161
Changes in deferred acquisition costs	449	1,076
Administrative expenses including amortisation	10,992	7,116
Gross Operating Expenses	12,774	11,353
Overriding commission	(664)	(829)
Net Operating Expenses	12,110	10,524

(b) Auditor's remuneration

Fees payable to the auditor for the audit of the annual accounts		
2021 financial year	162	111
2022 financial year	131	-
	293	111

(c) Operating lease payments		
Rental of buildings	379	363
Hire of plant and machinery	56	58
	435	421

Notes to the Financial Statements (continued)

for the year ended 31 December 2022

8 Colleague information

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

	2022 Number	2021 Number
Underwriting and claims	14	34
Administration and finance	14	33
Sales and marketing	8	24
Subsidiary activities	38	57
	74	148

Colleague costs were as follows	**2022** £'000	2021 £'000
Wages and Salaries	**1,964**	4,330
Social Security cost	**206**	397
Pension costs	**527**	1,217
	2,697	5,944

9 Directors' emoluments

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

	2022	2021
	£'000	£'000
Aggregate emoluments	477	339
Employer's Pension Contribution	44	36
Contractor's fees (Oct-Nov 2022)	24	-
Total Directors' emoluments	545	375

Note, the renumeration paid in 2022 above includes the compensation for loss of office £244k paid in February and in October 2022 (see further details on page 23).

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 23.

10 Net investment return

2022	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	-				(40)	(40)
Term deposit						-
Cash and cash equivalents	173	(860)	(687)		187	(500)
Other investment income	55		55			55
Other investment expenses				(4)		(4)
Investment income	**228**	**(860)**	**(632)**	**(4)**	**147**	**(489)**

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)

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.

2022	UIA (Insurance services) Ltd.	UIA (Call centres) Ltd.	UIA (Insurance) Ltd.	Total
	£'000	£'000		£'000
Turnover	85	1,819	2,295	4,199
Administration expenses	(106)	(1,812)	(315)	(2,233)
Retained profit for the year	**(21)**	**7**	**1,980**	**1,966**

2021	UIA (Insurance services) Ltd.	UIA (Call centres) Ltd.	UIA (Insurance) Ltd.	Total
	£'000	£'000		£'000
Turnover	136	2,690		2,826
Administration expenses	(121)	(2,690)	78	(2,733)
Retained profit for the year	15	-	78	93

UIA (Insurance) Ltd.'s turnover (£2,295) includes the fees linked to the Sale of Renewal Right received in 2022 and recharges invoiced to UIA (Call Centres) Ltd. due to shared office spaces and services provided.

12 Taxation on profit on ordinary activities

	2022	2021
	£'000	£'000
(a) Analysis of the tax charge		
UK corporation tax:		
Adjustment in respect of previous periods	(4)	(1)
Current tax	(3)	(36)
Changes in deferred tax balances	(1)	-
Total corporation tax charge for the year	(8)	(37)

(b) Factors affecting tax charge for the year

The tax credit for the year is lower than 19% (2021: lower than 19%) of taxable income of the year. The differences are explained below

	2022	2021
	£'000	£'000
Losses on ordinary activities before tax	(11,326)	(4,247)
Tax on ordinary activities at 19% (2021: 19%)	(2,152)	(807)
Effects of		
Loss on technical account	2,467	699
Allocated investment return	-	42
Return on other income	(372)	-
Return on pension scheme	(35)	45
Disallowed loss on disposal of subsidiary to connected party	24	-
Tax refunds	(5)	(15)
Losses on investment for 2022	69	-
Adjustment in respect of previous periods	(4)	(1)
Total current tax charge for the year	(8)	(37)

(c) Provision for deferred taxation	**2022**	2021
	£'000	£'000
Deferred tax at 1 January	(1)	(1)
Movement in the provision	1	-
Deferred tax at 31 December	-	(1)

At the Spring Budget 2021, the government announced that the main corporation tax main rate for non-ring fence profits would increase to 25% for profits above £250,000 from April 2023. A small profits rate of 19% was also announced for companies with profits of £50,000 or less at the same time.

The enacted main corporation tax rate for the period to 31 December 2022 is 19%. There was no change in the effective corporation tax to be applied to the Society during 2022.

No deferred tax asset has been recognised in the financial statements for tax losses carried forward on the grounds that it is unlikely that there will be future taxable profits against which the losses could be utilised.

Due to the sale of UIA (Call Centres) ltd to UNISON on 13th September 2022, the current deferred tax asset has been removed which is reflected in the Note 12 (c).

13 Deficit for the financial year

During the financial year, the Group incurred a loss of £8,742k, while in the previous year it had a profit of £717k, as shown in the “Total comprehensive expense for the year”.
The Society has reported a loss of £8,727k for the year 2022 (2021: profit of £704k), 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 2022	8,559	8,559
Additions	14	14
At 31 December 2022	8,573	8,573
Accumulated amortisation		
At 1 January 2022	(4,781)	(4,781)
Charge for the year	(2,036)	(2,036)
At 31 December 2022	(6,817)	(6,817)
Net book value at 31 December 2022	1,756	1,756
Net book value at 31 December 2021	3,778	3,778

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	
	2022	**2022**	**2022**	**2022**
	Fair Value	Cost	Fair Value	Cost
	£'000	£'000	£'000	£'000
Financial assets				
Debt securities and other fixed-income securities	22,518	22,442	22,518	22,442
Cash and cash equivalents	39	39	39	39
Total	**22,557**	**22,481**	**22,557**	**22,481**

	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

The highly liquid financial instruments, including Debt securities and other fixed-income securities (Fair Value: £22,518), can be easily converted within 2 working days into cash at the fair market value. Consequently, it has been categorised under "Short term deposits presented within other financial instruments" (£22,481) in Statements of Cash-Flow.

Note 15 solely presents financial assets (£22,557) of the Debt securities and other fixed income securities of £22,518 and Cash and Cash equivalent of £39.. Meanwhile, the statement of Cash-Flow includes the Cash at bank amount of £2,288 and the total Financial assets of £22,481 for the reason above.

In Q3 2022, approval was granted to improve financial income. The Board approved to transfer the balance of £18.4m from the Royal London Short Term Fixed Income Enhanced Fund to the Royal London Short Term Fixed Income Fund.

The total investment portfolio of £22,557k includes one investment cash investment fund (2021: £38,631k two funds). It consists 97.3% corporate bonds (2021: 91.8%), 2.5% government bonds (2021: 3.3%), 0% collateralized securities (2021: 4.6%) and 0.2% cash and cash equivalents (2021: 0.3%). The assets can be converted into cash immediately.

The financial instruments held at fair value in the statement of financial position are categorised into "Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date", as the asset includes an investment fund that have a regular mark-to-market mechanism for setting a fair market value.

16 Investment in subsidiaries

	The Society	
	2022	2021
	£'000	£'000
Cost at 31 December	**250**	375
Provision for impairment at 1 January	**(119)**	(119)
Movement in provision	**119**	-
Provision for impairment at 31 December	**-**	(119)
Net book value at 31 December	**250**	256

The Society owned 100% of the ordinary shares of four subsidiaries at the beginning of 2022, all of whom are registered in England and Wales at Kings Court, London Road, Stevenage, Hertfordshire, SG1 2TP. The subsidiaries are at the end of 2022:

- 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.

UNISON acquired UIA (Call Centres) Ltd. for a nominal amount of £1 on the 13th September 2022 as a part of FAA agreement (see strategic report). As a consequence of the sale transaction, the Society incurred a loss on disposal of £124,999. The booked value of the entity was £125,000 as of the sale date.

Prior to sale, the Society's account included an impairment provision of £119,000 for UIA (Call Centres) Ltd. It has been released in line with the sale completion, therefore the provision for impairment at 31 December 2022 is Nil.

Notes to the Financial Statements (continued)
for the year ended 31 December 2022

17 Technical provisions - assets

		The Group		The Society	
		2022	2021	**2022**	2021
		£'000	£'000	£'000	£'000
a)	Reinsurers share of unearned premium				
	At 1 January	**677**	729	**677**	729
	Movement in Provision	**(502)**	(52)	**(502)**	(52)
	Reinsurers share of unearned premiums at 31 December	**175**	677	**175**	677
b)	Reinsurers share of outstanding claims				
	At 1 January	**874**	950	**874**	950
	Movement in Provision	**(373)**	(76)	**(373)**	(76)
	Reinsurers share of outstanding claims at 31 December	**501**	874	**501**	874

18 (a) Debtors arising out of Direct insurance Operations

	The Group		The Society	
	2022	2021	**2022**	2021
	£'000	£'000	£'000	£'000
Receivables from policyholders	**1,749**	7,525	**1,749**	7,525
Receivables from Agents and intermediaries	**-**	52	**-**	52
Debtors arising out of Direct Insurance Operations	1,749	7,577	1,749	7,577

18 (b) Other debtors

	The Group		The Society	
	2022	2021	**2022**	2021
	£'000	£'000	£'000	£'000
Amounts owed by other parties	**391**	965	**382**	822
	391	965	**382**	822

19 Tangible assets

(a) Tangible assets - Group

	Computer equipment & Systems	Furniture, fixtures & fittings	Total
	£'000	£'000	£'000
Cost			
At 1 January 2022	**624**	**298**	**922**
Additions	**-**	**-**	**-**
Disposals	**(57)**	**-**	**(57)**
At 31 December 2022	**567**	**298**	**865**
Accumulated Depreciation			
At 1 January 2022	**(562)**	**(291)**	**(853)**
Charge for the year	**(57)**	**(7)**	**(64)**
Disposals	**56**	**-**	**56**
At 31 December 2022	**(563)**	**(298)**	**(861)**
Net book value at 31 December 2022	**4**	**-**	**4**
Net book value at 31 December 2021	62	7	69

(b) Tangible assets - The Society

	Computer equipment & Systems	Furniture, fixtures & fittings	Total
	£'000	£'000	£'000
Cost			
At 1 January 2022	**507**	**251**	**758**
Additions	**-**	**-**	**-**
Disposals	**(57)**	**-**	**(57)**
At 31 December 2022	**450**	**251**	**701**
Accumulated Depreciation			
At 1 January 2022	**(459)**	**(244)**	**(703)**
Charge for the year	**(43)**	**(7)**	**(50)**
Disposals	**56**	**-**	**56**
At 31 December 2022	**(446)**	**(251)**	**(697)**
Net book value at 31 December 2022	**4**	**-**	**4**
Net book value at 31 December 2021	48	7	55

20 Deferred Acquisition costs	The Group		The Society	
	2022	2021	**2022**	2021
	£'000	£'000	£'000	£'000
At 1 January	**272**	459	**272**	459
Additions	**245**	889	**245**	889
Amortisation	**(449)**	(1,076)	**(449)**	(1,076)
Deferred acquisition costs at 31 December	**68**	272	**68**	272

21 Share capital	The Group		The Society	
	2022	**2021**	**2022**	**2021**
	£'000	£'000	£'000	£'000
Issued and fully paid up 40,599 ordinary shares of 1p (2021:88,196)	**0.4**	1	**0.4**	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	
	2022	2021	**2022**	2021
	£'000	£'000	£'000	£'000
(a) Provision for gross unearned premium				
At 1 January	**8,909**	9,420	**8,909**	9,420
Movement in provision	**(6,724)**	(511)	**(6,724)**	(511)
Unearned premium at 31 December	**2,185**	8,909	**2,185**	8,909

	The Group		The Society	
	2022	2021	**2022**	2021
	£'000	£'000	£'000	£'000
(b) Provision for gross outstanding claims				
Notified claims1 January	**5,956**	5,808	**5,956**	5,808
Movement in provision	**182**	148	**182**	148
Notified at 31 December	**6,138**	5,956	**6,138**	5,956
Claims incurred but not yet reported (IBNR at 1 January	**3,821**	3,822	**3,821**	3,822
Movement in provision	**1,763**	(1)	**1,763**	(1)
Claims incurred but not yet reported (IBNR at 31 December	**5,584**	3,821	**5,584**	3,821
Gross outstanding claims at 31 December	**11,722**	9,777	**11,722**	9,777

Notes to the Financial Statements (continued)
for the year ended 31 December 2022

22 Technical provisions - liabilities (continued)

(c) Unearned commissions

	The Group		The Society	
	2022	2021	**2022**	2021
	£'000	£'000	£'000	£'000
At 1 January	**370**	404	**370**	404
Movement in the provision	**(276)**	(34)	**(276)**	(34)
Unearned commission at 31 December	**94**	370	**94**	370

23 Cessation provisions

	The Group		The Society	
	2022	2021	**2022**	2021
	£'000	£'000	£'000	£'000
At 1 January	**-**	**-**	**-**	**-**
Restructuring provision in relation to cessation	**2,386**	-	**2,386**	-
Cessation provision 31 December	**2,386**	-	**2,386**	-

The anticipated restructuring expenses for the run-off years, amounting to £2.386m, are included in the 2022 financial statements. For further details, see pages 2, 4, 45 and 52.

When determining the value of the cessation provision, only those future costs which are directly related to the restructuring of the Society's run-off process and its run-off until cessation have been included. This means that regular business expenses related to the normal course of business servicing claims have not been included.

24 Provisions for other risks

Pension Contributions made by the Employer into the Scheme's Assets amounting to £11,028k (2021: £1,681k) as a separate line item in the reconciliation, after the subtotal for the Expenses recognised in the P&L, including £10m paid to UNISON pension due to FAA agreement:

	The Group		The Society	
	2022	2021	**2022**	2021
	£'000	£'000	£'000	£'000
Defined benefit pension scheme liability				
Provision at 1 January	**12,675**	16,732	**12,675**	16,732
Credit recognised through changes in equity	**(2,576)**	(4,927)	**(2,576)**	(4,927)
Expenses recognised through profit and loss				
Net interest expenses	**(182)**	238	**(182)**	238
Running costs	**60**	160	**60**	160
Current service cost	**1,051**	2,153	**1,051**	2,153
Expense recognised through profit and loss	**929**	2,551	**929**	2,551
Pension contributions by employer	**(1,028)**	(1,681)	**(1,028)**	(1,681)
Settlement paid	**(10,000)**	-	**(10,000)**	-
Net movement in provision	**(12,675)**	(4,057)	**(12,675)**	(4,057)
Provision at 31 December	**-**	12,675	**-**	12,675

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 30), be made into the Scheme/UNISON, including any residual capital on winding up the Society.

25 Other creditors

	The Group		The Society	
	2022	2021	**2022**	2021
	£'000	£'000	£'000	£'000
Corporation tax	**-**	(32)	**-**	(38)
Amounts owed to other parties	**421**	1,168	**408**	1,005
Amounts due to subsidiaries	**-**	-	**9**	50
Payables to agents and intermediaries	**5**	-	**5**	-
	426	1,136	**422**	1,017

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

26 Reconciliation of Loss before taxation to Cash generated by Operations

	2022	2021
	£'000	£'000
Operating loss before taxation	(11,326)	(4,247)
Adjustment for:		
Investment income	298	202
Pension expense recognised through the P&L	929	2,551
Pension Cash Contributions by employer	(11,028)	(1,681)
Depreciation	64	129
Amortisation	2,036	713
Disposals of fixed assets	(4)	-
Loss on disposal of subsidiary	125	-
Operating cash flows before movements in working capital	(18,906)	(2,333)
Decrease in reinsurance assets	(18)	82
Decrease in deferred acquisition costs	204	187
Increase / (Decrease) in provision for unearned commission	(275)	(34)
Increase in insurance contract liabilities	1,946	147
Increase in cessation liabilities	2,386	-
Decrease in receivables	6,436	192
Decrease in accrued interest and prepayments	613	(599)
(Decrease) in unearned premiums	(6,724)	(511)
(Decrease) in payables	(1,900)	145
(Decrease) in other technical provisions	-	-
Cash generated by operations	(16,238)	(2,724)
Taxes paid	(1)	(238)
Net cash flow used by operating activities before investment of insurance assets	(16,239)	(2,962)
Interest and dividends received	314	334
Sales of financial investments	19,430	35,700
Purchase of financial investments	-	(17,846)
Other investment income	-	-
Net investment expenses	(4)	(2)
Sales of fixed assets	5	-
Cash generated from investment of insurance assets	19,745	18,186

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	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Operating leases which expire:				
- within one year	**270**	360	270	360
- in two to five years	**-**	270	-	270
- after more than five years	**-**	-	-	-
	270	630	270	630
Operating lease rentals charged to profit and loss in the year	**379**	363	379	363

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) and it has eliminated any future liability for the Society to the Scheme, where the Company's share of the pension assets, liabilities and deficit have passed on to UNISON in exchange for an upfront payment of £10m made by the Company during the current year.

Pension settlement impact	Net liability of financial position £'000
The position before settlement is effected as of 31 Dec 2021	12,675
The position at settlement as of 12 Sep 2022	
Expense / (Credit) charged to profit and loss	*929*
Amount recognised in other comprehensive income	*-2,576*
Employer contributions	*-1,028*
Settlement paid	*-10,000*
Final position due to the pension settlement impact as of 31 Dec 2022	-

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 paid amount of contributions to the scheme by the Company during 2022 is £11,028k (2021: £1,681k), including £10m in accordance with FAA agreement.

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 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.

As part of the FAA, subsequent payments will be made into the Scheme in the future, 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.

Notes to the Financial Statements (continued)
For the year ended 31 December 2022

The Chairperson's statement on page 2 and note 24 on page 76 revealed that the completion of the FAA on September 13th, 2022 led to the transfer of the pension scheme assets and liabilities to UNISON, as stated. This transfer resulted in UIA (Insurance) Ltd having no further liability on the defined benefit pension scheme as of December 31st, 2022. The data provided below was sourced from the scheme actuary and was used in the fair value calculation of the net pension liability as of 12th September 2022.

30 Retirement benefit obligations (continued)

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

Assumptions	**12-Sep-22**	31-Dec-21
Discount rate	**4.6% pa**	2% pa
Retail Prices Index inflation	**3.4% pa**	3.2% pa
Consumer Prices Index inflation		
Pre-2030 (RPI less 1.0% pa)	**2.4% pa**	2.2% pa
After 2023 (RPI less 0.1% pa)	**3.3% pa**	3.12% pa
Pension increases in payment		
Non-GMP earned before 1 July 2016		
Pre-2030	**3.4% pa**	3.2% pa
After 2023	**3.4% pa**	3.2% pa
Non-GMP earned after 1 July 2016		
Pre-2030	**2.2% pa**	2.0% pa
After 2023	**2.7% pa**	2.6% pa
Post 1988 GMP		
Pre-2030	**2.0% pa**	1.9% pa
After 2023	**2.4% pa**	2.3% pa
General salary increases	**2.8% pa**	3.2% pa
Life expectancy of male s currently aged 65	**25.6 years**	25.6 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 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

	12-Sep-22	31-Dec-21
	£'000	£'000
Present value of defined benefit obligation	**-**	**(53,527)**
Fair value of scheme assets	**-**	**40,852**
Deficit	**-**	**(12,675)**

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

	12-Sep-22	31-Dec-21
	£'000	£'000
Current service costs	**1,051**	**2,153**
Running costs	**60**	**160**
Interest expense on net defined benefit liability	**170**	**238**
Past service costs	**-**	**-**
Losses / (gains) on settlement	**(352)**	**-**
Total expense recognised in profit and loss	**929**	**2,551**

The following table shows the calculation of the gain on settlement of the liability of £352k.

Losses / (gains) on settlement	**£'000**
Curtailments and settlements amount in fair value	35,189
Curtailments and settlements amount in present value	35,541
Difference	**(352)**

30 Retirement benefit obligations (continued)

The following amounts are included in finance income:

	12-Sep-22	31-Dec-21
	£'000	£'000
Running costs	**60**	160
Net interest charged on net defined liability	**170**	238
Total charge to finance income	**230**	398

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

	12-Sep-22	31-Dec-21
	%	%
Equity instruments	**n/a**	45
LDI instruments	**n/a**	21
Debt instruments	**n/a**	8
Property	**n/a**	9
Multi-asset funds	**n/a**	-
Diversified growth	**n/a**	17
Cash	**n/a**	-
	0%	100%

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

30. Retirement benefit obligations (continued)

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

	12-Sep-22	31-Dec-21
	£'000	£'000
Opening present value of defined benefit obligation	**53,527**	52,704
Current service cost	**1,051**	2,153
Interest on obligation	**743**	783
Contributions from scheme members	**-**	-
Actuarial gain	**(19,040)**	(1,146)
Benefits paid	**(740)**	(967)
Past service costs	**-**	-
Curtailments and settlements	**(35,541)**	-
Closing present value of defined benefit obligation	**-**	53,527

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

	12-Sep-22	31-Dec-21
	£'000	£'000
Opening fair value of the scheme assets	**40,852**	35,972
Interest on scheme assets	**573**	545
Actuarial return less interest on scheme assets	**(16,464)**	3,781
Running costs	**(60)**	(160)
Contributions by the employer	**1,028**	1,681
Settlement paid	**10,000**	-
Contributions by scheme members	**-**	-
Benefits paid	**(740)**	(967)
Curtailments and settlements	**(35,189)**	-
Closing fair value of scheme assets	**-**	40,852

The Total Actuarial Gains of £2,576k includes the actuarial gains of the movement in present value of defined benefit obligation of £19,040k and the movement in fair value of plan assets of £ (16,464k).

The Curtailments and settlements amounts have been derived as part of the movement in the year in the Defined Benefit Obligation and the Scheme Assets, in present value of £35,541k and in the fair value of £35,189k, as outlined above.

30 Retirement benefit obligations (continued)

The actual return on the Society's share of the scheme's assets over the year was a loss of £15,891,000 (2021: a gain of £4,326,000). Due to FAA agreement completed, there is nothing report on the following.

The sensitivity of defied benefit obligation to alternative assumptions is as follows:

	Increase	Decrease
	£'000	£'000
Discount Rate		
Effect of an increase/decrease of 0.1% pa in net liabilities	-	-
Price inflation		
Effect of an increase / decrease of 0.1% pa in net liabilities	-	-
Life expectancy		
Effect of an increase / decrease of one year in net liabilities	-	-

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

Due to the Flexible Apportionment Arrangement agreed with UNISON Pension Trustee in exchange for the payment of £10m, there is no future liabilities related to Defined Benefit Pension. However, on conclusion of the Society's affairs any surplus remaining will be paid to the benefit of Defined Benefit Pension scheme.

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 contributions paid to the scheme by the Society during 2022 is £12k (2021: £27k).

31. Subsequent events

The Society has no subsequent events to note.

UIA (Insurance) Limited

Glossary

For the year ended 31 December 2022

Strategic Report

Key performance indicators

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

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

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

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

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

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