UIA (Insurance) Limited

Annual Report and Financial Statements
for the year ended 31 December 2014

UIA (Insurance) Limited

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Company Secretary and Registered Office

Ben Terrett
UIA (Insurance) Limited
Kings Court
London Road
Stevenage
Herts
SG1 2TP

Advisors

Auditor

Deloitte LLP

Bankers

Unity Trust Bank plc

Investment Managers

Alliance Trust Investments Ltd
Aviva Investors Global Services Ltd
Fiske plc
Royal London Asset Management Ltd

CHAIRPERSON'S STATEMENT

My first two years as Chair of UIA have gone very fast indeed but I remain honoured to be entrusted to Chair the Board of your insurance company. My enthusiasm to work with such talented people to develop UIA as a modern, independent, mutual insurer remains as strong as it did when I was first appointed to the role.

I am passionate about what makes us different from other insurance companies and being a mutual is at the core of this difference. From the throes of the Industrial Revolution, where the early Co-operative or mutual societies were born, our remit has been about coming together in a spirit of self-help or community, to safeguard the welfare of our members.

I firmly believe that our status as a mutual insurer translates into providing you, our members, with access to competitive insurance products supported by exemplary service. As I write this statement, UIA is celebrating a milestone 125 years of meeting the needs of our members, partners and other stakeholders. Looking forward, I also think that UIA is cementing the foundations to ensure that we have a sustainable business for the future.

Financial Performance

The last 12 months have not been without their challenges and whilst there has been growth in the UK economy, we know that emergence from a sustained period of economic hardship has created challenges for many of you. However, it is pleasing to report that our financial performance was strong in 2014 and the number of members taking out our policies has continued to grow. We certainly welcome the support that we have received from our key trade union partners in achieving our results. In addition, it has been good to see Together start to introduce new members to the organisation.

I am therefore pleased to report that our underwriting result before exceptional items was £2.6m in 2014, which is 16% higher than last year and our overall result was £2.3m (after deduction of exceptional items). This good performance has been achieved through firm underwriting discipline, keeping our costs low and achieving a solid return from our investment funds. The results achieved in 2014 have helped us to remain financially strong, to maintain competitive premiums and to support our strategic ambitions to grow the business. However, most importantly they have helped maintain our reserves to help us deal with the impact of a major weather related event.

Support when our members need it most

A major weather related event was exactly the type of situation faced at the beginning of 2014 when the UK experienced some of the worst storms and floods that had been seen for decades. Many parts of the UK were affected and it is estimated that it cost the insurance industry well over £800m. Of course, UIA was affected too, with the volume of claims that we normally deal with more than doubling during the period. However, we made it our policy to move swiftly to help our members when they needed it most. This meant providing advice and support to help them as quickly as possible and deliver the high level of service that they rightly demand as members of UIA.

UIA and Together

Having a sustainable business for the future is at the forefront of our strategic thinking. Of course our roots are very firmly embedded in the very strong relationships that we enjoy within the trade union movement. In particular there is the long-standing and excellent relationship that we enjoy with UNISON, now complemented by the firmly established partnerships that we have with Unite and GMB. Over the last decade, the relationships that

CHAIRPERSON'S STATEMENT (continued)

have developed within the trade union movement have grown to include most of the main trade unions in the UK, providing a membership of well over 4 million members and their families with access to our products. We see the development of these relationships as the cornerstone of our future success and look forward to continuing to providing insurance protection for trade union members and their families, for many decades to come.

To complement the strong partnerships that we enjoy within the trade union movement, you will recall that last year we introduced a new brand called Together Mutual insurance, which is aimed at providing other like-minded customers with the opportunity to enjoy a relationship with us. From a relatively slow start, I am happy to say that we are now pleased with the progress of Together. In particular, we are now enjoying sustained success with the new brand through the internet and price comparison sites. Through Together, it is our aim to not only welcome new customers to our mutual community but to spread our costs more widely, allowing us to continue to provide excellent value to all our members, into the future.

Investing in our people to meet members' needs

Of course, behind the service that we provide to our members are the people who provide it. We are proud of our recognition as an employer awarded the Investors in People Gold standard and continue to invest in our staff to ensure that they have the right skills and training to help them go the extra mile in the service that they provide. The majority of our customer facing staff either have, or are studying to achieve insurance qualifications and throughout the organisation there is a significant emphasis on improving performance so that we can resolve members' problems swiftly and efficiently and learn from the experience. This training and development is not just confined to our staff, as we firmly believe that continued development should cascade from the Board downwards. Therefore, we have embarked on a programme of development for all Board members to help them to improve their own skills and to ensure that they can meet the governance requirements now placed upon them. All members of the Executive team have also completed or are currently attending the Cranfield Business School Directors Programme. This way, we will be able to remain confident that each Board member understands their duties and responsibilities and is fully equipped and confident to contribute to our governance.

I believe that the investment we are making in all of our people at UIA will help us to improve the way that we meet your needs. The feedback that we have had from you about the service that we provide would seem to support this, with 86% of our members saying that they would recommend us to a friend or family member* and 73% of customers giving us 5 stars for service through our regular online survey, provided by TrustPilot. I am certainly aware that our members can choose who they want to insure their properties and I would like this to continue to be with UIA.

Our aim is to be an Equal Opportunities employer and to support and promote good employment practices as an integral part of personnel procedures. It is therefore our policy to ensure that no employee or job applicant receives less favourable treatment on any grounds and this is regularly monitored. We also strive to provide our staff with excellent terms and conditions including ensuring that all staff receive a living wage, rather than paying people at the minimum level.

*UIA How are we doing questionnaire 2014

CHAIRPERSON'S STATEMENT (continued)

The gender split of people engaged in the business on 31st December 2014, is shown below:-

	Male	Female
Non-Executive Directors	5	4
Executive Directors	2	-
Management	9	4
Supervisory	2	11
All other staff	36	80

Retirement and Recruitment

Since the last AGM, Bob Newton has retired from the Board and has been replaced by Eithne McManus. Bob was appointed to the Board in 2007 and has been instrumental in helping to guide the strategy of the organisation. I would therefore like to thank him for the significant contribution that he has made and to welcome Eithne to the Board. Eithne was appointed following our agreed recruitment process. Like Bob, she is a qualified Actuary and has considerable experience within the financial services sector, including as Chief Executive of City of Westminster Assurance and as a director of Countrywide Assured.

A Sustainable Business

Last year I reported that if we are to have a business that is sustainable, it is of course essential that the organisation is equipped to meet the challenges ahead. During 2014, UIA embarked on a major project to improve our IT systems. The project, known internally as 'Honeycomb' was scheduled to be completed by the end of the year, for implementation in 2015. We are satisfied that the process undertaken to select the right system for our requirements was robust. However, unfortunately, as a result of issues that have arisen during the development of this project it has become necessary for the Board to take the difficult decision to terminate the project and to re-evaluate our core requirements. This will have an impact on our capital position but the Board firmly believes that it is the right decision for the long term sustainability for the business. I would also like to reassure members that despite this setback our current insurance administration systems are capable of supporting our current business requirements

Risk Management and Governance

Risk management is a critical focus for UIA and over the last year we have continued with our preparations for the new Solvency II regime of risk management and governance, which will be introduced in 2016. It is pleasing to report that our governance and risk management structures are in good shape and that despite the termination of the Honeycomb IT project, that our capital position remains strong. As at the end of 2014 it was £38m and this figure is more than £17m in excess of our capital requirements.

As I mentioned in my statement last year, we have taken the opportunity to review the Rules of UIA to ensure that they continue to meet the requirements of a modern independent, mutual insurance company. It was stated that any proposed changes would be brought to the members at a future AGM but we have since determined that no changes are necessary. However, we have now published the UIA Charter, to act as a reference point for the responsibilities that we have to our members and a copy of The Charter is available upon request.

CHAIRPERSON'S STATEMENT (continued)

Community and sponsorship

Our community focus is not just about relationships built on insurance products it is much wider than that and as a mutual, I think that we have a role to play in being at the heart of the community, in the wider sense of the word. Our Charitable Foundation has donated more than £500k to support worthy projects since its inception and aspires to support the interests and involvement of our staff, members and trade union partners. The Foundation is particularly interested in engagement with organisations where our funding could make a difference to the work of grant recipients over a period of time. The foundation has made grants of over £60k in 2014. In Affinity magazine which accompanies the summary report and accounts there are some examples of how we have worked with both local and international organisations to support particular projects during the course of the year. In addition to the work undertaken by the Foundation we have also been working closely with our investment partners to ensure that the companies that we invest in are operating as good corporate citizens and to pressurise those who are lagging behind, to change.

Over the last few years it has been our pleasure to have just a small part in supporting the success of Amy Marren the young Paralympic swimmer. Amy is a world champion but still one of the youngest athletes in the Paralympic GB team. We have been proud to sponsor Amy during 2014 and are looking forward to supporting her over the next 24 months as she prepares for competition at Rio 2016.

Acknowledgements

The last 12 months have not been without their challenges but I am pleased to say that 2014 has been a successful year for UIA. As always, this good result would not be possible without the team work and the dedication of our directors, management and staff. I look forward to working with them to deliver continued success in 2015.

It has been a privilege to be the Chair of your insurance company for another successful year and I am confident that our strategy for the future is the right one to ensure that we continue to have a sustainable business, where people and community are at the heart of what makes UIA a modern, independent, mutual insurer.

I look forward to seeing many of you at our Annual General Meeting in Glasgow on 16th June.

Mike Hayes
Chair of the Board
18 March 2015

STRATEGIC REPORT

Business model and strategy

Our mission is to be the first choice personal lines insurance provider to members of trade unions and like-minded members of the general public. In order to achieve this mission our desire is to remain an independent mutual that is financially strong and operating profitably. Our key measures of strength and profitability are our Solvency ratio and our Combined Operating Ratio and we aim to deliver these key targets primarily through the underwriting and administration of household insurance, supported by the sale of other complementary products. We also continue to underwrite legal expenses insurance, although this business is largely in run off. As a mutual, we have no shareholders to pay and we are thus able to generate long term value to our policyholders. We aim to do this through a combination of excellent customer service, competitive premiums and the prompt payment of all valid claims.

Our strategy is dual focussed.

Firstly, to continue extensive engagement with members of our key business partners (the trade unions) through a number of different communication channels, including direct mail, digital, magazines, conferences and face to face contact with key branch, regional and national secretaries.

Secondly, to offer our products to like-minded members of the general public through our Together Mutual Insurance brand, largely through digital routes.

We are solely UK based with a call centre encompassing the entire operation from sales and policy administration to claims handling and payment in Stevenage and an out of hours 24/7 claims service operating from Cardiff.

Review of the business

The results of the Group for the year ended 31 December 2014 are set out on pages 31 to 33 and the position at the year-end is set out on pages 34 to 35.

The Group, led by the performance of the parent company, UIA (Insurance) Limited, has had another successful year, generating profits from underwriting, before deduction of exceptional items, of £2.597 million, net investment returns of £1.657 million and a contribution from subsidiaries of £0.133 million. As noted below, we have also written off technology development expenditure of £1.650 million and treated this as a non-recurring exceptional item. After deducting the exceptional item the net underwriting profits are £0.947 million. Of the net underwriting profits, £0.780 million (2013: £2.057 million) was derived from household underwriting and £0.167 million (2013: £0.178 million) from legal expenses underwriting.

Exceptional item

During 2014, UIA embarked on a major project to improve our IT systems. The project, known internally as 'Honeycomb', was scheduled for completion by the end of the year. We are satisfied that the process undertaken to select the right system for our requirements was robust. However, unfortunately, as a result of issues that have arisen during the development of this project it has become necessary for the Board to take the difficult decision to terminate the project and to re-evaluate our core requirements. The Board firmly believes that it is the right decision for the long term sustainability for the business.

STRATEGIC REPORT (continued)

At the end of the year, the Group had total assets amounting to £81.552 million (2013: £85.385 million) of which £53.540 million (2013: £52.177 million) were investment fund assets. The reduction in total assets is primarily due to the reduction of legal expenses debtors a result of the majority of this business being in run off. In addition, we have a provision of £6.404 million against our final salary pension scheme liability, which has increased from £4.612 million at the end of 2013. Primarily, the reason for this significant increase is a reduction in the Discount Rate (from 4.5% to 3.6%) used to value our liabilities under this scheme.

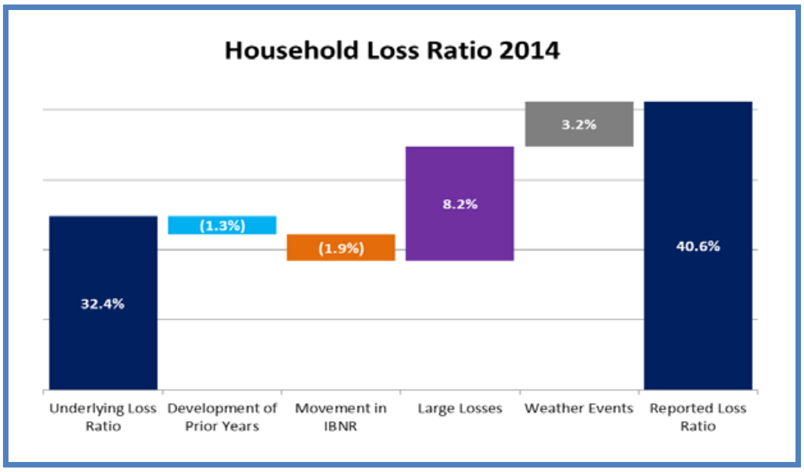
By the year end, the Group had £34.276 million (2013: £33.956 million) of retained profits, an increase of £0.320 million. These amounts are stated after deduction of the exceptional item and pension scheme provision.

Key Performance Indicators (KPIs)

The Board consider that, in addition to the overall profits shown in the Review of the business above, the following metrics represent the key financial dynamics of the Group.

Key Performance Indicator	2014 Actual	2014 Budget	2013 Actual
Combined operating ratio	95%	99%	90%
Household loss ratio	41%	47%	43%
Underlying household expense ratio	34%	38%	36%
Retention rate	82%	77%	81%
Investment yield	2%	2%	8%
Return on capital employed	7%	3%	19%
Solvency I cover	185%	189%	186%

Combined Operating Ratio (COR) is a common measure for insurance companies and is calculated as Total Costs (Claims plus Commission and Expenses) divided by Net Earned Premium Income. Our long term target in respect of this measure is to operate in non-event years at between 92% and 98%. We have performed ahead of budget in 2014 due to the absence of catastrophe claims; this was despite a cluster of "weather" events at the start of the year in January and February. Compared with the market, the Company has had a relative absence of large claims arising from flooding. This is due to the majority of our household book being based in the large conurbations rather than rural areas. The chart below shows how our underlying loss ratio is comprised and reflects both the benign claims year and also the stability of our book. Ordinarily we would expect at least 5% of our loss ratio to be derived from flood claims, in addition to the 3.2% weather events (windstorm only) noted below.



STRATEGIC REPORT (continued)

Key Conduct Indicators

It is not sufficient, in a modern, forward thinking insurance company, to consider performance indicators alone. One of the ways in which we can 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 coupled with a high level service are key to what we do. During 2014, we began to report internally how we engaged with our customers and these are shown in the Conduct Indicator table below. Clearly, we have work to do in one area (Claims Abandoned Calls) and this is a key focus of Claims Management early in 2015. The table shows the position at the year end.

Conduct Risk Indicator	Management Information	Actual	Target	RAG Status
Service Levels	Customer Services	87.9%	>80%	GREEN
	New business	83.7%	>80%	GREEN
	Claims Abandoned Calls	4.6%	<2%	RED
NTU	NTU rate from Finance	5.0%	<5%	GREEN
Declined claims	Percentage of claims declined	20.8%	<25%	GREEN
Customer satisfaction	Marketing HAWD	92.0%	>90%	GREEN
	Claims CSS	95.0%	>88%	GREEN
	Propensity to renew Claims CSS	97.0%	>90%	GREEN
Reportable complaints	Claims	17	<20	GREEN
	Customer Services	-	<5	GREEN

NTU – Not Taken Up – Policies cancelled during cooling off period
HAWD – How Are We Doing? – Questionnaire sent to members
CSS – Customer Satisfaction Score – Questionnaire sent to members after making a claim

Executive Pay

Members of the Senior Management Team (SMT) are rewarded for exceeding both performance and conduct risk indicators. The Long Term Incentive Plan (detail within the Directors' Remuneration Report) has been recalibrated during 2014 to ensure that the reward structure is tied into the long term viability of the business and now includes measures of customer satisfaction. The Nominations and Remuneration Committee agree the metrics at the start of the year and these measures have to be exceeded by a minimum of 5%, otherwise no bonus accrues.

Principal risks and uncertainties

The principal risks and uncertainties facing the business are reviewed regularly by the Board and are outlined below.

Risk heading	Risk Description	Controls/actions
Governance – Inappropriate strategic direction	Failure to identify opportunities and negate threats	The Board monitors and evaluates business performance at regular intervals and formally through 6 Board meetings per annum, in addition to 2 formal strategy sessions. Business performance is reported monthly in the form of Management Information packs and KPIs are highlighted by a

STRATEGIC REPORT (continued)

		traffic light system, to indicate if the business is on track, exceeding or falling short of the objectives set
Insurance – Risks to profitability of the risks underwritten	Significant increase in claims frequency and severity	Risk pricing is met through reinsurance, underwriting and claims controls and ensuring that we are adequately reserved at all times
Operational – Processes and systems	Core insurance system replacement runs into unplanned difficulty resulting in system loss and significant cost overrun	This risk has now materialised and we are holding regulatory capital of £5 million for operational risk. Our current systems are fit for purpose in the short term but we are exploring ways in which we can increase flexibility and speed to market in the longer term
Pension – Inability of Board to take action to control the growth in the pension scheme deficit	Triennial valuation has recently taken place with an overall deficit of £123 million, of which UIA's share is approximately 10%	We have recognised a provision of £6.4 million on our Balance Sheet and also hold an additional £2 million in our Solvency Capital Requirement (SCR) calculation. We have participating observer status on the Board of Trustees and we have a Project Group of the Board set up to address this issue

Future development

Our aim is to grow the business so that we can continue to offer our members competitive household and other quality insurance products in the long term. We operate in a fiercely competitive market place where there is increasing commoditisation and homogenisation. Therefore, to ensure that the business is sustainable, and that we have a point of differentiation in a crowded market, the organisation is positioned to not only offer our customers competitive premiums but to treat them as members of a community built on fairness, trust and the high level of service they demand from us.

We recognise that to deliver our strategic ambitions then UIA must be capable of not only meeting members' requirements now but meeting their future needs as well. It is for this reason that we continue to invest in the skills of our staff and operational capability to ensure that UIA prospers as a modern, independent mutual insurance company.

Ian Cracknell
Chief Executive Officer
18 March 2015

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 December 2014.

Strategic report

The principal activity of the Company is the transaction of general insurance business. A review of the year and future developments of the group are contained within the Strategic Report.

Distribution

The directors do not recommend the payment of a distribution for 2014 (2013: nil).

Directors

The names of the current Directors are listed on pages 11 to 13.

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

Bob Abberley	
Ian Cracknell	
Peter Dodd	
Mike Hayes	
Lucia McKeever	
Eithne McManus	Appointed 1 November 2014
Bob Newton	Resigned 30 November 2014
Marion Saunders	
Geoff Shears	Resigned 17 January 2014
Eleanor Smith	
Ben Terrett	
Andrew Wainwright-Brown	
Tony Woodley	Appointed 1 February 2014

Statement as to disclosure of information to auditor

The Directors who 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 auditors are unaware, and each Director has taken all the steps he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the auditors are aware of that information.

By order of the Board

Ben Terrett
Company Secretary
18 March 2015

CORPORATE GOVERNANCE REPORT

Board of Directors

Mike Hayes Non-Executive Director, Chairperson

Mike was appointed a non-executive director in 2007 and appointed as Chairperson at the 2013 AGM. Mike was formerly an engineer with Cardiff City Council and has been the Chair of UNISON's Finance and Policy Committee.

Mike is also an independent Non-Executive Director of the Great Britain Disability Football Association.

Ian Cracknell MA FIDM FIoD Chief Executive Officer

Ian was appointed Chief Executive Officer in 2012.

Ian has been with UIA since February 1997 and was formerly Marketing Director of UIA (Insurance) Ltd, appointed in 1998. He is also a Director of UIA (Insurance Services) Ltd and all other Subsidiaries.

Ian has worked for a number of financial services organisations including Sun Life of Canada, AIB Banks Ltd, Cardif, Lombard and Lloyds TSB. He has an MA in strategic marketing and is a Fellow of the Institute of Direct Marketing.

Ben Terrett BA FCA Cert CII Finance Director

Ben was appointed Finance Director in 2012.

Ben is a Fellow of the Institute of Chartered Accountants in England and Wales, having qualified as a Chartered Accountant in 1998. He worked in general practice until 2004, when he began contracting as an Internal Auditor for the Audit Commission. Ben joined the UIA Group in February 2005, when he set up the Internal Audit function.

Ben is also a director of UIA (Insurance Services) Ltd; is the Company Secretary and has responsibility for Compliance Oversight.

Bob Abberley Non-Executive Director

Bob has been on the Board since June 2013. Bob was previously Assistant General Secretary for UNISON, with responsibilities ranging from inter-union relationships, industrial action strategies and pension governance.

Bob is a member of both UNISON and Unite trade unions and has been a UIA policyholder for over 15 years.

CORPORATE GOVERNANCE REPORT (continued)

Peter Dodd Non-Executive Director – Independent

Peter was appointed a non-executive director in 2009. He is chair of the Nominations and Remuneration Committee.

Peter worked for the Post Office for 23 years and then for the Communication Workers Union (CWU) for 10 years. He held positions within the CWU from 1976 to 2007. He is a director of the Mechanics Centre Ltd, an Employment Tribunal Member, a lay member of the National Institute for Health Research and a governor of the Central Manchester & University Hospitals Foundation Trust, where he chairs the Patient Experience Committee.

Lucia McKeever Non-Executive Director – UNISON Representative

Lucia has been on the Board since January 2013. Lucia is a Trustee of the UNISON Pension Scheme (UIA is a participating employer) and is currently President of UNISON. Lucia is a champion of equality and human rights, and became active in the trade union movement more than 20 years ago.

Eithne McManus BA FIA Non-Executive Director – Independent

Eithne has been on the Board since November 2014.

She is a Fellow of the Institute of Actuaries and a Chartered Enterprise Risk Actuary. Eithne was previously Chief Executive and Chief Financial Officer of City of Westminster Assurance, and a director of Countrywide Assured. She currently acts as a consultant and trainer to financial services companies, and is a visiting lecturer in risk management at the University of Hertfordshire.

Marion Saunders Non-Executive Director – Independent

Marion was appointed a non-executive director in 2010.

Marion is currently the Senior Independent Director of the NHS Norfolk and Suffolk Foundation Trust, a member of the Information Rights Tribunal and the Conduct and Competency Committee of the Nursing & Midwifery Council. She has been a lay member of the Chartered Insurance Institute Council and chaired adult and children safeguarding boards. Marion chaired a Primary Care Trust for seven years following 25 years in local government where she held branch officer posts within NALGO. Marion is a retired UNISON member.

Eleanor Smith Non-Executive Director – UNISON Representative

Eleanor was appointed to the Board in 2012. She is a qualified and registered Nurse and is employed by the Birmingham Women's Healthcare Trust. She was recently appointed staff nurse governor of her trust. Eleanor is a past President of UNISON and still maintains an active role as UNISON Branch Secretary whilst acting as the Staff side Lead Negotiator for the Healthcare Trust. Eleanor had been a School Governors Chair for twelve years and has been in the past Constituency Secretary for her Local Labour Party.

CORPORATE GOVERNANCE REPORT (continued)

Andrew Wainwright-Brown ACIS FCII Non-Executive Director
Senior Independent Director

Andrew was appointed to the Board in 2010. He chairs the Risk Committee and as Senior Independent Director attends all other committees. He is an Associate of the Institute of Chartered Secretaries and Administrators and a Fellow of the Chartered Insurance Institute.

In 2008, Andrew retired from the position of Deputy Managing Director & C.O.O. of British Marine (a subsidiary of QBE) after a 28-year career in the insurance industry during which he held senior executive and finance positions with a number of major insurers.

Andrew is also a member Trustee of the N W Pension Plan (1977).

Tony Woodley Non-Executive Director – Unite Representative

Tony was appointed to the UIA Board in February 2014 and is the representative for Unite, galvanising UIA's tie in to the trade union. Tony has extensive experience within the union movement and was instrumental in the formation of Unite, at the forefront of negotiations with his union (TGWU) and Amicus.

Tony is still heavily involved in the automotive industry and is a member of the influential Automotive Council UK, a government body designed to improve inward investment and create jobs in the UK.

CORPORATE GOVERNANCE REPORT (continued)

The Board supports the principles of good corporate governance and is committed to maintaining a high standard of compliance with the Annotated Combined Code, published by the Association of Financial Mutuals, in the best interests of its members.

Statement of Compliance with the Annotated Combined Code

The Board considers that throughout the year ended 31 December 2014, UIA has applied the relevant principles and complied with the relevant provisions of the annotated Combined Code for Mutual Insurers issued by the Association of Financial Mutuals unless otherwise noted below.

Chairperson
The Chairperson, Mike Hayes, on appointment, did not meet the independence criteria set out in the Code. This is because Mike used to sit on the National Executive Committee (NEC) of a partner trade union and was a key decision maker in that organisation.

Role of the Board

The role of the Board is to set and manage the strategy for UIA (Insurance) Ltd ('UIA') in a manner that upholds the vision of the organisation. In addition, to deliver the maximum value to the company for the benefit of its members, whilst complying with the relevant regulatory requirements, the Company's Rules and the highest corporate governance standards.

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

Board's Reserved Powers

The Board reserves itself to decisions that determine:

- The long term prosperity, viability, security and reputation of the Company
- Policies governing the way the Company 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
- Authority levels

Specifically, the Board is responsible for considering, reviewing and agreeing the following:

Strategic and financial matters

- The company's purpose, mission, vision, goals and objectives
- Strategies and strategic plans
- Annual budgets
- Performance against budgets and plans
- Matters that would have a material effect on the company's financial position, liabilities, future strategy or reputation
- Major capital projects
- Capital expenditure in excess of budget
- Significant changes in accounting, risk management, capital and treasury policies and practices

- Significant changes to the company's financial and management control systems
- Contracts not in the ordinary course of business and material contracts in the ordinary course of business
- Treasury policy including foreign exchange exposure
- Major acquisitions or disposals

Matters relating to members

- Changes to memorandum and articles of association and rules
- Remuneration of auditors
- Reappointment or change of auditors
- Auditors' engagement letter and audit scope memorandum
- Auditors' summary letter of recommendations
- Interim and final financial statements
- Notices and circulars to members except those of a routine nature
- Approval of press releases concerning matters decided by the board

Board and senior executive matters

- Appointment and removal of directors and company secretary
- Powers, roles and duties delegated to individual directors including the Chairperson, CEO and Finance Director
- Remuneration and terms of appointment of directors and senior executives, including bonus arrangements, pensions and contracts of employment
- Terms of reference and membership of board committees
- Material changes in pension scheme rules
- Liability insurance arrangements for directors and officers of the company

Principles

- Compliance with contracts, laws, statutory obligations and regulations
- Compliance with company policies on probity and ethics

Insurance

The Company maintains a Directors and Officers Insurance policy covering the threat of legal actions against the directors.

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 by the Finance Director.

Non-Executive Directors

The Board currently comprises the Non-Executive Chairperson plus eight Non-Executive and two Executive Directors.

CORPORATE GOVERNANCE REPORT (continued)

The Company currently has four Non-Executive Directors who fall within the definition of independence as outlined in the Annotated Combined Code. This is a significant enhancement of the Company's governance arrangements since the last annual report.

The Board believes that it functions effectively and efficiently and is of an appropriate size to provide a balance of skills and experience, manage conflicts of interest and allow 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 Company's requirements and business strategy.

The Board has appointed a Senior Independent Director, as required by the Code, to provide an alternative point of contact to the Chairperson, CEO and Finance Director for members who have concerns that cannot be addressed through the normal channels. The Senior Independent Director also leads the appraisal of the Chairperson and the Board. During the year the Chairperson and the Senior Independent Director met with all Non-Executive Directors without the Executive Directors being present.

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 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 appointing a new Director they are 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 meet the approval of the Prudential Regulation Authority and Financial Conduct Authority before they can operate as a Director. All Non-Executive Directors receive a full and formal induction on joining the Board.

Performance Evaluation

The Board undertakes a self-evaluation exercise of its own performance annually during Strategy meetings. Performance reviews of individual directors were completed during late 2013 and early 2014, in addition to a collective Board review in January 2015. All reviews were externally facilitated by independent consultants who had no connection to the company. The result of the reviews was the formation of a training plan for individual directors and the Board collectively. The first collective training session was delivered before the Board meeting on 21 January 2015.

In addition, we have approached our auditors to give us an overview of what Board Effectiveness "best practice" looks like and how this can be captured and formally evidenced. We are well placed (according to the indicators set out) already addressing many items of focus through the development of the Board Charter, the 360 degree process, Board structure and composition and Board Committees. We are still debating whether we need this to be externally validated and the process through which we go about this and we will conclude this work by the end of June 2015, ensuring that it is proportionate to the needs of the Company and its members.

CORPORATE GOVERNANCE REPORT (continued)

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 Revenue Account, Balance Sheet, Cashflow 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 Company.

Going Concern

The Strategic Report provides an overview of business performance, together with the Company's Key Performance Indicators in respect of the year ended 31 December 2014. The Strategic Report also provides detail with regard to the Directors' assessment of the major risks and uncertainties facing the business in the future. In addition, the Chairperson's Statement sets out the Company's long term vision and strategy.

We have adopted the going concern basis in respect of the preparation of the accounts in respect of the year ended 31 December 2014 as we have adequate financial resources in order to meet our liabilities as they fall due. As stated in the Strategic Report, we have total assets of £81.552 million and investment assets of £53.550 million and our statutory solvency margin is 185%.

Risk Management and Internal Controls

UIA is committed to the highest standards of risk management and internal control. The Board is accountable to the members of the Company 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 2014 and up to the date of approval of the annual report, UIA 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 the significant risks facing the Company and include:

- Board discussion and approval of the Company's strategic objectives and plans, and the risks to achieving them
- Board review of performance and approval of budgets
- Regular reviews by management of the risks to achieving objectives and actions being taken to mitigate them
- Review by the Risk Committee of any incidents of fraud, suspected fraud, material error or misstatement, and the controls in place to protect the Company against this risk
- Regular reviews by the Audit Committee of the scope and results of internal audit and compliance work, and of the implementation of recommendations

CORPORATE GOVERNANCE REPORT (continued)

- Audit Committee reviews of the scope of work undertaken by the external auditors and any significant issues arising from them
- Audit Committee reviews of accounting policies and levels of delegated authorities
- Board consideration of the key risks facing the Company, 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 Committee on the Company's operations. During 2014, the information received and considered by the Audit Committee provided assurance that there were no material control failures.

There are regular verbal reports to the Board on the effectiveness of the Company's risk management and internal control systems at Board meetings immediately following Committee meetings. These verbal updates are provided by the Chairs of the respective Committees and represent "real time" reports in advance of Committee meeting minutes being available, which are produced for subsequent Board meetings.

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 Company's business and performance. These include:

- Governance framework including terms of reference for the Board and its committees
- A clear organisational structure
- Documented apportionment of responsibilities across the Company
- 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
- Clear roles and accountabilities with regular performance reviews
- Whistle blowing procedures to enable staff to raise concerns in confidence

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

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 Company that are significant to the achievement of its business objectives. 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 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 quarterly meeting of the Risk Committee providing an analysis of risks reported in the period, together with all changes to the Company risk register.

CORPORATE GOVERNANCE REPORT (continued)

Internal Audit function

Article 47 of the Directive 2009/138/EC (The Solvency II Directive) states:

- Insurance and reinsurance undertakings shall provide for an effective internal audit function. The internal audit function shall include an evaluation of the adequacy and effectiveness of the internal control system and other elements of the system of governance.
- The internal audit function shall be objective and independent from operational functions.
- Any findings and recommendations of the internal audit function shall be reported to the administrative, management or supervisory body which shall determine what actions are to be taken with respect to each of the internal audit findings and recommendations and shall ensure that those actions are carried out.

During the year under review, our internal audit function was outsourced to Moore Stephens. Following a review of the function during 2014, the Board ratified the appointment of Baker Tilly on 21 January 2015, replacing Moore Stephens as the preferred internal audit outsourcing provider.

Internal audit reviews concentrate on those areas, derived from the Company's Risk Register and through discussions with Senior Management, that are considered higher risk, but also those that are proportionate to the nature and scale of the Company's activities. Reporting lines are direct to the Chair of the Audit Committee, although day-to-day contact is maintained through the Chief Executive Officer.

Annual General Meeting

The Board believes that it is important to obtain the views of its members and understand any issues which may concern them. UIA gathers valuable feedback from members using questionnaires and surveys. The AGM is another opportunity for UIA 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.

At the 2014 AGM, a number of resolutions were voted on including:

- To receive the annual report of the Board, the auditors' report and the audited financial statements for the year ended 31 December 2013
- To approve the remuneration report for the year ended 31 December 2013
- To authorise the Board to re-appoint Deloitte LLP as auditors for the Company and to agree that their remuneration be determined by the Board
- To re-elect Robert Newton as a member of the Board
- To re-elect Tony Woodley as a member of the Board, having been appointed by the directors since the 2013 AGM and pursuant to Rule 71 of the Company
- To transact any other business permissible under the Rules of the Company

Board Committees

The Board has established Committees to deal with certain functions in detail. The Terms of Reference of the committees are available on the Company website. Details of the Committees which comprise a majority of Non-Executive Directors are as follows:

CORPORATE GOVERNANCE REPORT (continued)

Audit Committee

Andrew Wainwright-Brown (Chairperson)
Bob Abberley (to June 2014)
Bob Newton (to November 2014)
Marion Saunders
Eleanor Smith (to June 2014)
Peter Dodd (from June 2014)
Tony Woodley (from June 2014)

This Committee is scheduled to meet four times a year and also meets separately with the external audit partner in the absence of Executive Directors. It 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 assists the Board in providing leadership, direction and oversight with regard to the Company'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 at least one member of the Committee has recent and relevant financial experience.

The Committee is authorised to investigate any activity within its terms of reference. It monitors the integrity of the financial statements of the Company, reviewing the significant reporting judgements, in particular going concern, the adequacy of insurance technical provisions and the calculation and recognition of retirement benefit obligations contained in accounts. It reviews the Company's internal financial controls and the internal control and risk management systems. It monitors and reviews the effectiveness of the Company's internal audit function. It considers the appointment of and fees for external auditors, ensures that their objectivity and independence is safeguarded in respect of any non-audit services.

On 20 January 2015, the Committee carried out a review of its activities for the year and was able to confirm to the Board that it had discharged its responsibilities to the Board in respect of the year ended 31 December 2014.

There were no significant issues for the Committee to address during the year.

Risk Committee

Bob Newton (Chairperson – to November 2014)
Bob Abberley (from June 2014)
Ian Cracknell
Mike Hayes
Marion Saunders (to June 2014)
Eleanor Smith
Ben Terrett
Andrew Wainwright-Brown

The Committee is scheduled to meet four times a year.

The Committee assists the Board in establishing, monitoring and amending the effectiveness and appropriateness of the Group's risk and 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 Internal Capital Adequacy Assessment including the design, build, operation and oversight of the Group's internal models, where applicable and also the Group Own Risk and Solvency Assessment (ORSA). It reviews significant reports from regulatory agencies relating to risk issues, together with reports from management on the Company's compliance with laws and regulations and reports to the Board as part of the regular reporting of committee meetings. The Committee reviews the scope of the work of Internal Audit as it relates to issues of risk and encourages a culture of risk awareness throughout the Company. 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.

On 20 January 2015, the Committee carried out a review of its activities for the year and was able to confirm to the Board that it had discharged its responsibilities to the Board in respect of the year ended 31 December 2014.

Nominations and Remuneration Committee

Peter Dodd (Chairperson)
Bob Abberley (to June 2014)
Ian Cracknell
Mike Hayes*
Lucia McKeever
Marion Saunders (from June 2014)
Andrew Wainwright-Brown*

* ex officio

The Committee is scheduled to meet twice a year. 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 and diversity of skills, knowledge, experience, length of service, independence, 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.

CORPORATE GOVERNANCE REPORT (continued)

Attendance at 2014 Board and Committee Meetings

	Board	Audit Committee	Risk Committee	Nominations and Remuneration Committee
Director	Meetings attended	Meetings attended	Meetings attended	Meetings attended
Bob Abberley	6 (6)	2 (2)	2 (2)	
Ian Cracknell	6 (6)		4 (4)	2 (2)
Peter Dodd	6 (6)	1 (1)		2 (2)
Mike Hayes	6 (6)		4 (4)	2 (2)
Lucia McKeever	4 (6)			1 (2)
Eithne McManus	1 (1)			
Bob Newton	6 (6)	4 (4)	4 (4)	
Marion Saunders	6 (6)	4 (4)	3 (3)	1 (1)
Eleanor Smith	4 (6)	2 (3)	1 (1)	
Ben Terrett	6 (6)		4 (4)	
Andrew Wainwright-Brown	6 (6)	4 (4)	4 (4)	2 (2)
Tony Woodley	4 (4)	0 (1)		

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

DIRECTORS' REMUNERATION REPORT

Remuneration Policy for Executive Directors

The policy is that the remuneration for Executive Directors should reflect performance and enable the Company to attract, motivate, and retain suitably qualified individuals. The Nominations and Remuneration Committee uses an independent specialist advisor, Croner, to provide survey data on remuneration levels in comparable companies.

Salaries

Base salaries are reviewed annually, and for competent performance, the Committee's policy is to pay around the median level indicated by the survey data.

Variable pay

Annual bonus
Executive Directors are eligible to participate in an annual performance based, cash performance award scheme. The Committee reviews and agrees performance award targets and levels of eligibility annually. The performance award is based on two factors; overall underwriting performance and on achievement of a set of personal objectives, which directly support the business plan. The first factor is designed to pay out a maximum of 5% percentage of base salary and there is a threshold below which no performance award is paid. Total awards for exceptional performance will not exceed 10% for the CEO and Finance Director.

Long term incentive plans
In the year under review, the Company operated two long term incentive schemes, the first of which ceased on 31 December 2013, the second of which commenced on 1 January 2014.

The first, essentially a deferred cash bonus scheme, accrues to Executive Directors and is based solely on unaudited household underwriting performance from the year ended 31 December 2011. The only Director eligible for this scheme in the year ended 31 December 2014 was the CEO. The measures of Underwriting performance and consequential bonus payments are set out below.

Underwriting Profit £1.0 million – Directors deferred cash bonus £10,000
Underwriting Profit £1.5 million – Directors deferred cash bonus £15,000

In the year ended 31 December 2011 the Company made an underwriting profit of £1.4 million and there have been no material adjustments to that figure subsequently. Therefore a reward of £10,000 was paid to the CEO in February 2014.

The second scheme replaced the first scheme and came into operation on 1 January 2014. It is a more wide ranging scheme which takes into account the performance of the company over a longer period, tying in the Executive Directors (and one other Senior Manager) to the long term viability and performance of the Company. Whilst no payments have been made under this scheme in the year under review, there are amounts accruing within the accounts as follows:

CEO	£29,250
Finance Director	£23,400

The scheme operates under a three year cycle, with initial seed capital provided in the sum of £25,000 for the CEO and £20,000 for the Finance Director. This seed capital is then subjected to a number of key performance and key conduct indicators, agreed by the Nominations and Remuneration Committee at the start of the year. KPI measures include Solvency, Return on

DIRECTORS' REMUNERATION REPORT (continued)

Capital Employed and Combined Operating Ratio. Conduct measures include Retention Rates, Complaints and Compliance breaches.

The amount only accrues if the performance target has been exceeded by 5% and is scaled as follows:

Percentage of performance 105% = 100% of seed capital
Percentage of performance 110% = 120% of seed capital
Percentage of performance 120% = 140% of seed capital

Pension

Executive Directors are eligible to be members of UNISON's Staff Pension Scheme, which is a defined benefit plan with a pension paid on retirement based on salary and length of service. Contributions of 9.1% were made in 2014 by way of salary sacrifice by the directors plus a further 25% by the Company. The scheme provides a lump sum benefit of four times basic salary in the event of death in service.

Other benefits

Executive Directors are provided with a company 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 Company's Healthcare Cashplan arrangement which is run by Westfield Heath.

All Executive Directors have contracts of employment incorporating their terms and conditions that are normally terminable by either party giving one year's notice.

Remuneration Policy for Non-Executive Directors

Fees for Non-Executive Directors are reviewed annually by the Nominations and Remuneration Committee with changes normally effective from 1 January. They are designed to recognise their responsibilities and are benchmarked against the same role in other comparable organisations using information from Croner. 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. Committee chairs are paid an additional £1,000 in excess of their agreed Croner rates in recognition of their additional responsibilities.

Directors' Emoluments

These are shown in note 5 to the accounts.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Societies law, as modified by the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008 (the Regulations), 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). 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UIA (INSURANCE) LIMITED

Opinion on financial statements of UIA (Insurance) Limited

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2014 and of the group's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008.

The financial statements comprise the consolidated revenue account, consolidated statement of total recognised gains and losses, consolidated and company balance sheets, consolidated cash flow statement and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), having regard to the statutory requirement for insurance companies to maintain equalisation provisions. The nature of equalisation provisions, the amounts set aside at 31 December 2014, and the effect of the movement in those provisions during the year on members' funds, the balance on the general business technical account and profit before tax, are disclosed in note 15.

Going concern

We have reviewed the directors' statement contained within the Corporate Governance Report on page 17 that the group is a going concern. We confirm that:

- we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
Insurance technical provisions	
The assessment of the calculation of the insurance technical provisions for claims outstanding requires management to make significant judgements in respect of the quantum of the ultimate cost of settling claims as set out in the accounting policy for claims incurred in note 1 to the financial statements. The reserve for gross claims outstanding was £12.6m at 31 December 2014 (2013: £15.2m) as set out in note 14.	We challenged the key judgements within the calculation of the insurance technical provisions for claims outstanding by working with our general insurance actuarial specialists to specifically assess the movements in prior year reserves, material changes in methodology and assumptions and the impact of claims experience in the year. We also tested the underlying data used in the reserving process by reconciling the inputs to the audited claims data in order to evaluate its completeness and accuracy.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UIA (INSURANCE) LIMITED (continued)

Assumptions underpinning the calculation and recognition of retirement benefit obligations The assessment of the carrying value of the pension deficit relating to the group's defined benefit pension scheme is based on assumptions which require significant management judgement as set out in the accounting policy for pension commitments in note 1 to the financial statements. The deficit at 31 December 2014 was £6.4m (2013: £4.6m) as set out in note 23. The key assumptions are the discount rate, inflation rate and mortality rates.	We assessed management's assumptions used in the calculations of the defined benefit pension scheme deficit by involving our internal pension specialists to benchmark the reasonableness of the discount rate, inflation rate and mortality assumptions adopted by management to those used in the market, taking into account the expected life of the scheme.
Treatment of IT development costs During 2014 the group incurred £1.65m of IT development costs in relation to a project to install a new insurance administration system. Activity on the project ceased during November 2014, as described in note 3 to the financial statements, which led to uncertainty over the future viability of the project and therefore management judgement was required as to whether the development costs met the capitalisation criteria set out in FRS 15 *Tangible Fixed Assets* or should be expensed in full in the period.	We verified the costs incurred on the IT project during 2014 to invoices on a sample basis and discussed the plans for the project with management. We took into consideration the decision to cease work on the project pre year-end and the uncertainty over the future of the project and accordingly the decision reached by management to write off the costs incurred to date.

The treatment of IT development costs was identified as a new risk in the year following the significant expenditure incurred in relation to the project and the assessment of whether the costs met the requirements for capitalisation.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 20.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the group to be £307,000 (2013: £316,000) which is approximately 1.5% (2013: 1.5%) of earned premiums and below 1% (2013: 1%) of capital and reserves.

We agreed with the Audit Committee that we would report to the

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UIA (INSURANCE) LIMITED (continued)

Committee all audit differences in excess of £15,000 (2013: £15,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the group and their environment, including group-wide controls, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement for all entities in the group was performed directly by the audit engagement team.

There were no significant changes in scope from the prior year audit. All trading entities within the group are managed together from the same location and each were subject to a full scope audit executed at levels of materiality applicable to each individual entity which were lower than group materiality and ranged from £23k to less than £1k.

We also tested the consolidation process at the parent entity level.

Opinion on other matters prescribed by the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008

In our opinion 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.

Matters on which we are required to report by exception

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Adequacy of explanations received and accounting records

Under the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008 we are required to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

Corporate Governance Statement

In accordance with our instructions from the company we review whether the Corporate Governance Report reflects the company's compliance with those provisions of the UK Corporate Governance Code specified for our review by the Association of Financial Mutuals. We have nothing to report arising from our review.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UIA (INSURANCE) LIMITED (continued)

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the company's members, as a body, in accordance with the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UIA (INSURANCE) LIMITED (continued)

statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

David Heaton (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Reading, United Kingdom

18 March 2015

CONSOLIDATED REVENUE ACCOUNT
for the year ended 31 December 2014

	Notes	2014 £000	2014 £000	2013 £000	2013 £000
Gross premiums written		22,780		26,482	
Outwards reinsurance premiums		(2,263)		(5,207)	
Change in gross provision for unearned premiums		73		112	
Earned premiums, net of reinsurance	2		20,590		21,387
Claims paid					
Gross amount		(12,367)		(12,717)	
Reinsurers' share		3,027		3,931	
Change in provision for claims					
Gross amount		2,592		3,530	
Reinsurers' share		(1,452)		(3,359)	
Claims incurred, net of reinsurance			(8,200)		(8,615)
Change in equalisation provision			12		22
Net operating expenses (including exceptional item)			(11,455)		(10,559)
Balance on technical account before exceptional item		2,597			
Exceptional item	3	(1,650)			
Balance on technical account after exceptional item		947			
Balance on technical account			947		2,235

CONSOLIDATED REVENUE ACCOUNT (continued)
for the year ended 31 December 2014

	Notes	2014 £000	2013 £000
Non technical account			
Balance from technical account		947	2,235
Investment income	6	2,234	1,905
Unrealised (losses)/gains on investments		(449)	2,261
Investment expenses and charges		(128)	(132)
Other income	9	2,787	2,341
Other charges	9	(2,654)	(2,213)
Surplus on ordinary activities before taxation	3	2,737	6,397
Tax on profit on ordinary activities	7	(434)	(249)
Surplus for the year		2,303	6,148

All of the income and expenditure relates to continuing operations.

The notes on pages 37 to 54 form part of these financial statements.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 2014

		2014 £000	2013 £000
Retained surplus for the year		2,303	6,148
Actuarial loss on pension scheme	23	(1,983)	(17)
Total recognised gains and losses for the year		320	6,131

All results are derived from continuing operations.

The notes on pages 37 to 54 form part of these financial statements.

BALANCE SHEETS

as at 31 December 2014

Company Number 2898R

	Notes	The Group 2014 £000	The Group 2013 £000	The Company 2014 £000	The Company 2013 £000
ASSETS					
Investments					
Other financial investments	9	53,540	52,177	53,924	52,652
Reinsurers' share of technical provisions					
Arising from reinsurance operations		5,899	7,351	5,899	7,351
Debtors					
Arising from direct insurance operations		16,942	21,037	16,942	21,037
Other debtors	10	7	5	79	59
		16,949	21,042	17,021	21,096
Other assets					
Tangible assets	11	173	283	172	282
Cash at bank and in hand		4,035	3,477	3,944	3,344
		4,208	3,760	4,116	3,626
Prepayments and accrued income					
Accrued interest		36	68	36	68
Other prepayments and accrued income		920	987	712	807
		956	1,055	748	875
Total Assets		81,552	85,385	81,708	85,600

BALANCE SHEETS (continued) **Company Number 2898R**
as at 31 December 2014

	Notes	The Group 2014 £000	The Group 2013 £000	The Company 2014 £000	The Company 2013 £000
LIABILITIES					
Capital and reserves					
Share capital	12	1	1	1	1
Profit and loss account	13	34,276	33,956	34,045	33,924
		34,277	33,957	34,046	33,925
Technical provisions					
Provision for unearned premiums					
Gross amount	14	10,985	11,058	10,985	11,058
Claims outstanding					
Gross amount	14	12,580	15,172	12,580	15,172
Equalisation provision	15	4,095	4,107	4,095	4,107
		27,660	30,337	27,660	30,337
Provision for other risks and charges	16	-	77	-	77
Creditors					
Arising from direct insurance operations		4,279	4,478	4,279	4,478
Arising from reinsurance operations		6,475	9,258	6,475	9,258
Other creditors including tax and social security	17	2,457	2,666	2,844	2,913
		13,211	16,402	13,598	16,649
Total liabilities excluding pension liability		75,148	80,773	75,304	80,988
Pension liability	23	6,404	4,612	6,404	4,612
Total Liabilities		81,552	85,385	81,708	85,600

Approved by the Board of Directors and authorised for issue on 18 March 2015 and signed on their behalf by:

Mike Hayes	Ian Cracknell	Ben Terrett
Chairperson	Chief Executive Officer	Finance Director

The notes on pages 37 to 54 form part of these financial statements.

CONSOLIDATED CASHFLOW STATEMENT
for the year ended 31 December 2014

	Notes	2014 £000	2013 £000
Net cash inflow from operating activities	18	2,773	4,229
Corporation tax paid		(313)	(315)
Capital expenditure		(146)	(48)
Net cash inflow		2,314	3,866

CASHFLOWS WERE INVESTED AS FOLLOWS:

	Notes	2014 £000	2013 £000
Increase/(decrease) in cash holding	19	558	(195)
Net portfolio investment	19		
Purchase of equities		26,990	19,783
Purchase of fixed income securities		832	7,014
Sale of equities		(20,298)	(15,779)
Sale of fixed income securities		(10,823)	(4,454)
Deposits with credit institutions		5,055	(2,503)
Net investment of cashflows		2,314	3,866

The notes on pages 37 to 54 form part of these financial statements.

NOTES TO THE ACCOUNTS
for the year ended 31 December 2014

1. Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention, modified to include the revaluation of investments. They comply with the Statement of Recommended Practice on Accounting for Insurance business issued by the Association of British Insurers in December 2005 (as amended in 2006).

These accounts have been prepared on a going concern basis as set out in the corporate governance report on page 17.

A summary of the accounting policies, which have been consistently applied, is set out below:

Basis of consolidation

The consolidated financial statements include the assets and liabilities at 31 December of the parent company and its subsidiaries. Similarly, the results of the parent company and its subsidiaries are included for the year ended 31 December. Income from non-insurance subsidiaries is shown in the non-technical account. The accounting policies are applied consistently across the Group. All intercompany transactions, balances and surpluses and deficits on transactions between Group companies have been eliminated.

Premiums

Premiums written comprise the total premiums due, exclusive of insurance premium tax, on contracts entered into during the financial year, together with the net effect of adjustments to premiums written in prior periods. The provision for unearned premiums comprises the proportion of gross premiums written that is estimated to be earned in the following financial year and has been calculated on a time apportionment basis. Outward reinsurance premiums are accounted for on a payable basis.

Claims incurred

Claims incurred consist of claims, including internal and external claims handling expenses, paid during the year plus the movement in the provision for outstanding claims and related expenses.

Outstanding claims comprise a best estimate for the ultimate cost of settling all claims incurred but unpaid as at the balance sheet date, whether reported or not, together with a best estimate for the claims handling expenses relating to these claims. A prudential margin is then added to these best estimates to account for the possible deterioration in claims experience across all outstanding claims.

Acquisition costs

Acquisition costs comprise all direct and indirect costs arising from the conclusion of insurance contracts and are expensed as incurred.

1. Accounting policies (continued)

Investments

Group

Listed investments are stated at market value at the balance sheet date, with the exception of gilt strips which are measured at amortised cost.

Company

Investments in group undertakings are stated at the lower of cost and net realisable value.

Investments

Investment income comprises all dividends, interest and rent receivable in the year together with all realised investment gains and losses. Dividends receivable are recorded on the date which the shares are quoted ex-dividend.

Realised gains and losses on investments represent the difference between net sales proceeds and purchase price.

Unrealised gains and losses on investments represent the difference between the current value of the investments at the balance sheet date and their purchase price. The movement in unrealised gains and losses includes an adjustment for previously recognised unrealised gains and losses and an adjustment for gains and losses in respect of investment disposals in the financial year.

Investment returns are reported in the non-technical account.

Tangible assets

Tangible assets are capitalised and depreciated by equal instalments over their estimated useful lives. The principal rates used are as follows:

Computer equipment	50%
Operational software	33%
Plant and machinery, fixtures and fittings	20% to 50%

Taxation

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.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 December 2014

1. Accounting policies (continued)

Deferred taxation

In accordance with FRS 19 (Deferred Tax) full provision is made for deferred tax liabilities at the tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on the tax rates and laws that have been enacted or substantially enacted at the balance sheet date, in respect of timing differences that have arisen but not reversed at the balance sheet date. Deferred tax is measured on a non-discounted basis.

Equalisation provision

An equalisation provision has been established and calculated in accordance with chapter 1 of the Prudential Sourcebook for Insurers (INSPRU).

Leases

Rentals payable under operating leases are charged as incurred over the term of the lease. The benefit arising from rent-free periods is spread on a straight-line basis over the period of the lease.

Pension commitments

Employees are eligible to join the defined benefit scheme of UNISON, which is a multi-employer scheme. The disclosures required to be made under the provisions of FRS 17 (Retirement Benefits) are made in note 23. Employees of both UIA (Insurance) Limited and UIA (Call Centres) Limited are eligible to participate in the scheme. It is only possible to ascertain the assets and liabilities attaching to both companies.

The Directors consider the scheme assets and liabilities attach solely to UIA (Insurance) Limited and as such the scheme is accounted for as a defined benefit scheme within the parent company's accounts and at group level.

The current and past service costs are included within operating expenditure. Interest costs and the expected return on the pension scheme assets are included within investment income. Actuarial gains or losses are shown separately in the statement of total recognised gains and losses. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. Full actuarial valuations are obtained every three years and are updated at each balance sheet date. The resulting defined benefit scheme liability is shown separately on the face of the balance sheet.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 December 2014

2. Segmental analysis

Technical account	Household 2014 £000	Legal Expenses 2014 £000	Total 2014 £000	Household 2013 £000	Legal Expenses 2013 £000	Total 2013 £000
Gross premiums written	21,220	1,560	22,780	21,468	5,014	26,482
Outward reinsurance premiums	(1,068)	(1,195)	(2,263)	(1,188)	(4,019)	(5,207)
Change in provision for unearned premiums	73	-	73	112	-	112
Earned premiums, net of reinsurance	20,225	365	20,590	20,392	995	21,387
Claims incurred, net of reinsurance						
Claims paid						
Gross amount	(9,360)	(3,007)	(12,367)	(9,002)	(3,715)	(12,717)
Reinsurers' share	-	3,027	3,027	191	3,740	3,931
Change in provision for claims						
Gross amount	880	1,712	2,592	171	3,359	3,530
Reinsurers' share	269	(1,721)	(1,452)	-	(3,359)	(3,359)
Change in equalisation provision	12	-	12	22	-	22
Operating expenses	(9,596)	(209)	(9,805)	(9,717)	(842)	(10,559)
Exceptional item	(1,650)	-	(1,650)	-	-	-
Net operating expenses	(11,246)	(209)	(11,455)	(9,717)	(842)	(10,559)
Balance on technical account	780	167	947	2,057	178	2,235

All insurance underwritten by the Company is in respect of risks incepted in the United Kingdom.

3. Surplus on ordinary activities before taxation

Surplus on ordinary activities before taxation is stated after including:	**2014** £000	**2013** £000
Acquisition costs	5,688	6,374
Auditors' remuneration		
Fees payable to the auditor for the audit of the annual accounts	58	57
Fees payable for the audit of subsidiary companies pursuant to legislation	12	12
Other services pursuant to legislation	8	8
Other services pursuant to taxation	2	2
Other assurance services	24	-
Operating lease payments		
Rental of buildings	288	287
Hire of plant and machinery	46	44
Depreciation	243	230
Exceptional item	1,650	-

Exceptional item

During 2014 we began an exercise to install a new insurance administration system. As described in the Chairperson's Statement and Strategic Report, it was recognised that the cessation of implementation work in November 2014 meant that the costs incurred of £1,650,000 had to be written off in the accounts. As the amount is material in nature, we have classified this as a non-recurring exceptional item.

4. Staff costs

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

	2014 £000	**2013** £000
Underwriting and claims	31	30
Administration and finance	29	29
Sales and marketing	25	25
Subsidiary activities	53	52
	138	136

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 December 2014

4. Staff costs (continued)

Staff costs for the above persons were as follows:

	2014 £000	2013 £000
Wages and salaries	3,562	3,555
Social security cost	275	274
Pension cost	918	797
	4,755	4,626

5. Directors' emoluments

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

	Salary and fees £	Performance Award £	Benefits £	Total 2014 £	Total 2013 £
Executive					
Ian Cracknell	141,168	23,050	17,260	181,478	160,655
Ben Terrett	86,355	8,000	9,143	103,498	86,956
Non-Executive					
Bob Abberley	20,600	-	-	20,600	10,693
Peter Dodd	21,600	-	-	21,600	21,000
Mike Hayes	39,758	-	-	39,758	20,636
Eithne McManus[1]	5,000	-	-	5,000	-
Bob Newton[2]	24,486	-	-	24,486	25,934
Marion Saunders	20,600	-	-	20,600	20,667
Geoffrey Shears[3]	1,750	-	-	1,750	21,000
Andrew Wainwright-Brown	28,796	-	-	28,796	27,351
Tony Woodley[4]	18,883	-	-	18,883	-

1 Eithne McManus was appointed on 1 November 2014, and received regulatory approval on 21 January 2015
2 Bob Newton resigned on 30 November 2014
3 Geoffrey Shears resigned on 17 January 2014
4 Tony Woodley was appointed on 1 February 2014, and received regulatory approval on 4 June 2014

Lucia McKeever and Eleanor Smith waived their directors' fees for 2014 and 2013 in lieu of company payments to nominated charities.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 December 2014

5. Directors' emoluments (continued)

Pension Entitlement	Years of service	Accrued pension as at 31 December 2014	Increase in accrued pension
		£	£
Ian Cracknell	17	44,002	5,335
Ben Terrett	2	13,722	3,500

The increase in accrued pension during the year is the result of both the additional service accrued and the impact of the increase in salary on the past accrual.

The total accrued pension at 31 December 2014 shown above is the pension to which each director would be entitled on leaving service, but deferred to retirement age. The years of service figures are those whilst serving in the capacity of director.

The increase in accrued pension is the difference between the accrued pension at the start and end of the year, adjusted for appointment or resignation dates as appropriate.

6. Investment income

	2014	2013
	£000	£000
Investment income from other investments		
Listed investments	561	648
Gains on the realisation of investments	1,613	1,317
Net return on pension scheme	60	(60)
	2,234	1,905

7. Taxation on profit on ordinary activities

	2014	2013
	£000	£000
(a) Analysis of the tax charge		
UK corporation tax:		
Current tax	449	168
Adjustments in respect of previous periods	62	4
Changes in deferred tax balances (see (c))	(77)	77
Total	434	249

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 December 2014

7. Taxation on profit on ordinary activities (continued)

(b) Factors affecting tax charge for the year

The tax assessed for the year is lower than 21.5% (2013: 23%) of taxable income for the year. The differences are explained below:

	2014 £000	2013 £000
Investment income	2,174	1,965
Unrealised gains on investments	449	2,261
Investment expenses and charges	(128)	(132)
	2,495	4,094
Profit of subsidiaries	133	128
	2,628	4,222
Tax on investment income at 21.5% (2013: 23%)	565	971
Effects of:		
Fully franked investment income	(42)	(54)
Adjustments in respect of previous periods	-	(4)
Unrealised gain movement	(94)	(520)
Difference between tax and accounts unrealised gains movement	77	(174)
Indexation	(58)	(78)
20% tax rate in subsidiaries	1	5
Change in tax rate during the year	-	22
Current tax charge for the year (see (a))	449	168

(c) Provision for deferred taxation

	2014 £000	2013 £000
Deferred tax liability at 1 Jan	77	-
Deferred tax charge for year	(77)	77
Deferred tax liability at year end	-	77

In 2014, a deferred tax asset of £167,000 in UIA (Insurance) Limited was not recognised in accordance with the provisions of FRS 19 (Deferred Tax).

8. Surplus for the financial year

Consistent with Section 408 of the Companies Act 2006 the Company profit and loss account is not presented as part of these financial statements. The surplus for the financial year of £2,303,000 (2013: £6,148,000) includes £2,104,000 surplus (2013: £6,055,000), which is dealt with in the financial statements of the Company.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 December 2014

9. Other financial investments

	Market Value		Cost	
	2014	**2013**	**2014**	**2013**
	£000	£000	£000	£000
Fixed interest redeemable stocks	529	6,047	522	6,147
Gilt strips *	-	4,310	-	4,153
Shares, other variable yield securities and units in unit trusts				
Listed on a recognised stock exchange	12,300	12,365	13,628	13,236
Unit trusts	21,803	15,602	18,802	12,503
Deposits with credit institutions	18,908	13,853	18,908	13,853
	53,540	52,177	51,860	49,892

* Gilt strips are measured at amortised cost.

The Company is the holder of all the group's investments detailed above. It also has a further £383,204 (2013: £475,004) invested in its subsidiaries. Following an impairment review, the carrying value of the investment in UIA Lottery Management Services Limited was reduced in the year to £8,200. Total investments for the Company are £53,924,000 (2013: £52,652,000).

Investment in subsidiaries - Company

	2014	**2013**
	£000	£000
At 1 January	475	475
Impairment	(92)	-
At 31 December	383	475

The Company has five wholly owned subsidiaries, which are registered in England and Wales:

- UIA (Insurance Services) Limited acts as an insurance agent;
- UIA (Call Centres) Limited acts as an operator of telephone call centres;
- UIA (Trustees) Limited acts as corporate trustee for the UIA Charitable Foundation
- UIA Lottery Management Services Limited acts as a lottery operator; and
- Uniservice Limited (dormant)

Other income and other charges included in the non technical account represent the income and expenditure of the subsidiary companies.

10. Other debtors

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	£000	£000	£000	£000
Amounts owed by other parties	4	2	4	2
Deferred tax asset	3	3	-	-
Intercompany debtors	-	-	75	57
	7	5	79	59

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 December 2014

11. Tangible assets

(a) Tangible assets – Group

	Computer Equipment & Systems £000	Furniture, Fixtures & Fittings £000	Total £000
Cost			
At 1 January	2,888	539	3,427
Additions	146	-	146
Disposals	(102)	-	(102)
At 31 December	2,932	539	3,471
Accumulated depreciation			
At 1 January	(2,630)	(514)	(3,144)
Charge for the year	(234)	(9)	(243)
Disposals	89	-	89
At 31 December	(2,775)	(523)	(3,298)
Net book value at 31 December 2014	157	16	173
Net book value at 31 December 2013	258	25	283

(b) Tangible assets – Company

	Computer Equipment & Systems £000	Furniture, Fixtures & Fittings £000	Total £000
Cost			
At 1 January	2,800	494	3,294
Additions	146	-	146
Disposals	(53)	-	(53)
At 31 December	2,893	494	3,387
Accumulated depreciation			
At 1 January	(2,542)	(470)	(3,012)
Charge for the year	(234)	(9)	(243)
Disposals	40	-	40
At 31 December	(2,736)	(479)	(3,215)
Net book value at 31 December 2014	157	15	172
Net book value at 31 December 2013	258	24	282

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 December 2014

12. Share capital

	2014 £000	2013 £000
Issued and fully paid up		
120,522 ordinary shares of 1p (2013: 118,274)	1	1

Policyholders and joint policyholders of home insurance policies are also members of the Company. 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.

13. Reserves

	The Group		The Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Balance at 1 January	33,956	27,825	33,924	27,886
Surplus for the year after taxation	2,303	6,148	2,104	6,055
Net (loss) on pension scheme	(1,983)	(17)	(1,983)	(17)
Balance at 31 December	34,276	33,956	34,045	33,924

14. Technical provisions

	The Group		The Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Provision for unearned premium – Gross				
Balance at 1 January	11,058	11,170	11,058	11,170
Movement in the provision	(73)	(112)	(73)	(112)
Balance at 31 December	10,985	11,058	10,985	11,058

	The Group		The Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Claims outstanding – Gross				
Balance at 1 January	15,172	18,702	15,172	18,702
Movement in the provision	(2,592)	(3,530)	(2,592)	(3,530)
Balance at 31 December	12,580	15,172	12,580	15,172

An overprovision of £244,000 (2013: £202,000) arose on prior years' claims which has been released to the current year consolidated revenue account.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 December 2014

15. Equalisation provision

The provision has reduced accumulated funds at year-end by £4,095,000 (2013: £4,107,000) and for the year increased the balance on the technical account and increased the surplus on ordinary activities before taxation by £12,000 (2013: £22,000).

16. Provision for other risks and charges

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	£000	£000	£000	£000
Deferred tax liability (see note 7(c))	-	77	-	77

17. Other creditors

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	£000	£000	£000	£000
Other creditors comprises of the following amounts:				
Corporation tax payable	271	74	243	46
Amounts owed to other parties	2,186	2,592	2,018	2,443
Intercompany creditors	-	-	583	424
Balance at 31 December	2,457	2,666	2,844	2,913

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 December 2014

18. Reconciliation of operating surplus to net cash inflow from operating activities

	2014 £000	2013 £000
Operating surplus before taxation and exceptional item	4,387	6,397
Exceptional item	(1,650)	-
Operating surplus before taxation	2,737	6,397
Deficit/(surplus) arising on revaluation of investments	449	(2,261)
Amortisation of interest on gilt strips	(56)	(42)
Actuarial losses on pension scheme	(1,983)	(17)
Pension costs FRS 17 provision	1,792	(122)
Depreciation charge	243	230
Loss on disposal of fixed assets	13	-
Decrease in reinsurers' share of technical provisions	1,452	3,472
Decrease in debtors	4,093	1,530
Decrease/(increase) in accrued interest and Prepayments	99	(211)
Decrease in unearned premiums	(73)	(112)
Decrease in claims provisions	(2,592)	(3,530)
Decrease in equalisation provision	(12)	(22)
Decrease in creditors	(3,389)	(1,083)
Net cash inflow from operating activities	2,773	4,229

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 December 2014

19. Movement in cash, portfolio investment and financing

	At 1 Jan **2014**	Cashflow	Change to Market value	Amortisation	At 31 Dec **2014**
	£000	£000	£000	£000	£000
Cash at bank and in hand	3,477	558	-	-	4,035
Shares, other variable yield securities and unit trusts	27,967	6,692	(556)	-	34,103
Fixed income securities	6,047	(5,625)	(107)	-	529
Gilt strips	4,310	(4,366)	-	56	-
Deposits with credit Institutions	13,853	5,055	-	-	18,908
Total investments	55,654	2,314	(449)	56	57,575

	At 1 Jan **2013**	Cashflow	Change to Market value	Amortisation	At 31 Dec **2013**
	£000	£000	£000	£000	£000
Cash at bank and in hand	3,672	(195)	-	-	3,477
Shares, other variable yield securities and unit trusts	21,564	4,004	2,399	-	27,967
Fixed income securities	1,604	4,581	(138)	-	6,047
Gilt Strips	6,289	(2,021)	-	42	4,310
Deposits with credit institutions	16,356	(2,503)	-	-	13,853
Total investments	49,485	3,866	2,261	42	55,654

20. Operating lease commitments - Group

The Group has annual commitments in respect of non-cancellable operating leases as follows:

	Land and buildings **2014** £000	Land and buildings **2013** £000
Operating leases which expire:		
within one year	-	-
in two to five years	-	-
after more than five years	360	360
Total	360	360

21. Related parties

Directors

Members of the Board of Directors may also be members of the Company through holding policies with the Company on the same terms as other members.

Group Companies

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

The company has taken advantage of the exemption available under paragraph 3(c) of Financial Reporting Standard number 8 (Related Party Disclosures) and has not provided details of transactions with entities forming part of the UIA Group.

22. Capital commitments

The Group has no capital commitments contracted for and payable within twelve months (2013: nil).

23. Pension costs

The Company participates in a funded pension scheme, the UNISON Staff Pension Scheme, which provides benefits for some of its employees based on final pensionable pay. The scheme is open to new members. The Company is one of several employers that sponsor the scheme.

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

Contributions are paid to the scheme in accordance with the Schedule of Contributions agreed between the trustees and the employers. The estimated amount of contributions expected to be paid to the scheme by the Company during 2015 is £1,096,000 (2014: £1,049,000).

23. Pension costs (continued)

The initial results of the formal actuarial valuation as at 30 June 2014 were updated to 31 December 2014 by an independent qualified actuary in accordance with FRS 17. As required by FRS 17, the value of the defined benefit liabilities has been measured using the projected unit method.

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.

The expected rate of return on assets over the financial year ending 31 December 2014 was 6.0% pa (2013: 5.4% pa). This rate is derived by taking the weighted average of the long term expected rate of return on each of the asset classes that the scheme was invested in at 31 December 2013.

The following table sets out the key FRS 17 assumptions used for the scheme.

Assumptions	2014	2013
Discount rate	3.6% pa	4.5% pa
Retail Prices Index inflation	3.1% pa	3.4% pa
Consumer Prices Index inflation	2.1% pa	2.4% pa
Pension increases in payment	3.1% pa	3.4% pa
General salary increases	2.1% pa	3.4% pa
Expected return on scheme assets	n/a	6.0% pa
Life expectancy of male currently aged 60	26.9 years	26.6 years
Life expectancy of male aged 60 in 20 years time	28.8 years	28.6 years
Life expectancy of female currently aged 60	29.1 years	28.9 years
Life expectancy of female aged 60 in 20 years time	31.1 years	30.5 years

The amount included in the balance sheet arising from the Company's obligations in respect of the scheme is as follows:

	31 Dec 2014 £000	31 Dec 2013 £000
Present value of scheme liabilities	26,856	21,893
Fair value of scheme assets	(20,452)	(17,281)
Scheme deficit	6,404	4,612

The amounts recognised in operating surplus are as follows:

	2014 £000	2012 £000
Employer's part of current service cost	918	797
Total operating charge	918	797

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 December 2014

23. Pension costs (continued)

The following amounts are included in finance income:

	2014 £000	2013 £000
Interest cost	998	838
Expected return on scheme assets	(1,058)	(778)
Total (credit)/charge to finance income	(60)	60

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

	31 Dec 2014 £000	31 Dec 2013 £000
Equity instruments	41%	44%
Debt instruments	31%	28%
Property	8%	8%
Multi asset funds	20%	20%
Cash	0%	0%
	100%	100%

Changes in the present value of the Company's share of the scheme's liabilities are as follows:

	2014 £000	2013 £000
Opening present value of scheme liabilities	21,893	18,726
Current service cost	918	797
Interest cost	998	838
Actuarial loss	3,404	1,664
Benefits paid	(357)	(132)
Closing present value of scheme liabilities	26,856	21,893

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

	2014 £000	2013 £000
Opening fair value of the scheme assets	17,281	13,992
Expected return on scheme assets	1,058	778
Actuarial gain	1,421	1,647
Contributions by the employer	1,049	996
Benefits paid	(357)	(132)
Closing fair value of scheme assets	20,452	17,281

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 December 2014

23. Pension costs (continued)

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

	2014 £000	2013 £000
Opening fair value of the scheme assets	17,281	13,992
Expected return on scheme assets	1,058	778
Actuarial gain	1,421	1,647
Contributions by the employer	1,049	996
Benefits paid	(357)	(132)
Closing fair value of scheme assets	20,452	17,281

The actual return on the Company's share of the scheme's assets over the year was £2,479,000 (2013: £2,425,000).

The amount recognised outside the revenue account in the statement of total recognised gains and losses (STRGL) for 2014 is a loss of £1,983,000 (2013: loss of £17,000). The cumulative amount (since 31 December 2008) recognised outside profit and loss at 31 December 2014 is a loss of £6,056,000.

Amounts for the current and previous periods (where available):

	31 Dec 2014 £000	31 Dec 2013 £000	31 Dec 2012 £000	31 Dec 2011 £000	31 Dec 2010 £000
Present value of scheme liabilities	26,856	21,893	18,726	15,706	12,961
Fair value of scheme assets	(20,452)	(17,281)	(13,992)	(11,815)	(10,461)
	6,404	4,612	4,734	3,891	2,500

	2014 £000	2013 £000	2012 £000	2012 £000	2010 £000
Experience adjustments on scheme assets:					
Amount of (gain)/loss	(1,421)	(1,647)	(902)	768	(579)
Experience adjustments on scheme liabilities:					
Amount of loss/(gain)	547	21	21	(49)	9