UIA (Insurance) Limited

Annual reports and Financial Statements
For the year ended 31 December 2020
of the Society and its subsidiaries

Contents

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

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

Advisors

Statutory auditor
Deloitte LLP
1 New Street Square
London EC4A 3HQ
United Kingdom

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

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

Chairperson's statement

Business overview for 2020

2020 has been a difficult year for our members and the Society. We and our members have faced challenges on many fronts, including Covid-19 working restrictions, the pandemic induced investment market turbulence which affected the Society and in particular our participation in the pension scheme and the continued delay in the Brexit negotiations, which also had a financial impact. Our members have also suffered from a series of largely weather related events and claims in 2020. This has included storms, freeze and floods, including two named storms in the summer, which is highly unusual for the UK. Following the long dry period leading up to the autumn, we also saw a rise in the number of subsidence claims later on in 2020.

Covid-19 has also brought many practical challenges to the Society and its members. We moved to remote working in March when the first lockdown was announced and this left only a small number of colleagues working in the office, where the nature of their work meant this could not be carried out remotely. During 2020, as restrictions eased some colleagues moved back into the office, including for training and collaboration reasons, but subsequent lockdowns have once again seen most colleagues working remotely. During this period, we have endeavoured to support members and colleagues alike. Members have been granted flexible payment arrangements where these have been sought, and colleagues have been allowed to either take office equipment home with them, or been reimbursed for equipment and furniture to enable remote working. Members also suffered delays in resolving claims issues, as many understandably did not want to progress their claims whilst social distancing measures were being established.

Our results and solvency position reflect all of the above challenges. The actual post tax loss for the year is close to £2m, compared to a £1.2m loss in 2019. The main difference between the two years is due to the better investment income and gains in 2019. This partly reflects the fact that 2019 included the reversal of investment losses seen in 2018, and partly the fact that our lower risk investment portfolio will naturally earn a reduced rate of return. Given the ongoing uncertainties in investment and other markets, we have continued to invest in lower risk shorter dated bond and cash funds.

Claims were expected to be lower in 2020, however as noted above, our members have continued to be hit by storm, flood, freeze and subsidence claims in particular. Unlike motor insurance, where less travel means fewer insurance claims, Covid-19 has not seen any significant reduction in overall household claims. We continue to develop the skills within our Claims function so that we can better manage the claims for our members and by holding suppliers to account, can manage down the claims cost to the Society.

The loss for the year also includes £1m transformation costs from our ‘once in a generation’ IT transformation. This activity is now nearing the end in terms of delivery and our main programme will end with the go-live of our new policy administration system and pricing and underwriting tools in the first part of 2021. Note that depreciation charges of circa £1m pa for the next few years will dampen the results for the Society during the next few years.
The most significant impact during the year on our own funds and solvency cover has been due to the £6.4m increase in the IFRS pension deficit. The main factor leading to this increase, is the significant fall in the discount rate applied to the liabilities. During the Covid-19 investment market turmoil, this has reduced from 2.2% at end of 2019 to 1.5%; i.e., a reduction of one third. It is possible that the pandemic, coupled with the government’s quantitative easing programme may see interest rates remaining low for some while.

All of the above factors have resulted in a reduced solvency ratio of 139%

Governance arrangements

There are no significant changes to our governance arrangements, where the Society Board is supported by three Board committees. These are: the Audit Committee, Risk Committee and Nominations and Remuneration Committee

The Board has delegated execution of the Society’s strategy to the Chief Executive Officer (CEO). The CEO is assisted in the performance of his duties by the Executive Group. There are also executive working groups covering all aspects of the Society’s business.

Business model and outlook

Our business model and strategy remain the same. We are a UK based mutual, offering a range of personal lines products, either underwritten by ourselves or by one of our business partners. Our members are based in the UK and we aim to serve those members from our UK operation in Stevenage.

Our primary focus continues to be on working closely with all our union partners to maximise the benefit to them, their members and UIA Mutual. We will also write business in other markets where this can support our primary objective and provide additional scale for the business. Opportunities include working with like-minded organisations to offer our core products to their members. A good example, is that late in 2020 we signed an agreement with Benenden Wellbeing Limited, to provide our home insurance product to their members.

Chairperson's statement (continued)

Business model and outlook (continued)

In terms of business outlook, there are a considerable number of uncertainties still facing the UK insurance industry. As well as Covid-19, aspects of Brexit are still being worked through and there are also factors such as the impact of climate change which remains difficult to predict. We also engage in a number of Environmental, Social and Governance ('ESG') activities and climate change remains a topic on many of our internal and external meeting agendas. A good example of ESG in action can be seen in our discussions with our investment managers regarding their ESG reports and activities.

The FCA has now published its General Insurance Pricing Market Study consultation paper. The findings of this are being considered in all our relevant internal forums as well as through our membership of external trade bodies such as the ABI and AFM.

However, during 2021 the implementation of the latest phase of our IT transformation will facilitate the next stage of our development. Our plans for 2021 include to reducing the business losses through reducing our expenses, refining our pricing, developing further new business opportunities and better management of our claims costs, while continuing to provide a quality service to our existing members.

We have also recently commenced a strategic review of our structure and business. The aim of this review is to provide the Board with options to help address the current profitability and solvency cover issues.

Supporting our community

Covid-19 restrictions have reduced our participation in national fundraising events such as Comic Relief and Children in Need, as well as other local initiatives during the year. We have however continued our charitable giving to our nominated local charities, the Stevenage Community Foodbank and Stevenage Haven, which looks after young homeless people.

Board composition

Although there have not been any changes in Board composition during the period since the last accounts were signed, there are some forthcoming changes in process.

After six years with the Society Eithne McManus is to step down due to other commitments that she has recently taken on. This will be with effect from the 23 June 2021 AGM. Eithne has as a Board member and Chair of the Audit Committee provided outstanding service to the Society and we will all miss her contribution greatly.

Our colleagues and members

I would like to thank all of our colleagues who have worked tirelessly to serve our members through the various Covid-19 lockdowns and disruptions. Things are hard for everyone at this current time, but I was very impressed by how seamlessly the organisation moved to remote working, in order to continue delivering excellent service to our members.

Our 2020 member survey once again provided good evidence that our products and services are valued, with 80% of UIA mutual members saying that they 'definitely will' or are 'very likely to', renew their insurance. Our 'how are we doing' surveys elicited a 93% member satisfaction rating across the year.

It is heartening to receive such positive feedback and as always we look forward to continuing to serve the needs of our members in the years ahead.

Peter Dodd
Chair of the Board
1 April 2021

Strategic Report

Society Purpose

Our continued aim is to be the first choice personal lines provider to members of trade unions, their families and other like-minded organisations and their members, through the provision of first class service and products.

Business model and strategy

In order to achieve this mission our corporate aim 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 continue to deliver these key targets primarily through the underwriting and administration of household insurance, supported by the provision of other complementary products.

During the year under review, the Society continued to underwrite Home Emergency Assistance (Class 18) business and also Before The Event (BTE) legal expenses insurance. We also continue to underwrite After The Event (ATE) legal expenses insurance, although this business remains 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 commercial strategy remains unchanged from previously and is dual focused:

First, to continue extensive engagement with members of our existing key business partners, the trade unions, improving our cost of acquisition through focused direct mail, enhanced digital options, magazines, conferences and contact with key branch, regional and national officials. Through improved communication and products that meet our member's needs we will ensure we deliver insurance products that meet their requirements, enhance their journey from quote to buy, and in some cases to claims notification and settlement, and thus provide the best service to our members. We have recently introduced a revised Motor proposition and we have introduced Gadget Insurance to meet the changing needs of our members.

Second, to offer our products to members of organisations who share our mutual values. To that end we launched Home Insurance for members of the Benenden Healthcare Society in 2020. This is an excellent example of developing a strong "affinity" relationship with a like-minded organisation, demonstrating we have the capability to expand into adjacent markets. Benenden are very positive following their experience of UIA and we are using these new credentials while approaching other opportunities as we move through 2021.

We are solely UK-based with a call centre encompassing the entire operation from sales and policy administration to claims handling services.

Review of the business

Our results for the year ended 31 December 2020 are set out on pages 34 to 36 and the balance sheet position at the year end is set out on pages 37 to 40.

2020 saw the Society make a loss of £2.0m before re-measurement of the defined benefit pension liability compared to a loss of £1.2m in 2019.

Our underwriting result, a loss of £2.8m was a result of our members continuing to be impacted by storm, flood, freeze and subsidence claims, coupled with £1m of IT transformation costs.

During 2020 we continued to maintain a tight control of our expenses to ensure they were in line with budget.

2020 saw our investments continue to grow, providing a return on investment of 2%, despite the impact Covid-19 has had on the market. In quarter 4 2019 we de-risked our investments, this has led to a decline in investment income compared to 2019, however it minimised the impact of Covid-19 market volatility on our investments.

Our balance sheet has retained profit of £19.3m (2019:£27.6m) and with a solvency capital ratio of 139% (2019:194%). Our solvency capital ratio has declined primarily due to the increase in our Pension deficit of £6.5m. This increase in the deficit is mainly driven by a significant fall in the liability discount rate, during the Covid-19 period. The solvency capital ratio is now a little below our risk appetite of 150% and so is being monitored by the Board and actions such as further investment de-risking are progressed. Further information regarding our solvency capital ratio is disclosed in note 4.

BREXIT

As expected, we did not see any significant impact in 2020 due to the transition period. The Society continuously monitors and reviews the impact of Brexit, including the impact on our reinsurance partners.

Covid-19

During 2020 the Society was able to continue to support our members with limited impact experienced on our financial results before re-measurement of our defined benefit pension liability.

The Society continues to follow government guidelines with the majority of colleagues working remotely with a few roles that cannot be carried out remotely continuing to operate from head office. These roles are focused on providing essential services for our members and colleagues are applying the safe distancing guidelines.

Currently, the Senior Management Team meet on a fortnightly basis to monitor how the contingency plan is working and also to amend this plan based on updates from the UK Government. This forum also allows the team to deal with and resolve issues as they arise, to ensure continuity of service for our members.

From a market risk perspective, the Society recovered from the downward impact Covid-19 had on its assets. By the balance sheet date the Society's asset valuations had grown beyond their value pre Covid-19. This is due to the Society's investments being mainly in short dated bond and cash funds.

The Society is also impacted by being part of the UNISON Staff Pension Scheme. Covid-19 initially caused a fall in the value of assets, however by the end of the year these had grown beyond the 2019 year end valuations.

The directors are confident that Covid-19 will not significantly impact the society's ability to meet all current regulatory reporting requirements. The year-end reporting requirements are ready to be filed and the relevant teams are set up to meet the quarterly business as usual requirements remotely.

Key performance indicators (KPIs)

Key Performance indicator	2020 Actual	2019 Actual
Financial		
Combined operating ratio	122.90%	118.90%
Household loss ratio	57.20%	58.70%
Underlying household expense ratio	60.20%	53.20%
Commission Ratio	5.50%	7.00%
Retention Rate	75.30%	80.60%
Investment yield excluding capital gains or losses	2%	3%
Return on capital employed	(7%)	(4%)
Solvency II Cover	139%	194%
Non-financial		
New Business policy count		
- Traditional	5,980	7,950
- **Comparison Site**	0	262
- Together	19	28
Average new business premium	£187	£194
Acquisition cost per policy	£161	£158

* Ratios include IT Transformation costs

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

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.

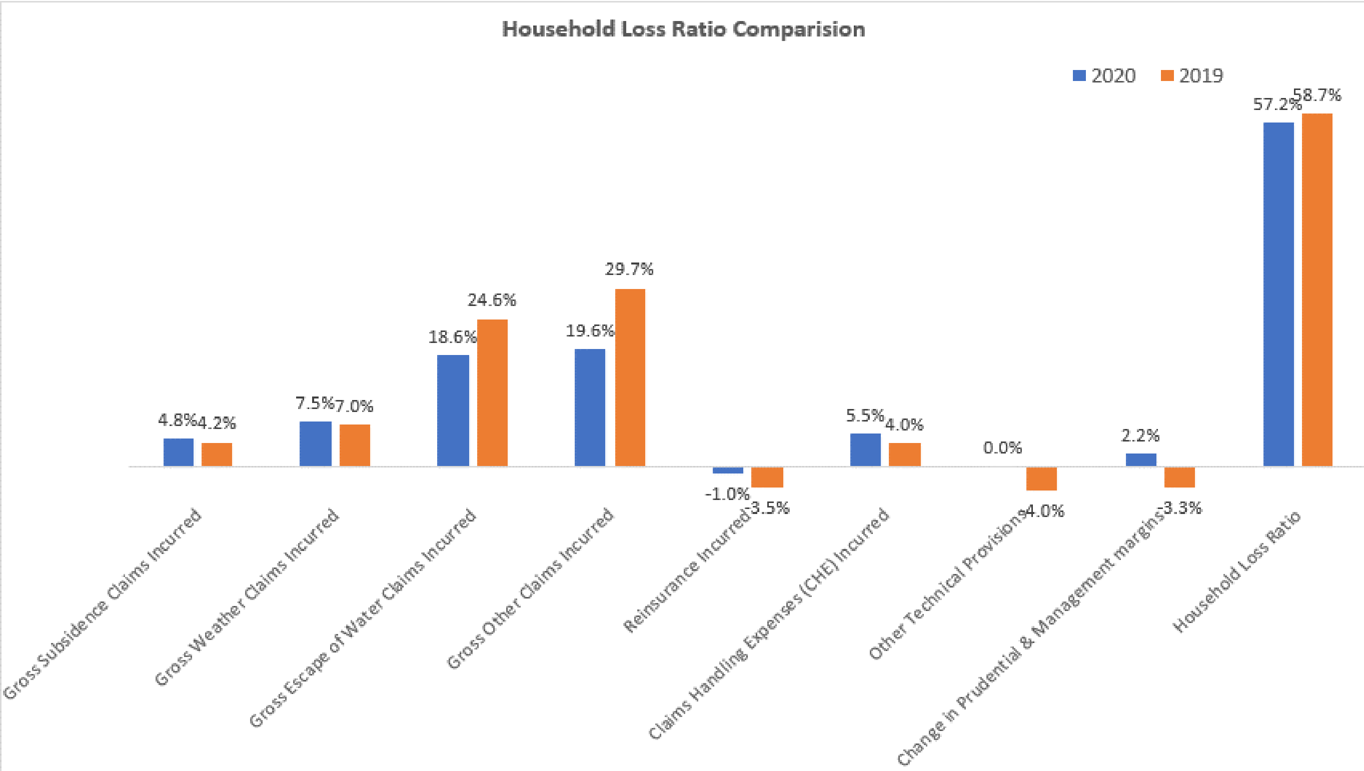
Our retention rate is good in comparison to our peers, particularly in our core affinity group markets, despite intense competition from the comparison site channels and the increasingly soft market in which we applied rate increases.

We have maintained focus on the management of our solvency ratio through management actions to de-risk our investment portfolio leading to reduced Market Risk capital required and significantly re-price our business reducing our technical provisions and Insurance Risk capital required. This is unfortunately more than offset by the increase in the pension deficit and costs incurred with renewing our administration systems.

The significant drop in new business particularly through the comparison site and Together web channels, was a direct result of our repricing strategy and in line with expectations. This has also resulted in an increase in our Acquisition cost per policy.

Key performance indicators (KPIs) (continued)

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



Key conduct indicators

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

Conduct Risk Indicator		December 2020	Target	December 2019
Service Levels	Customer Services	77.7%	>80%	83.2%
	New business	87.1%	>80%	95.5%
	Claims abandoned calls	5.6%	<5%	5.1%
Not taken up	Not taken up	2.2%	<5%	2.5%
Declined Claims	Claims declined	12.1%	<25%	13.9%
Customer Satisfaction	Marketing How Are We Doing	93.3%	>90%	97.0%
Reportable complaints to Financial Ombudsman	Claims and Customer services (for the year)	20	<25	16

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

Customer service levels have slightly dropped below target as a result of working remotely. This is expected to return to acceptable levels in 2021.

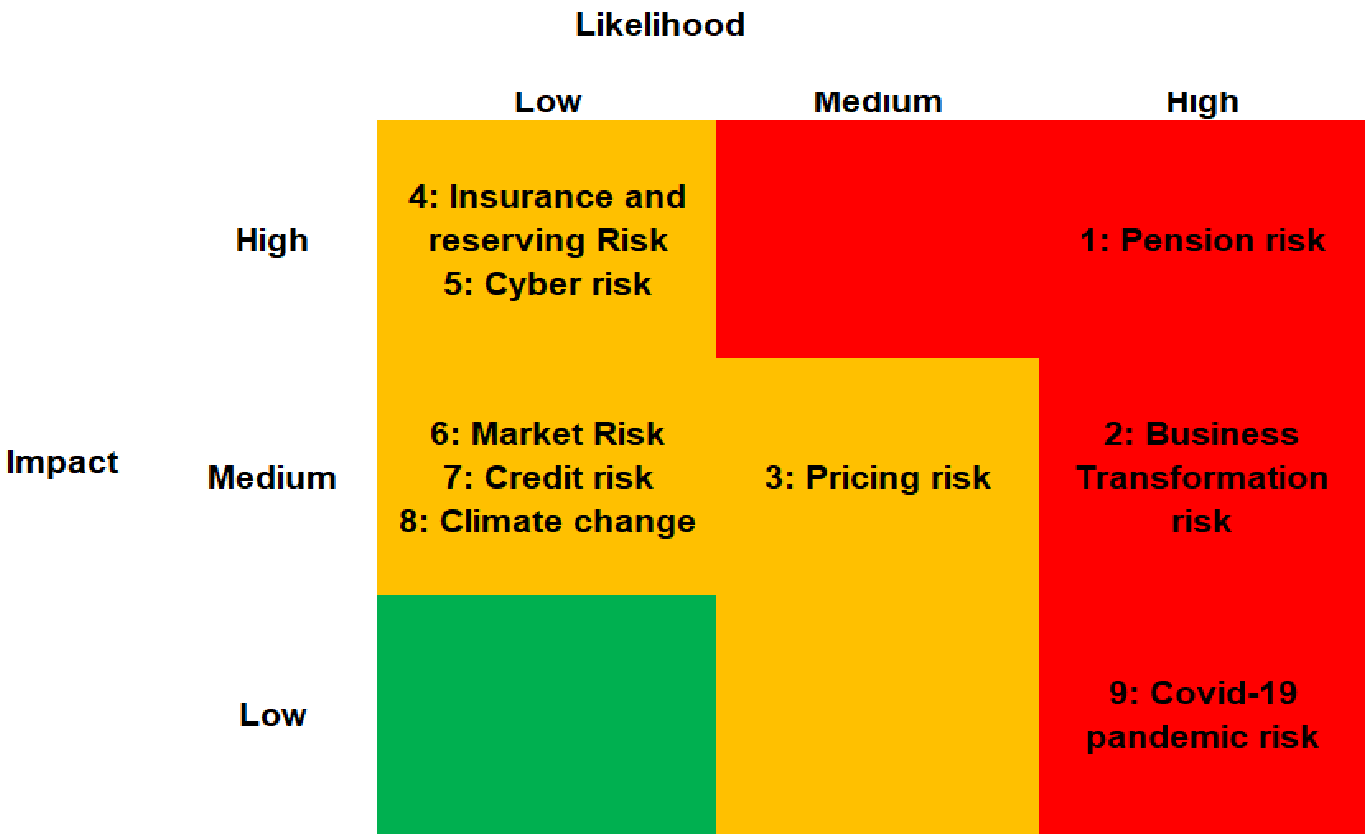
Our claims abandoned calls rate has now reduced to an acceptable level as a result of our restructuring of the claims department.

Executive pay

The Nominations and Remuneration Committee reviews executive pay using external advisers on a tri-annual basis. On an annual basis, subject to the approval of the Committee, executive pay is increased at the same rate as that applied to our colleagues. The Nominations and Remuneration Committee approved a Transformation Incentive Plan covering the period 2018 to 2020 for executive directors. Details are also disclosed in the Directors Remuneration Report.

Principal risks and uncertainties

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



Rick Number	Risk Heading	Risk description	Controls and actions
1	Pension Risk	The current employer pension scheme is in a deficit position. The latest triennial valuation took place in 2020 with an overall deficit. This deficit is mainly attributable to UNISON, the co-sponsoring employer of the scheme. This deficit or surplus has changed at each annual re measurement and our share is approximately 5.0%.	A recovery plan is in place and additional deficit repair contributions have been agreed and are disclosed in Note 30: Retirement benefit obligations. UNISON is carrying out a strategic review of its pension provision and the Society is represented at the review discussions. At the date of the accounts this review is still ongoing.

Principal risks and uncertainties (continued)

Rick Number	Risk Heading	Risk description	Controls and actions
2	Business transformation risk	Transformation programme failure and/or significant cost overruns.	The transformation programme progress and implementation is reviewed by management, and costs are reviewed by the Board. There has been a delay in implementation, in part due to the impact of Covid-19. Additional external support has been provided and there is increased oversight by the Executive Group and a review by Internal Audit. The delivery is currently estimated as the first half of 2021.
3	Pricing risk	The Society operates in a highly competitive market and there is a risk that the Society either charges an inappropriate price for household insurance or fails to react quickly to changing market circumstances and regulatory changes which could lead to a poor underwriting result.	The Society's pricing team has implemented a number of tactical moves to improve the underwriting result whilst still remaining within the overall strategy of being the first choice personal lines provider to members of trade unions, their families and other like-minded organisations and their members, through the provision of first class service and products. The Society also closely monitors the final pricing remedies that the regulator is due to announce in H2 2021.
4	Insurance and reserving risk	The Group's business is to accept insurance risk which is appropriate to enable the Group to meet its objectives. Reserving risk is associated with insurance risk and it occurs when claims provisions make insufficient allowance for claims, claims handling expenses and reinsurance bad debt provisions. There is a possibility that the Group's management does not make sufficient provision for exposures which could affect the Group's earnings and capital.	Within a Board approved underwriting policy and agreed risk appetites, the Group seeks to balance this insurance risk with the pursuit of appropriate reward in the form of sufficient levels of insurance premiums. Particular attention is paid to actual and forecast loss ratios, being claims incurred divided by premiums. The Group's actuarial team uses a range of recognised actuarial techniques to project the gross written premium, monitor claims development patterns and determine claims provisions. The Board of Directors review the reserving position quarterly. In addition, the Society purchases catastrophe reinsurance together with per risk and liability protections on an excess of loss basis. The ability to cede part of the portfolio to Flood-Re has also been utilised.
5	Cyber risk	The risk that our Information Technology systems are attacked by external sources causing loss of proprietary information, personal data breach, or inability to trade. There is some increased risk associated with Covid-19 and working from home arrangements.	The Group continuously monitors for any threats or attempted threats. This form of risk evolves and our response needs to be agile to potential threats. The Society's operational resilience continues to be monitored in this respect and its response to Cyber risk was covered by the internal audit plan for 2019 and resulted in a reasonable assurance rating. When working from home, remote access to systems is obtained via secure VPN connections, and all members of staff have been regularly reminded of the risk of increased threat and to be vigilant.
6	Market Risk	Market risk is the risk arising from fluctuations in the values of, or income from, the Group's assets due to fluctuations in equities, interest rates, and/or exchange rates.	Market risk is managed through our assets being diversified, specific mandates being in place to ensure appropriate assets held and regular meetings with our investment fund manager. In quarter 4 2019 we de-risked our investments to minimise volatility.

Principal risks and uncertainties (continued)

Rick Number	Risk Heading	Risk description	Controls and actions
7	Credit risk	The Group's exposure to credit risk arises from its direct insurance trading activities, the exposure to the reinsurance it purchases and those of its investment activities. The risk is that in the absence of appropriate guidelines and procedures the Group might not be able to limit its credit exposure which could affect earnings and capital.	The Group, through the Board and risk committee, seeks to limit, as far as is practical, exposure to credit risk from its investment and reinsurance activities. To achieve this objective it has established guidelines, procedures and monitoring requirements to manage credit risk.
8	Climate Change risk	The risk that climate change significantly increases the risk of natural disasters such as Flooding and windstorm events in the UK	As an insurer of property, we are exposed to changes in climate that lead to increased windstorms or flooding events. Climate change is slow and affects all insurers and we believe we can adapt to such changes through our improved pricing and underwriting mechanisms, and appropriate use of reinsurance. A framework for financial risk of climate change has been implemented and will be further embedded during 2021
9	Covid-19 pandemic risk	The main financial impact so far has been investment volatility and the significant impact of low interest rates on the pension scheme liabilities. Covid-19 has also impacted on our business operations with colleagues moving to remote working from the first lockdown in March 2020	We have de-risked the insurance investment portfolio, so the assets are now in short term bond and cash funds. Discussions re the pension scheme deficit are ongoing with UNISON the primary employer. Most colleagues have been provided with laptops or desktops at home, with access to company systems through our Virtual Private Network ('VPN') to ensure cyber security. A small number of essential colleagues such as the post room team are still office based. Such colleagues have been protected through screening, extensive PPE and other safe distancing measures. Overall colleague well-being has been maintained through regular contact and where required the provision of additional furniture etc to enable working from home.

Changes to principal risks

Our principal risks are largely similar to last year with the only changes being the inclusion of the risk associated with the Covid-19 pandemic and an increase in the likelihood rating of the pension risk from medium to high owing to the increased deficit seen in 2020 due to investment market conditions.

Reinsurance arrangements

Our core reinsurance arrangements ran from 1 January 2020 to 31 December 2020. The Board approved purchasing cover in line with our Risk Appetite. In addition, we ceded about 1% of our live policies to Flood Re during the course of 2020. Our core arrangements for 2021 are in place from 1 January 2021, also in line with our Risk Appetite, and we continue to cede policies to Flood Re at a similar rate to 2020. All other aspects of our reinsurance placement (e.g. credit rating of supporting reinsurers) remain in line with our Risk Appetite.

Future development

Our primary focus continues to be to strengthen and broaden our partnerships within the Trade Union market, and to offer our members competitive household, and other quality insurance products, underpinned by outstanding service levels. We operate within the personal lines market which remains both highly competitive and highly regulated, and as a consequence it is becoming dominated by larger players.

During 2021 we will be launching our new policy administration system to help provide a better service to our members.

Our investment aim is to deliver consistent safe returns for our members in the face of ongoing political and economic uncertainty during our plan period.

Finally, we recognise that all our colleagues are the bedrock of our business, and on which our members rely, particularly when claims are made.

A key focus for 2021 and beyond is, by continuing to underwrite appropriate risks at an acceptable price, whilst maintaining strict budgetary controls over our expenses and project development costs, to return to long-term financial sustainability.

Section 172

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

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

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

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

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

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

Significant stakeholders, and how they have been considered by the Board within the parameters of Section 172 of the Companies Act, are shown below:

Climate Change

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

In addition, the Society may have opportunities to mitigate risk by helping policyholders take action against risks of climate change (such as education and awareness of anti-flood measures that policyholders can action on their insurable interests).
With regard to Transition risks, our investment managers, RLAM, incorporate environmental, social and corporate governance dimensions when considering asset purchases.

Strategic Report (continued)

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

Jon Craven
Director

1 April 2021

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2020.

Strategic Report

The principal activity of the Society is underwriting household insurance business. A review of the year is contained within the strategic report.

Future developments

Details of future developments are contained within the strategic report.

Distribution

The Directors do not recommend the payment of a distribution for 2020 (2019: nil).

Directors

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

Chairperson

Peter Dodd

Executive directors

Jon Craven Chief Executive Officer

John Nickson Finance Director

Non-executive directors

Bob Abberley
Tim Holliday- Senior Independent Director
Lucia McKeever
Eithne McManus
Oliver Peterken
Angie Roberts - Appointed 4 February 2020
Tony Woodley

Charitable donations

During the year we made charitable donations of £5,000 (2019: £5,000). We did not make any political donations in either of 2020 and 2019.

Statement as to disclosure of information to auditor

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing their report, of which the auditor is unaware. Having made enquiries of fellow Directors and the Society's auditor, each Director has taken all the steps that they are obliged to take as a Director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

By order of the Board

Jon Craven
Director
1 April 2021

Corporate Governance Report

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

The Board of Directors

Peter Dodd
Non-Executive Director – Independent – Chair

Peter was appointed a non-executive Director in 2009. Peter is Chair of the Board following PRA approval on 10 February 2017.

Peter worked for the Post Office for 23 years and then for the Communication Workers Union (CWU) for 10 years. Peter held positions within the CWU from 1976 to 2007. He is a Director of the Mechanics Centre Ltd, an Employment Tribunal Member and a Disability Qualified Tribunal member of the Social Entitlement Chamber.

Jon Craven
Chief Executive Officer - Executive

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

John Nickson
Finance Director - Executive

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

Bob Abberley
Non-Executive Director - Independent

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

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

Tim Holliday
Non-Executive Director – Senior Independent Director

Tim joined the Board in May 2016.

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

Lucia McKeever
Non-Executive Director – Independent

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

Eithne McManus
Non-Executive Director – Independent

Eithne has been on the Board since November 2014 and is chair of the Audit Committee. Eithne 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 is currently a Director of Countrywide Assured, LGPS Central and Scor Life Ireland. She is also an independent member of the With Profits Committee at M&G Prudential.

Oliver Peterken
Non-Executive Director - Independent

Oliver joined the Board in May 2016 and is Chair of the Risk Committee.

Oliver is Chairman of Mitsui Sumitomo Insurance Europe, as well as a non-executive director of UK Export Finance and Soteria Insurance Limited. Previously he was Chief Risk Officer at BUPA UK and at Aspen Insurance Holdings, and before that held senior roles at Willis and the Prudential.

The Board of Directors (continued)

Angie Roberts
Non-Executive Director – UNISON Representative

Angie was appointed to the UIA Board in February 2020 and is the representative for UIA's Trade Union partner, UNISON. Angie works as an ambulance driver, is a devoted trade unionist, and serves as a Welsh representative on the UNISON NEC.

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.

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

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

The Board considers that throughout the year ended 31 December 2020, the Society has applied the relevant principles and complied with the relevant provisions of the Association of Financial Mutuals Corporate Governance Principles. This is evidenced below:

Principle	Applied	How UIA has evidenced this
Principle one: Purpose and Leadership An effective board promotes the purpose of an organisation, and ensures that its values, strategy and culture align with that purpose.	✓	• Through the leadership of the Board, a clear vision for the Society's purpose is articulated which underpins and defines the strategy and culture of the organisation and is embedded at every level. • UIA's purpose, goals, values and target behaviours were set, under the Board's direction, to guide the Society's strategy, decisions, processes and culture; ensuring that members, colleagues, and partners remain at the heart of all decisions made. UIA's values are; Stronger Together, Be Courageous, Inspire Trust, Celebrating Differences, and Community Minded. These values have been communicated to our stakeholders and build on the organisation's existing commitment to good governance and responsibility to members. • The Board works to promote long-term ethos of inclusion, diversity, community engagement, social responsibility, and environmental sustainability, whilst remaining focused on driving improvements through strategy, serving members, effective oversight, risk management, and complying with regulations. This is further underpinned by our values. • Policies, processes and procedures are in place to support the execution of the Society's purpose and strategy across the organisation, which drives overall engagement with colleagues, union partners, members and wider stakeholders. • In 2020, UIA underwent an Investors In People (IIP) evaluation, which reviews how an organisation leads, supports and improves its people. This was conducted through a colleague survey and interviews with randomly selected colleagues. UIA achieved 'Established' status which is equivalent under the revised IIP framework banding to the Silver status previously held by UIA. • UIA's response to the COVID-19 pandemic was led by the CEO who worked closely with the Board and Executive Team to protect colleagues and provide an uninterrupted service to our members.
Principle two: Board Composition Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the organisation.	✓	• The Society has in place a Charter, which sets out clear Governance processes, and documents the defined standing items for the Board and Committee meetings. The Board and Committees have agreed terms of reference, and delegated authorities. This allows for both independent challenge and transparency in the Board decision making process. • The Board is supported through the Executive Group, comprised of Heads of Department from within the Society, and has appropriate delegated authority, decision tracking and MI. • UIA has a separate Chairperson and Chief Executive to ensure that the balance of responsibilities, accountabilities and decision making across the Society is effectively maintained. The Chairperson is supported by a Senior Independent Director. The Chair was assessed as Independent on appointment, and all Board Level decisions are appropriately tracked, with no individual having undue influence on the decisions or decision making process. • Accountability is further driven through internal and external evaluations of the Board, with actions and recommendations tracked appropriately. • The Board's composition is balanced between executive and independent non-executive directors, with Directors bringing a wide range of experiences, expertise, and backgrounds to allow issues and initiatives to be considered from different perspectives.

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

Principle	Applied	How UIA has evidenced this
Principle Six: Stakeholder Relationships and Engagement Directors should foster effective stakeholder relationships aligned to the organisation's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.	✓	• The Board is clear that good governance and effective communication are essential on a day-to-day basis to deliver the purpose and to best serve the members, colleagues, and entire stakeholder community. • The Commercial Forum meets monthly to discuss feedback from members, and considers the impact of strategy and any business or regulatory changes on the members. In addition to the feedback received through regular surveys, UIA conducts annual member engagement surveys which work to determine the Net Promoter Score (NPS) of the business, which is then benchmarked and communicated to the Board. • The Society holds an Annual General Meeting. Members vote on issues such as Executive and Non-Executive re-elections, approval of the Financial Statements and Accounts, remuneration, and reappointment of the Auditors, with 3.7% of members voting in 2020. The vote is run and counted by an external company to ensure independence • UIA has operated alongside Trade Unions for over 125 years and continues to work closely with the Union Partners. • The Colleague Engagement Working Group met in the year to consider feedback, and help create a positive working environment. • The Society conducts an annual Colleague Engagement Survey, which assesses a wide range of factors to identify areas to celebrate, and areas of improvement. The anonymised results are communicated to the Executive Group, Nominations & Remuneration Committee, and Board, and are published on the intranet for colleagues to view. • UIA continues to work with local projects that support and develop the social aims and aspirations of not only the trade union partners, but also the staff who have raised additional funds for local causes. • UIA has in place a Corporate Social Responsibility Policy & Procedure, which lays out the Society's policy for colleagues on volunteering, charitable giving and fund-raising, and the 'Give As You Earn' scheme. • UIA supported the local community during the pandemic through donations to a local foodbank and homelessness charities.

Role of the Board

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

The Board usually has six regular formal meetings in a year but other meetings are convened as required to allow the Board to review the Society's strategy and to agree the plans and budget for the forthcoming year. From March 2020, the Board conducted its meetings online due to the risks posed by the ongoing pandemic.

Board's reserved powers

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

The Board reserves itself to decisions that determine:

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

Insurance

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

Chairperson and Chief Executive Officer (CEO)

The roles of Chairperson and CEO remained separate throughout the year and their respective responsibilities have been agreed by the Board. The Chairperson's main responsibility is to lead and manage the work of the Board, to ensure it operates effectively, fully managing its responsibilities and ensuring the effective engagement and contribution of all Directors. The Chairperson encourages and promotes a culture of openness and debate by facilitating the effective contribution of Non-Executive Directors in particular and ensuring constructive relations between Executive and Non-Executive Directors. Responsibility for the day-to-day management of UIA is delegated to the CEO, supported during 2020 by the Finance Director and other senior managers within the Society.

Non-executive Directors

At the start of the year, the Board comprised of the Non-executive chairperson plus seven non-executive Directors and two executive Directors.

The Society has five Non-executive Directors who fall within the definition of "independent" as outlined in the AFM Corporate Governance Principles.

The Board believes that it functions effectively and efficiently and provides a balance of skills and experience, 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 Society's requirements and business strategy.

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

Board appointments and re-election

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

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

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

Board performance evaluation and training

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

Information and support

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

Board diversity policy

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

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

Duty to prepare accounts

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

Going concern

The Strategic Report provides an overview of business performance, together with the Society's key performance indicators in respect of the year ended 31 December 2020. The Strategic Report also provides detail with regard to the Directors' assessment of the major risks and uncertainties facing the business in the future.

We have adopted the going concern basis in respect of the preparation of the accounts for the year ended 31 December 2020 as we have adequate financial resources in order to meet our liabilities as they fall due. We have total assets of £61m including investment and cash assets of £46m. Our unaudited fourth quarter reported Solvency Capital Ratio was 139% as at 31 December 2020.

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

The Society is exposed to some volatility in its share of the pension scheme assets; the scheme equities are protected by a collar arrangement which provides some protection from equity market falls.

Please see page 5 with regards to the impact of Covid-19 on the Society.

Due to the nature of our lines of business, we do not anticipate any significant exposure to liability risk from climate change. This is further explained in our SFCR.

Based on a review of the strategic plan and other financial reports the Directors have a reasonable expectation that the Society has adequate resources to continue in operation for a period of at least 12 months from the date of approval of the Reports and Accounts.

Risk management and internal controls

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

During 2020 and up to the date of approval of the annual report, the Society has operated a system of internal control which provides reasonable assurance of effective and efficient operations covering all controls including financial and operational controls, and compliance with laws and regulations.

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

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

The internal control system is monitored and supported by the Internal Audit function that reports to the Audit Committee on the Society’s operations. During 2020, the information received and considered by the Audit Committee provided appropriate assurance about the control environment.

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

These include:

- A governance framework including terms of reference for the Board and its Committees;
- A clear organisational structure;
- Documented apportionment of responsibilities across the Society;
- Processes for assessing the adequacy and effectiveness of internal controls and for ensuring that these remain appropriate to the scale and complexity of activities;
- Detailed financial controls to safeguard assets from inappropriate use or loss;
- Monthly monitoring of key performance indicators against plans for the year;
- Detailed framework of operating policies and procedures including risk management and control standards;
- Recruitment policies to select employees of the necessary calibre and experience to fulfil their responsibilities;
- Appropriate Handover Procedures;
- Conduct Rule training and awareness;
- Clear roles and accountabilities with regular performance reviews; and
- A whistle blowing procedure to enable staff to raise concerns in confidence.

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

Corporate Governance Report (continued)

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

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

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

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

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

Internal Audit Function

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

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

Annual General Meeting (AGM)

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

The 2021 AGM is being held on Wednesday 23 June 2021 via virtual means, due to the risks posed by the ongoing pandemic. Formal notices will be issued to members in due course.
At the 2020 AGM, a number of resolutions were voted on as below:

To receive the annual report of the Board, the auditors' report and the audited financial statements for the year ended 31 December 2019.	98.40%
To approve the remuneration report for the year ended 31 December 2019.	96.58%
To re-appoint Deloitte LLP to be auditors of the Society, to hold office until the conclusion of the next Annual General Meeting, and to agree that their remuneration will be determined by the Board.	96.16%
To re-elect Tony Woodley as a member of the Board.	97.79%
To suspend Rule 72 of the Company's rules in respect of Peter Dodd, and re-elect him as Chairperson of the Board for the period of 23 June 2020 until the Annual General Meeting in 2022.	96.14%
To re-elect Angie Roberts as a member of the Board, having been appointed as a Director since the AGM 2019 and pursuant to Rule 71 of the Society	97.52%
To re-elect Jon Craven as a member of the Board.	98.29%
To re-elect John Nickson as a member of the Board.	98.21%
To transact any other business permissible under the rules of the Society.	100.00%

The Board actively supports a strong and open ethical corporate culture where colleagues can act and speak openly about any subject which affects them. The Society has a whistle-blowing policy and supports the development and enhancement of other culturally minded policies as part of the Human Resources development project. During 2018 and 2019 the Society engaged with an external party to undertake a colleague engagement survey following on from the survey conducted during 2017. The results of this latest survey were considered by the Board and executive management with actions being taken where appropriate. In 2020 UIA underwent an assessment by Investors In People (IIP), which included a colleague survey and interviews. UIA previously achieved Silver level. The IIP rating system has undergone a full review, and UIA was awarded the Established rating, which is the equivalent of the previous Silver level.

In 2020 UIA defined five core values to shape how we behave and drive our business. These values were created through colleague working groups, and embedded throughout the organisation.

Regulation

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

Environmental

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

Board Committees

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

Attendance of Directors at 2020 Board and Committee meetings

	Board	Audit Committee	Risk Committee	Nominations and Remuneration Committee
Director	Meetings attended	Meetings attended	Meetings attended	Meetings attended
Bob Abberley	9 (9)	4 (5)	-	2 (2)
Jon Craven	9 (9)	5 (5)	5 (5)	2 (2)
Peter Dodd	9 (9)	5 (5)	5 (5)	2 (2)
Tim Holliday	9 (9)	5 (5)	5 (5)	2 (2)
Lucia McKeever	9 (9)	-	4 (5)	2 (2)
Eithne McManus	9 (9)	5 (5)	5 (5)	-
John Nickson	9 (9)	5 (5)	5 (5)	2 (2)
Oliver Peterken	9 (9)	5 (5)	5 (5)	-
Angie Roberts	7 (9)	-	-	1 (2)
Tony Woodley	8 (9)	-	4 (5)	2 (2)

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

The Chair of the Board is Peter Dodd, and the Chair of the Audit Committee is Eithne McManus. The Chair of the Risk Committee is Oliver Peterken. The Chair of the Nominations and Remunerations Committee is Bob Abberley.

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

Audit Committee

The Audit Committee presents a separate report on Page 24.

Risk Committee

The Committee met five times in 2020 and is chaired by Oliver Peterken.

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

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

Corporate Governance Report (continued)

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

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

On 29 March 2021, 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 2020.

Nominations and remuneration Committee

The Committee met twice in 2020 and is chaired by Bob Abberley. The responsibilities of the Committee include reviewing the Board's structure, size and composition, selecting and proposing to the Board suitable candidates for appointment as Directors, and succession planning. The Committee considers the balance of skills, knowledge, experience, length of service, independence, diversity, gender, potential conflicts of interest and time commitment for all Directors.

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

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

On 29 March 2021, 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 2020.

By order of the Board

Jon Craven
Director
1 April 2021

Audit Committee Report

Membership

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

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

The Committee met five times during 2020. The Committee invites a number of attendees to its meetings during the year, including the CEO, the Finance Director, the Head of Operational Risk and Compliance, the external and internal auditors, the Chair of the Board and members of senior management. The Committee also met separately with the internal auditors without Executive Directors or management present.

Activity

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

On 30 March 2021, the Committee carried out a review of its activities for the year in order to discharge its responsibilities to the Board in respect of the year ended 31 December 2020.

Significant issues considered by the Committee

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

- An assessment of the significant estimates and judgements used by the Directors in preparing the financial statements including the technical provisions, the unexpired risk provision and the assumption of going concern, particularly in the context of Covid-19;
- An assessment of the method and assumptions used to determine the Pension Scheme liability in the financial statements;
- The Solvency and Financial Condition Report (SFCR). This was not audited again this year, as the Society has utilised an exemption from the requirement to have the SFCR audited which applies to smaller insurance firms.
- The service provided by the external auditor.
- The tender process and appointment of a new external auditor.
- The compliance monitoring plan, and regular compliance reports.
- The internal audit plan, the main Internal audit findings and progress throughout the year in addressing these findings.
- A quarterly review carried out on the technical provisions, and progress in refining the methodology used.

Internal audit

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

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

External audit

Including this year end, our external auditor, Deloitte, has audited eight sets of financial statements for us, having been appointed in 2013. The Committee decided that it would be appropriate to carry out a tender process for the external audit service (with the Board's approval). Following a thorough tender process, the Committee decided to recommend that BDO should be appointed as our external auditors from 23 June 2021. The Board approved this recommendation on 8th December 2020, subject to approval by members of the Society at the 2021 AGM. The Committee would like to thank the Deloitte Audit team for their effective and professional audit work over the past eight years.

Eithne McManus
Chair of the Audit Committee
1 April 2021

Remuneration policy for executive directors

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

Salaries

Base salaries are reviewed tri-annually using external consultants. This was last carried out in 2019 and the next review is in 2022. In the intervening years, subject to the approval of the Nominations and Remuneration Committee, the policy is to increase base salaries at the same basic inflationary rate as the Society's colleagues.

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% of base salary and there is a threshold below which no performance award is paid. Total awards for exceptional performance will not exceed 35% for the CEO and 20% for the Finance Director. No awards are to be made in respect of the 2020 financial year.

Transformation Incentive Plan
The Transformation Incentive Plan is a three-year scheme covering the period 2018 to 2020 and is available to executive directors. Non-executive directors are not eligible to participate in the scheme. The scheme was due to be settled at the end of the three-year period in April 2021. The Nominations and Remuneration Committee have agreed that, due to the exceptional social and economic conditions caused by the Coronavirus pandemic, any pay out should be deferred to April 2022 based on 2021 performance.

There are two targets, the bonus target and a higher maximum bonus target. The target bonus and maximum bonus opportunity awards as a % of salary are as follows (unaudited):

	Bonus target	Maximum bonus target
Chief executive officer	40%	80%
Executive directors	24%	48%

There are 4 measures used that are linked to our transformation incentive plan:
- Combined operating ratio
- Solvency capital requirement
- Colleague engagement survey
- Customer satisfaction measures

All measures need to be successfully met before any award is made and the bonus target and bonus opportunity is split equally across all 4 measures. The measurements will be taken for the 2021 financial year. The maximum amount that can be awarded will not exceed 50% of annual salary in any one year over the three year period. No awards have been accrued for in respect of the 2020 financial year.

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 2020 by way of salary sacrifice by the directors that elected to join the scheme, and a further 26.8% by the Society. Additionally, social security taxes associated with the salary sacrifice are contributed. Future contributions rates are disclosed in Note 30: Retirement benefit obligations. A director who doesn't join the scheme is eligible for a pension allowance. The Society provides a lump sum benefit of four times basic salary in the event of death in service to executive directors, either through the scheme or independently.

Other benefits

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

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

	Jon Craven £	John Nickson £
Salary and Fees	158,869	132,600
Pension and travel allowance	37,599	45,329
Other benefits	560	560
Total 2020	**197,028**	**178,489**
Total 2019	193,175	175,000

Remuneration policy for non-executive directors

Fees for Non-Executive Directors are reviewed annually by the Nominations and Remuneration Committee with changes normally effective from 1 January. Fees are designed to recognise their responsibilities and are reviewed using external third-parties on a tri-annual basis. This was last carried out in 2019. In the intervening years, subject to the approval of the Nominations and Remuneration committee, the policy is to increase base salaries at the same rate as the Society's colleagues.

The policy is to allow discretion to accommodate the need to attract different skills, experience and knowledge. Fees comprise a basic annual fee, paid in monthly instalments. Fees are neither pensionable nor performance-related and Non-Executive Directors do not participate in any bonus schemes. The basic salary for the Chairperson is £48,376. The basic salary for the Non-Executive Directors is £28,596 (2019: £28,035), with industry specialist Non-Executive Directors receiving £32,250. Committee chairs are paid an additional £3,225 in recognition of their additional responsibilities. If Non-Executive Directors and chairs of Committee are appointed or resign during the year, then a pro-rata fee is applied.

	Salary and fees 2020 £	Salary and fees 2019 £
Peter Dodd	**48,376**	47,427
Bob Abberley	**31,821**	31,197
Tim Holliday	**35,475**	34,780
Lucia McKeaver	**28,596**	28,035
Eithne McManus	**35,475**	34,780
Oliver Peterken	**35,475**	34,780
Marion Saunders	-	14,018
Tony Woodley	**28,596**	28,035
Angie Roberts	**25,920**	-
Total	**269,734**	253,052

UIA (Insurance) Limited

Directors' Responsibility Statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. The Co-operative and Community Benefit Societies law, as modified by the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008 (the Regulations) and the Companies Act 2006 require the Directors to prepare financial statements for each financial year. In accordance with the Regulations the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”. Under the Regulations the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Society and of the profit or loss of the Society for that period. In preparing these financial statements, the Directors are required to:

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

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

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

Jon Craven
Director
1 April 2021

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

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

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of UIA (Insurance) Limited Society (the 'society') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the society's affairs as at 31 December 2020 and of the group's and society's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014 and the Insurance Accounts Directives (Miscellaneous Insurance Undertakings) Regulation 2008.

We have audited the financial statements which comprise:

- the consolidated profit and loss account;
- the consolidated statements of comprehensive income;
- the consolidated balance sheet;
- the balance sheet of the society;
- the consolidated statement of changes in equity;
- the statement of changes in equity of the society;
- the consolidated statement of cash flow; and
- the related notes 1 to 30.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the group or the society.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Valuation of technical provisions; and • Valuation of defined benefit pension scheme. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the group financial statements was £290k which was determined on the basis of 1.5% of net assets.
Scoping	Our audit scoping provides full scope audit coverage of 100% of net earned premium and 99% of net assets and 100% of loss before tax.
Significant changes in our approach	We did not identify the key audit matter in relation to revenue recognition in the current year due to fact that the unearning premium recognition pattern is consistent year on year, the underlying risks profile of the business written has not changed. In our 2019 enhanced audit report we included the rapid spread of Coronavirus ("COVID-19"," the virus") and the ongoing uncertainty surrounding its impact as a key audit matter. Given the reduced uncertainty relating to the virus, the reduced effort required in understanding the impact and the information readily available about it we have determined that it is no longer appropriate to classify it as a key audit matter.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our evaluation of the directors' assessment of the group's and society's ability to continue to adopt the going concern basis of accounting included:

- Evaluating management's stress and scenario testing including solvency coverage ratio and market and interest rates risks;
- Challenging management's key assumptions by performing a hindsight analysis of management's budget, assessing its consistency with other available information and our understanding of the business and the impact of COVID-19 thereon;
- Evaluating management's assessment of the risks facing the society including liquidity risk, asset credit risk and operational matters; and
- Evaluated the appropriateness of going concern disclosures.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and society's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.
Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

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

5.1. Valuation of technical provisions

Key audit matter description	The reserve for total gross claims outstanding was £9.6m at 31 December 2020 (2019: £10.8m). Reserves for Household Incurred But Not Reported claims (IBNR) and specific loss events remains the largest single area of significant management judgement, particularly near the year-end. A small change in key assumptions could result in a material change in the financial statements. We have identified the frequency and severity assumptions used in the valuation of the Subsidence and Escape of Water ('EoW') subgroups within the Household book, including the estimated impact of COVID-19, as a key audit matter. The assessment of the calculation of the technical provisions for claims outstanding requires management to make significant judgements in respect of the quantum of the ultimate cost of settling claims. For further details, refer to notes 2 (Accounting policies), 3 (Critical accounting judgements and key sources of estimation uncertainty including subsequent events) and 30 (Retirement benefit obligations) and 22 (Technical provisions – liabilities) of the financial statements and the strategic report.
How the scope of our audit responded to the key audit matter	To address this key audit matter, we: • Obtained an understanding of the relevant controls over the reserving process; • Met with senior management involved in the reserving process where we discussed and challenged the reserving methodology, considering changes in assumptions from the previous year-end, and a review of internal and external reserving reports; • Checked that reserving reports align to the data provided by the society and to test the underlying data used in the reserving process. This has been done by reconciling the inputs to the claims data in order to evaluate its completeness and accuracy; • With involvement of our actuarial specialists, we challenged the methodology and significant assumptions inherent within the household claim reserves and evaluate the consistency of prudency applied. We evaluated whether judgements and assumptions utilised in the estimate contain indicators of possible management bias by comparing the reserves to industry averages and historical claims experience, where applicable, obtaining explanations for any significant variances; • Assessed the 2020 settlement experience for previous years' claims against assumptions made in the prior year to evaluate management's level of accuracy in predicting the uncertainties considered in calculating technical provisions; and • Assessed the appropriateness of the disclosures in the financial statements relating to the valuation of technical provisions.
Key observations	Based on the audit procedures performed, we concluded that the valuation of technical provisions and the disclosures in the financial statements are appropriate.

5.2. Valuation of defined benefit pension scheme

Key audit matter description	The gross liability balance is £52.7m (2019: £42.5m). The net deficit on the defined benefit pension scheme at 31 December 2020 was £16.7m (2019: £10.3m). Employees of the Group are eligible to join the defined benefit scheme of UNISON, which is a multi-employer scheme. There are key actuarial assumptions that are applied by management in estimating the pension deficit to be recognised in the financial statements, particularly in the allocation of the Group's share of the scheme assets and liabilities. UIA assumes approximately 5.5% of the total UNISON scheme assets and liabilities. We understand that this allocation includes UNISON Direct, which is under negotiation. A small change in this allocation could also lead to a material change in UIA's share of the net pension deficit. For further details, refer to notes 3 (Critical accounting judgements and key sources of estimation uncertainty including subsequent events) and 30 (Retirement benefit obligations) of the financial statements and the strategic report.
How the scope of our audit responded to the key audit matter	To address this key audit matter, we: • Obtained an understanding of the relevant controls over the pension review process; • Tested the accuracy and completeness of employee data provided to the scheme actuary; • Tested the key assumptions used to calculate the society's share of the pension scheme assets and liabilities; • Assessed the internal control reports issued by Unison and scheme asset managers; • Assessed whether UNISON Direct share represents a liability for the society; and • Tested the valuation of the society's share of the pension scheme assets against third party confirmations and price reports.
Key observations	Based on the audit procedures performed, we concluded that the valuation of defined benefit pension scheme in the financial statements is appropriate.

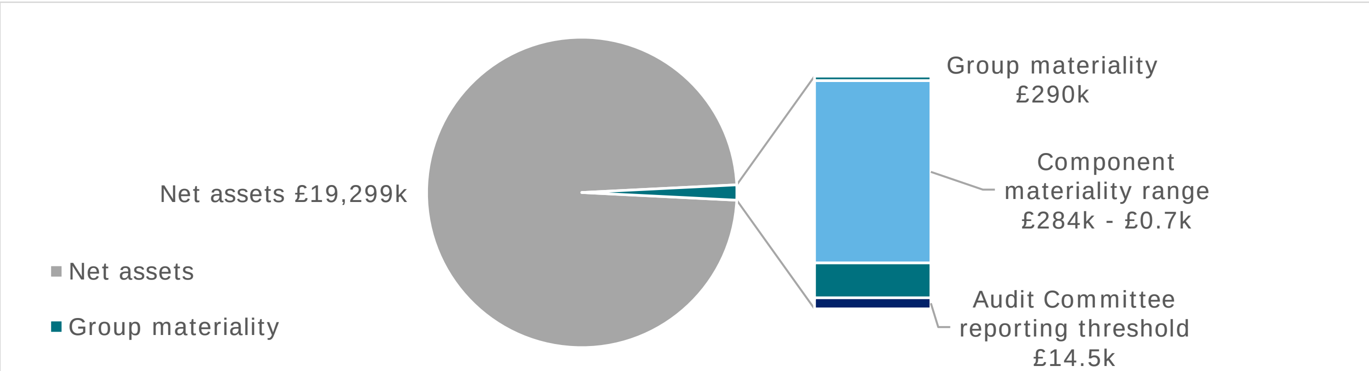
6. Our application of materiality

6.1. 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.

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

	Group financial statements	Society financial statements
Materiality	£290k (2019: £414k)	£284k (2019: £412k)
Basis for determining materiality	1.5% of net assets (2019: 1.5% of net assets)	1.5% of net assets (2019: 1.5% of net assets)
Rationale for the benchmark applied	The net assets figure is considered an appropriate basis as it represents the residual interest that can be ascribed to members after policyholder liabilities have been accounted for; we consider that this is the most appropriate measure for the size of the business and that it provides a stable measure year on year. Materiality decreased in the current year due to the reduction in the net asset value.	



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Society financial statements
Performance materiality	69% (2019: 70%) of group materiality	69% (2019: 70%) of society materiality
Basis and rationale for determining performance materiality	In determining performance materiality we considered our risk assessment, including our assessment of the group's overall control environment and our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods. The reduction in performance materiality is as a result of higher prior year uncorrected misstatements. We therefore increased the expected uncorrected error rate in response.	

6.3. Error reporting threshold

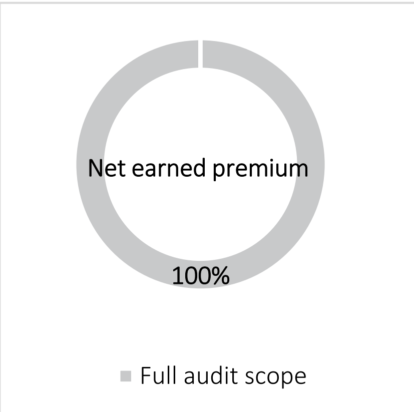
We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £14.5k (2019: £20.7k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

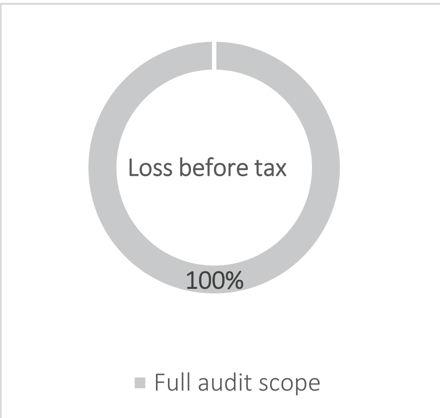
7. An overview of the scope of our audit

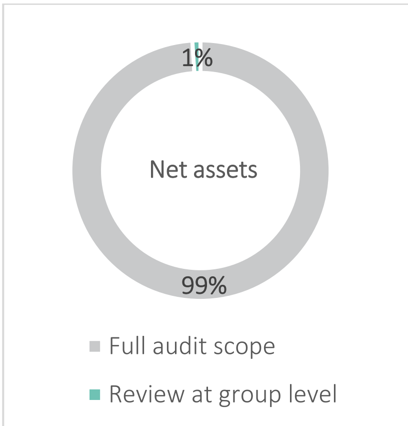
7.1. Identification and scoping of components

Our group audit was scoped by obtaining an understanding of the group and its 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, which are all in one geographic location, was performed directly by the group audit engagement team.

In the current year, we have performed a group risk assessment and scoping of component balances to determine the audit approach for the group. Our audit scoping provides full scope audit coverage of 100% (2019: 100%) of net earned premium, 100% of loss before tax (2019: 100%) and 99% (2019: 97%) of net assets. At the group level, we also tested the consolidation process and we carried out analytical procedures to confirm our conclusion that there were no risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances. In the prior year, each component was subject to a full scope audit executed at levels of materiality applicable to each individual entity which were lower than group materiality. The component materiality used for the full scope audits ranged from £0.7k to £284k (2019:£0.2k to £412k).







7.2. Our consideration of the control environment

We involved our IT specialists to obtain an understanding of key IT systems relevant to the audit, this included the ICE claims system used in the claims administration and reserving process applicable to UIA (Insurance) Limited component. We obtained an understanding of the General IT Controls related to the in-scope applications. We have not planned to rely on the IT controls associated with these systems in line with our overall audit strategy and as such, we have not tested GITCs and IT controls related to the account balances and classes of transactions.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

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

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

10. Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including valuations, pensions, IT, actuarial and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: the valuation of technical provisions and the valuation of defined benefit pension scheme. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Co-operative and Community Benefit Societies Act, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the group's regulatory solvency requirements.

11.2. Audit response to risks identified

As a result of performing the above, we identified valuation of technical provisions and valuation of defined benefit pension scheme as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

- reading minutes of meetings of those charged with governance, and reviewing correspondence with HMRC; the Financial Conduct Authority ("FCA"), and Prudential Regulation Authority ("PRA"); and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. pinions on other matters prescribed by the Co-operative and Community Benefit Societies Act 2014

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the society and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the society; or
- the society's financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations and access to documents we require for our audit.

We have nothing to report in respect of these matters.

14. Other matters which we are required to address

14.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the directors of the society on 13 August 2013 to audit the financial statements for the year ending 31 December 2013 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 8 years, covering the years ending 31 December 2013 to 31 December 2020.

14.2. Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

15. Use of our report

This report is made solely to the society's members, as a body, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the society and the society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Adam Addis (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
1 April 2021

Consolidated Statement of Profit and Loss Account of the Society and subsidiaries
For the year ended 31 December 2020
Technical account - General Business

	Notes	2020 £'000	2019 £'000
Earned premiums net of reinsurance			
Gross earned premiums	5(a)	**19,468**	22,372
Reinsurance premium ceded	5(a)	**(3,165)**	(3,542)
	6	**16,303**	18,830
Allocated investment return transferred from the non-technical account		**76**	111
Other technical income		**909**	882
Total technical income		**17,288**	19,823
Claims incurred net of reinsurance			
Gross insurance claims and claims settlement expenses	5(b)	**(9,663)**	(13,234)
Insurance claims and claims settlement expenses recoverable from reinsurers	5(b)	**339**	1,430
		(9,325)	(11,804)
Changes in other technical provisions net of reinsurance	23	**0**	745
Net operating expenses	7	**(10,774)**	(11,509)
Total technical charges		**(20,099)**	(22,568)
Balance on technical account for general business		**(2,811)**	(2,745)

The notes on pages 43 to 74 form part of these financial statements

UIA (Insurance) Limited

Consolidated Statement of Profit and Loss Account of the Society and subsidiaries (continued)
For the year ended 31 December 2020
Non-technical account

	Notes	2020 £'000	2019 £'000
Balance on the general business technical account		**(2,811)**	(2,745)
Investment income	10	**859**	1,722
Unrealised gains on investments		**486**	632
Net investment expenses	10	**19**	(23)
Allocated investment return transferred to the technical account.		**(76)**	(111)
Other Income	11	**16**	27
interest charged on defined benefit pension net liability	24	**(208)**	(234)
Loss on ordinary activities before taxation		**(1,716)**	(732)
Tax charge on loss on ordinary activities		**(262)**	(449)
Loss for the financial year		**(1,978)**	(1,181)

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

The notes on pages 43 to 74 form part of these financial statements

UIA (Insurance) Limited

Consolidated Statement of Comprehensive Income of the Society and its subsidiaries
For the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Retained deficit for the year		**(1,978)**	(1,181)
Re-measurement of net defined benefit pension liability	30	**(6,292)**	(1,739)
Total comprehensive expense for the year		**(8,270)**	(2,920)

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

The notes on pages 43 to 74 form part of these financial statements

UIA (Insurance) Limited

Consolidated Balance Sheet of the Society and subsidiaries
as at 31 December 2020

	Notes	Group	
		2020	2019
		£'000	£'000
Assets			
Intangible Assets	14	**3,117**	2,840
Other financial investments	15	**44,215**	46,108
		44,215	46,108
Reinsurers' share of technical provisions			
Unearned premiums	17(a)	**729**	668
Outstanding claims	17(b)	**1,170**	1,875
		1,899	2,543
Debtors			
Arising out of direct insurance operations		**8,102**	8,952
other debtors	18	**306**	564
		8,409	9,516
Other assets			
Tangible assets	19	**181**	57
Cash at bank and in hand		**1,729**	1,921
		1,910	1,978
Prepayments and accrued income			
Accrued interest and rent		**(0)**	0
Deferred acquisition costs	20	**459**	463
Other prepayments and accrued income		**579**	718
		1,038	1,181
Total Assets		**60,588**	64,166

The notes on pages 43 to 74 form part of these financial statements

Consolidated Balance Sheet of the Society and subsidiaries (continued)
as at 31 December 2020

	Notes	Group 2020 £'000	Group 2019 £'000
Liabilities			
Capital and reserves			
Share capital	21	**1**	1
Profit and loss account		**19,298**	27,568
Total equity		**19,299**	27,569
Technical provisions			
Gross unearned premiums	22a	**9,420**	10,024
Gross outstanding claims	22b	**9,630**	10,777
Unearned commission	22c	**404**	402
Other technical provisions	23	**0**	0
		19,454	21,203
Provisions for other risks			
Provisions for pensions and similar obligations	24	**16,732**	10,303
Other provisions		**150**	150
		16,882	10,453
Creditors			
Arising out of direct insurance operations		**2,335**	2,256
Arising out of reinsurance operations		**1,019**	1,302
Other creditors including taxation and social security	25	**964**	1,038
		4,318	4,596
Accruals and deferred income		**635**	345
Total equity, reserves and liabilities		**60,588**	64,166

Approved by the Board of Directors and authorised for issue on 1 April 2021 and signed on behalf by:

Chair and Director
Peter Dodd

Director
Jon Craven

Director and Society Secretary
John Nickson

The notes on pages 43 to 74 form part of these financial statements

UIA (Insurance) Limited

Balance Sheet of the Society
as at 31 December 2020

	Notes	Society	
		2020	2019
		£'000	£'000
Assets			
Intangible Assets	14	**3,117**	2,840
Investments			
Investment in group undertakings	16	**256**	264
Other financial investments	15	**44,215**	46,108
		44,471	46,372
Reinsurers' share of technical provisions			
Unearned premiums	17(a)	**729**	668
Outstanding claims	17(b)	**1,170**	1,875
		1,899	2,543
Debtors			
Arising out of direct insurance operations		**8,102**	8,952
other debtors	18	**210**	439
		8,312	9,391
Other assets			
Tangible assets	19	**127**	57
Cash at bank and in hand		**1,409**	1,589
		1,537	1,646
Prepayments and accrued income			
Accrued interest and rent		**(0)**	0
Deferred acquisition costs	20	**459**	463
Other prepayments and accrued income		**575**	712
		1,033	1,175
Total Assets		**60,369**	63,967

The notes on pages 43 to 74 form part of these financial statements

UIA (Insurance) Limited

Balance Sheet for the Society (continued)
as at 31 December 2020

	Notes	Society 2020 £'000	Society 2019 £'000
Liabilities			
Capital and reserves			
Share capital	21	**1**	1
Profit and loss account		**19,213**	27,497
Total equity		**19,214**	27,498
Technical provisions			
Gross unearned premiums	22a	**9,420**	10,024
Gross outstanding claims	22b	**9,630**	10,777
Unearned commission	22c	**404**	402
Other technical provisions	23	**0**	0
		19,454	21,203
Provisions for other risks			
Provisions for pensions and similar obligations	24	**16,732**	10,303
Other provisions		**150**	150
		16,882	10,453
Creditors			
Arising out of direct insurance operations		**2,335**	2,256
Arising out of reinsurance operations		**1,019**	1,302
Other creditors including taxation and social security	25	**829**	910
		4,183	4,468
Accruals and deferred income		**635**	345
Total equity, reserves and liabilities		**60,369**	63,967

Approved by the Board of Directors and authorised for issue on 1 April 2021 and signed on behalf by:

Peter Dodd

Chair and Director
Peter Dodd

Director
Jon Craven

J. Nickson

Director and Society Secretary
John Nickson

The notes on pages 43 to 74 form part of these financial statements

UIA (Insurance) Limited

Statements of Changes in Equity

For the year ended 31 December 2020

Consolidated Statement of Changes in Equity of the Society and its subsidiaries	**Share capital**	**Profit and loss account**	**Total**
	£'000	£'000	£'000
At 1 January 2019	1	30,488	30,489
Deficit for the financial year	0	(1,181)	(1,181)
Re-measurement of net defined benefit pension scheme liability	0	(1,739)	(1,739)
At 31 December 2019	1	27,568	27,569
Deficit for the financial year	0	(1,978)	(1,978)
Re-measurement of net defined benefit pension scheme liability	0	(6,292)	(6,292)
At 31 December 2020	1	19,298	19,299

Statement of Changes in Equity of the Society	**Share capital**	**Profit and loss account**	**Total**
	£'000	£'000	£'000
At 1 January 2019	1	30,339	30,340
Deficit for the financial year	0	(1,103)	(1,103)
Re-measurement of net defined benefit pension scheme liability	0	(1,739)	(1,739)
At 31 December 2019	1	27,497	27,498
Deficit for the financial year	0	(1,991)	(1,991)
Re-measurement of net defined benefit pension scheme liability	0	(6,292)	(6,292)
At 31 December 2020	1	19,214	19,215

The notes on pages 43 to 74 form part of these financial statements

UIA (Insurance) Limited

Statements of cash flows
For the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Cash generated from operating activities			
Net cash flow used by operation activities before investment of insurance assets	26	**(2,380)**	(8,491)
Cash generated from investment of insurance assets	26	**896**	6,215
Net Cash (used in) Operating activities		**(1,484)**	(2,276)
Cash flow from investing activities			
Purchase of intangible and tangible assets		**(1,066)**	(1,013)
Net cash used in investing activities		**(1,066)**	(1,013)
Net cash decrease in cash at bank and in hand		**(2,550)**	(3,289)
Cash and cash equivalents at beginning of year		**9,993**	13,282
Cash and cash equivalents at end of year		**7,443**	9,993
Cash at bank and in hand		**1,729**	1,921
Short term deposits presented within other financial instruments		**5,714**	8,072
Cash and cash equivalents		**7,443**	9,993

The notes on pages 43 to 74 form part of these financial statements

1 General Information

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

2 Accounting policies

2.1 Basis of preparation

The financial statements have been prepared under the historical cost convention, modified to include the valuation of investments at fair value or at amortised cost, and in accordance with Financial Reporting Standards 102 & 103 (FRS 102 & 103) issued by the Financial Reporting Council. The Society is subject to the requirements of the Companies Act 2006 and the European Union (Insurance Undertakings: Financial Statements) Regulations 2015.

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

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

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

We have adopted the going concern basis in respect of the preparation of the accounts for the year ended 31 December 2020 as we have adequate financial resources in order to meet our liabilities as they fall due. We have total assets of £61m including investments and cash assets of £46m. Our unaudited fourth quarter reported Solvency Capital Ratio was 139% as at 31 December 2020.

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

The Society is exposed to some volatility in its share of the pension scheme assets, the schemes equities are protected by a collar arrangement which provides some protection from equity market falls.

Please see page 5 with regards to the impact of Covid-19 on the Society.

Due to the nature of our lines of business, we do not anticipate any significant exposure to liability risk from climate change. This is further explained in our SFCR.

Based on a review of the strategic plan and other financial reports the Directors have a reasonable expectation that the Society has adequate resources to continue in operation for a period of at least 12 months from the approval of the reports and Accounts.

2.2 Basis of consolidation

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

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

2.3 Parent Society disclosure exemptions

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

2.4 Insurance classification

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

2.5 Revenue recognition

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

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

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

Other technical income
Other technical income comprises of commissions receivable for the whole period of cover, adjusted for an unearned commission provision. Unearned commissions are calculated over the period of the policy to which it relates, on a daily basis or 24ths basis.

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

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

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

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

Realised gains and losses
The realised gain or loss on disposal of an investment is the difference between the proceeds received, net of transaction costs, and its original cost or amortised cost as appropriate.

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

2.6 Taxation

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

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

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

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

2.6 Taxation (continued)

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

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

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

2.7 Intangible assets

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

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

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

The impairment policy is set out in note 2.10 below.

2.8 Tangible fixed assets

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

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

2.9 Retirement benefit costs

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 102 are made in note 30. Employees of both UIA (Insurance) Limited and UIA (Call Centres) Limited are eligible to participate in the scheme.

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

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

2.10 Impairment of assets

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

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

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

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

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

2.11 Financial assets and liabilities

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

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

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

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

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

FRS102 section 11.27 establishes a fair value methods used to measure fair value. The hierarchy is as follows:

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

2.11 Financial assets and liabilities (continued)

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

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

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

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

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

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

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

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

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

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

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

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

2.11 Financial assets and liabilities (continued)

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

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

2.12 Leasing

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

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

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

2.13 Insurance contracts

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

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

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

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

Unexpired risk provision
A provision has been made for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses. The expected claims are calculated based on information available at the balance sheet date.

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

2.14 Reinsurance

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

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

Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses. Reinsurance assets are measured consistently with the amounts associated with the underlying insurance contract and in accordance with the terms of the reinsurance contract. Reinsurance is recorded as an asset unless a right of set-off exists, in which case the associated liabilities are reduced to take account of reinsurance.

2.14 Reinsurance (continued)

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

2.15 Insurance receivables and payables

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

3 Critical accounting judgements and key sources of estimation uncertainty including subsequent events

Critical accounting judgements

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

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

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

Other technical provisions including unexpired risk provisions
A reserve is required where part of the Society's book of business is assessed to be loss making as its unearned premium reserve earns through to the following years accounting periods. This assessment takes into account loss ratio and expenses and is highly subjective. The assessment of this provision is judgemental with regard to whether a reserve is required and on what segment of business written.

Key sources of estimation uncertainty

The key source of estimation uncertainty is described below:

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

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

Details of sensitivities are described in note 30.

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

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

Details of sensitivities are described in note 4.1.

Subsequent events

There are no post balance sheet subsequent events.

Notes to the Financial Statements (continued)
For the year ended 31 December 2020

4 Management of insurance and financial risk

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

The Society considers its largest risk exposures to be:

- Market risk - due to exposure to spread risk from holding long-dated corporate bonds, and to equity risk from equities in the pensions fund;
- Insurance risk - due to the uncertainty surrounding the timing, frequency and severity of household claims with more than half of which relates to the potential for catastrophe events, and
- Pension risk - due to the uncertainty surrounding the obligations to our share of the UNISON Defined Benefit Pension Scheme.

4.1 Insurance risk

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

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

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

	At 31 December	
	Unaudited 2020	**Unaudited 2019**
	£m	£m
Market risk	8.2	7.3
Counterparty default risk	1.8	1.5
Non-life underwriting risk	6.8	8.6
Operation risk	0.6	0.7
Loss absorbing capacity of deferred tax	(0.2)	(0.2)
Diversification credit	(4.0)	(4.0)
Total solvency capital requirement (SCR)	13.2	13.9
Total own funds	18.4	27.0
Total surplus	5.2	13.1
SCR coverage	139%	194%

4 Management of insurance and financial risk (continued)

4.1 Insurance risk (continued)

Assumptions and sensitives
The risks associated with the household insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. We use several statistical and actuarial techniques on past claims development experience for estimating its liabilities, including chain ladder methods applied to:
- incurred claims amounts;
- paid data amounts;
- reported claim counts and average severities, and
- considering various categorisations of claims data.

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

We have carried out some sensitivity tests on the actual results for the year ended 31 December 2020 and these are set out below.

	2020 £'000	**2019** £'000
Balance on technical account for general business	(2,811)	(2,745)
5% increase in loss ratio (54% - 59%) (2019: 60% - 65%)	(3,675)	(3,736)
Weather event in UK - industry loss £250m	(3,561)	(3,495)
5% increase in expenses	(3,350)	(3,320)

Claims development tables
The following tables show the development of our claims excluding non-specific prudential, management margins and claims handling expense reserves over a period of time on both a gross and net of reinsurance basis. FRS 103 requires that claims development shall go back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payment, but need not go back more than ten years

Analysis of claims development - gross	**2020** £'000	**2019** £'000	**2018** £'000	**2017** £'000	**2016** £'000	**2015** £'000	**2014** £'000	**Total** £'000
Estimates of ultimate claims								
End of accident year	9,677	11,764	16,581	14,474	10,984	10,121	9,471	
One year later		11,122	16,652	13,384	10,151	9,718	8,854	
Two years later			16,835	13,413	9,539	9,449	8,759	
Three years later				13,971	9,464	9,094	8,639	
Four years later					9,488	9,217	8,310	
Five years later						9,382	8,334	
Six years later							8,605	
Current estimate of ultimate claims	9,677	11,122	16,835	13,971	9,488	9,382	8,605	
Cumulative payments to date	(4,994)	(10,222)	(16,188)	(13,533)	(9,236)	(9,177)	(8,517)	
In balance sheet	4,683	900	647	438	252	205	88	7,213
Liability in respect of earlier years								391
Liability on balance sheet								7,604

4 Management of insurance and financial risk (continued)

4.1 Insurance risk (continued)

Analysis of claims development - net	**2020** £'000	**2019** £'000	**2018** £'000	**2017** £'000	**2016** £'000	**2015** £'000	**2014** £'000	**Total** £'000
Estimates of ultimate claims								
End of accident year	9,222	11,237	16,105	13,882	10,814	9,497	9,027	
One year later		10,487	16,187	13,269	9,953	9,037	8,593	
Two years later			15,842	13,383	9,474	8,778	8,481	
Three years later				13,406	9,476	9,102	8,365	
Four years later					9,271	9,156	8,276	
Five years later						9,147	8,268	
Six years later							8,260	
Current estimate of ultimate claims	9,222	10,487	15,842	13,406	9,271	9,147	8,260	
Cumulative payments to date	(4,853)	(9,934)	(15,321)	(13,048)	(9,107)	(8,986)	(8,221)	
In balance sheet	4,369	553	521	358	164	161	39	6,165
Liability in respect of earlier years								256
Liability on balance sheet								6,421

4.2 Market risk

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

4.2.1 Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Society is exposed to interest rate risk from movements on financial investments that have a fixed interest rate. As the amount of financial investments exposed to this risk is £3.1m (2019: £3.1m) the Board does not consider this to be a significant risk to the Society.

4.2.2 Equity risk

At the year-end we held £0.3m (2019: £0.3m) in equities or equity-based investments, being the Society's investment in subsidiaries. Under Solvency II, which is measured at Society not Group level, we are required to hold capital amounting to £0.1m (before portfolio diversification benefits) in respect of these assets in recognition of a potential fall in value.

4.3 Credit risk

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

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

4 Management of insurance and financial risk (continued)

4.3 Credit risk (continued)

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

The Society monitors the credit risk in relation to its investment portfolio and reinsurance programme by monitoring external credit ratings for the investment and reinsurance assets held.

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

2020	**AAA**	**AA**	**A**	**BBB**	**BB**	**B**	**CCC***	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Debt securities	7,906	4,231	11,083	19,307			1,171	43,698
Other investments								-
Deposits				517			1,409	1,926
Cash and cash equivalents			441					441
Reinsurance receivable								-
	7,906	4,231	11,524	19,824	-	-	2,580	46,065

*includes unrated

2019	**AAA**	**AA**	**A**	**BBB**	**BB**	**B**	**CCC***	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Debt securities	12,415	5,253	11,875	16,313	62		86	46,004
Other investments								-
Deposits								-
Cash and cash equivalents				104			1,589	1,693
Reinsurance receivable			684				1,192	1,876
	12,415	5,253	12,559	16,417	62	-	2,867	49,573

*includes unrated

4.4 Liquidity risk

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

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

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

Notes to the Financial Statements (continued)
For the year ended 31 December 2020

4 Management of insurance and financial risk (continued)

4.5 Pension risk

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

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

5 Underwriting Activities

5(a) Net earned premium

Gross earned premium	**2020**	2019
	£'000	£'000
Gross written premium	**18,863**	20,311
change in unearned premium	**605**	2,061
Gross earned premium	**19,468**	22,372
Reinsurance premium ceded		
Reinsurance premium payable	**(3,159)**	(3,485)
Change in reinsurers share of unearned premium	**(6)**	(57)
Reinsurance premium ceded	**(3,165)**	(3,542)
Net earned premium	**16,303**	18,830

5(b) Net insurance claims settlement expenses

Insurance claims and claims settlement expenses		
Gross insurance claims and claims settlement expenses paid	**(10,840)**	(16,516)
Gross change in provision for claims	**1,177**	3,282
Gross incurred insurance claims and claims settlement expenses	**(9,663)**	(13,234)
Insurance claims and claims settlement expenses recoverable from reinsurers		
Gross claims and claims settlement expenses paid recoverable from reinsurers	**402**	1,191
Gross change in provision for claims and claims settlement expenses recoverable from reinsurers	**(63)**	239
Gross claims and claims settlement expenses recoverable from reinsurers	**339**	1,430
Net incurred claims and claims settlement expenses	**(9,325)**	(11,804)

Notes to the Financial Statements (continued)
For the year ended 31 December 2020

6 Segmental analysis

Technical account 2020	Household	Home Emergency	Legal	Legal expenses	Total
	£'000	£'000	£'000	£'000	£'000
Net earned premium					
Gross written premium	17,142	633	673	415	18,863
Change in gross unearned premium	599	16	(10)	0	605
Gross earned premium	17,741	649	664	415	19,468
Reinsurance premium ceded	(1,438)	(649)	(664)	(415)	(3,165)
Net earned premium	16,303	0	(0)	0	16,303
Allocated investment return transferred from the non-technical account	76	0	0	0	76
Overriding commission	0	396	399	114	909
Total technical income	16,379	396	399	114	17,288
Net claims incurred					
Gross insurance claims and claims settlement expenses	(9,544)	(103)	(98)	82	(9,663)
Insurance claims and claims settlement expenses recoverable from reinsurance	219	103	98	(82)	339
Net claims incurred	(9,325)	0	0	0	(9,325)
Change in other technical provisions	0	0	0	0	0
Net operating expenses	(10,704)	0	0	(70)	(10,774)
Total technical charges	(20,029)	0	0	(70)	(20,099)
Balance on technical account	(3,651)	396	399	44	(2,811)

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

UIA (Insurance) Limited

Notes to the Financial Statements (continued)
For the year ended 31 December 2020

6 Segmental analysis (continued)

Technical account 2019	**Household**	**Home Emergency**	**Legal**	**Legal expenses**	**Total**
	£'000	£'000	£'000	£'000	£'000
Net earned premium					
Gross written premium	18,512	641	607	551	20,311
Change in gross unearned premium	2,004	55	2	0	2,061
Gross earned premium	20,516	696	609	551	22,372
Reinsurance premium ceded	(1,686)	(696)	(609)	(551)	(3,542)
Net earned premium	18,830	0	0	0	18,830
Allocated investment return transferred from the non-technical account	111	0	0	0	111
Overriding commission	0	368	385	129	882
Total technical income	18,941	368	385	129	19,823
Net claims incurred					
Gross insurance claims and claims settlement expenses	(12,219)	(160)	(220)	(635)	(13,234)
Insurance claims and claims settlement expenses recoverable from reinsurance	415	160	220	635	1,430
Net claims incurred	(11,804)	0	0	0	(11,804)
Change in other technical provisions	745	0	0	0	745
Net operating expenses	(11,322)	0	0	(187)	(11,509)
Total technical charges	(22,381)	0	0	(187)	(22,568)
Balance on technical account	(3,440)	368	385	(58)	(2,745)

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

7 Expenses

(a) Net operating expenses	**2020**	2019
	£'000	£'000
Acquisition costs	2,923	3,402
Changes in deferred acquisition costs	893	205
Administrative expenses including amortisation	6,958	7,902
	10,774	11,509

(b) Auditor's remuneration		
Fees payable to the auditor for the audit of the annual accounts	186	106
Fees payable to the audit of subsidiary companies pursuant to legislation	10	10
	196	116

(c) Operating lease payments		
Rental of buildings	324	306
Hire of plant and machinery	66	72
	390	378

8 Colleague information

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

	2020	2019
	Number	Number
Underwriting and claims	39	40
Administration and finance	36	34
Sales and marketing	25	25
Subsidiary activities	59	59
	159	158

8 Colleague information (continued)

Colleague costs were as follows	**2020** £'000	2019 £'000
Wages and Salaries	**4,037**	3,604
Social Security cost	**396**	376
Pension costs	**1,234**	1,093
	5,667	5,073

9 Directors' emoluments

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

	2020 £'000	2019 £'000
Aggregate emoluments	337	332
Employer's Pension Contribution	36	35
Total Directors' emoluments	373	367

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

10 Net investment return

	Investment income			Net investment expenses	Unrealised gains on investments	Unrealised losses on investments	Net investment result
	Net Investment income income	Amortised interest	Net realised gains / (losses)				
	2020	**2020**	**2020**	**2020**	**2020**	**2020**	**2020**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Unit trusts	**815**				**464**		**1,279**
Term deposit							**0**
Cash and cash equivalents	**62**		**2**		**22**		**86**
Other investment income	**(22)**						**(22)**
Other investment expenses				**19**			**19**
	855		**2**	**19**	**486**		**1,362**
Investment income		**857**					
	2019	2019	2019	2019	2019	2019	2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Unit trusts	1,114		507		622		2,243
Term deposit	28						28
Cash and cash equivalents	22		3		10		35
Other investment income	48						48
Other investment expenses				-23			-23
	1,212		510	(23)	632		2,331
Investment income		1,722					

Notes to the Financial Statements (continued)
For the year ended 31 December 2020

11 Net result of non-underwriting activities

The net results of the non-underwriting activities of the Society's trading subsidiaries are shown separately in the non-technical account. Revenue consists of commission receivable by UIA (Insurance Services) Limited and recharges of expenses incurred in the provision of call centre help lines to members of UNISON by UIA (Call Centres) Limited.

2020	UIA (insurance Services) Ltd	UIA (Call Centre) Ltd	UIA Management Services Ltd	Total
	£'000	£'000	£'000	£'000
Turnover	**154**	**2,531**	**0**	**2,685**
Administration expenses	**(139)**	**(2,531)**	**0**	**(2,669)**
Retained profit for the year	**16**	**0**	**0**	**16**

2019	UIA (insurance Services) Ltd	UIA (Call Centre) Ltd	UIA Management Services Ltd	Total
	£'000	£'000	£'000	£'000
Turnover	**197**	**2,306**	**0**	**2,503**
Administration expenses	**(172)**	**(2,304)**	**0**	**(2,476)**
Retained profit for the year	**25**	**2**	**0**	**27**

Notes to the Financial Statements (continued)
For the year ended 31 December 2020

12 Taxation on profit on ordinary activities

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

	2020	2019
	£'000	£'000
(a) Analysis of the tax charge		
UK corporation tax:		
Current tax (see (b))	262	448
Adjustment in respect of previous periods	0	0
Total Corporation tax	262	448
Changes in deferred tax balances (see ©)		
Total current tax charge for the year	262	448

(b) Factors affecting tax charge for the year
The tax credit for the year is lower than 19% (2019: lower than 19%) of taxable income of the year. The differences are explained below

	2020	2019
	£'000	£'000
Losses on ordinary activities before tax	(1,716)	(732)
Tax on ordinary activities at 19% (2019: 19%)	(326)	(139)
Effects of		
Loss on technical account	534	522
Allocated investment return	14	21
Return on pension scheme	40	44
Total current tax charge for the year	262	448

(c) Provision for deferred taxation	**2020**	2019
	£'000	£'000
Deferred tax at 1 January	(1)	(40)
Movement in the provision	0	39
Deferred tax at 31 December	(1)	(1)

In 2020, a deferred tax asset of £nil (2019:£nil) was recognised in relation to unrealised investment losses.

On 3 March 2021 the Chancellor announced that the rate of UK corporation tax will increase to 25% from 1 April 2023. This is not reflected in the figures above as it was not substantively enacted at the balance sheet date, however the effect is not expected to be material.

Notes to the Financial Statements (continued)
For the year ended 31 December 2020

13 Deficit for the financial year

Consistent with Section 408 of the Companies Act 2006 the Society income statement is not presented as part of these financial statements. The Group deficit for the financial year was £8,270,000 (2019: deficit £2,920,000) which includes a £8,285,000 deficit (2019: deficit £2,842,000) reported in the financial statements of the Society.

14 Intangible assets

	Group	The Society
	Software development £'000	Software development £'000
Cost		
At 1 January 2020	6,341	6,341
Additions	846	846
At 31 December 2020	7,186	7,186
Accumulated amortisation		
At 1 January 2020	(3,497)	(3,497)
Charge for the year	(572)	(572)
At 31 December 2020	(4,069)	(4,069)
Net book value at 31 December 2020	3,117	3,117
Net book value at 31 December 2019	2,844	2,844

Notes to the Financial Statements (continued)
For the year ended 31 December 2020

15 Financial Investments

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

	Group		The Society	
	2020	**2020**	**2020**	**2020**
	Fair Value	Cost	Fair Value	Cost
	£'000	£'000	£'000	£'000
Financial assets				
Shares and other variable securities in unit trusts	**36,092**	**35,355**	**36,092**	**35,355**
Cash and cash equivalents	**8,123**	**8,091**	**8,123**	**8,091**
Total	**44,215**	**43,447**	**44,215**	**43,447**

	Group		The Society	
	2019	2019	2019	2019
	Fair Value	Cost	Fair Value	Cost
	£'000	£'000	£'000	£'000
Financial assets				
Shares and other variable securities in unit trusts	38,028	37,732	38,028	37,732
Cash and cash equivalents	8,080	8,072	8,080	8,072
Total	46,108	45,804	46,108	45,804

The group has no financial liabilities (2019:£nil)

16 Investment in subsidiaries

	The Society	
	2020	2019
	£'000	£'000
Cost at 31 December	375	475
Provision for impairment at 1 January	(211)	(211)
Movement in provision	92	0
Provision for impairment at 31 December	(119)	(211)
Net book value at 31 December	256	264

The Society owns 100% of the ordinary shares of four subsidiaries, all of whom are registered in England and Wales at Kings Court, London Road, Stevenage, Hertfordshire, SG1 2TP. The subsidiaries are UIA (Insurance Services) Limited, which acts as an insurance broker, UIA (Call Centres) Limited, which acts as an operator of telephone call centres, UIA (Trustees) Limited, which acts as corporate trustee for the UIA Charitable Foundation and Uniservice Limited, a dormant Company.

Notes to the Financial Statements (continued)
For the year ended 31 December 2020

17 Technical provisions - assets

	The Group		The Society	
	2020	2019	**2020**	2019
	£'000	£'000	£'000	£'000
a) Reinsurers share of unearned premium				
At 1 January	**668**	731	**668**	731
Movement in Provision	**61**	(63)	**61**	(63)
Reinsurers share of outstanding claims at 31 December	**729**	668	**729**	668
b) Reinsurers share of outstanding claims				
At 1 January	**1,875**	1,698	**1,875**	1,698
Movement in Provision	**(705)**	177	**(705)**	177
Reinsurers share of outstanding claims at 31 December	**1,170**	1,875	**1,170**	1,875

18 Other debtors

	The Group		The Society	
	2020	2019	**2020**	2019
	£'000	£'000	£'000	£'000
Amounts owed by other parties	**306**	564	**210**	439
	306	564	**210**	439

19 Tangible assets

(a) Tangible assets - Group

	Computer equipment & Systems £'000	Furniture, fixtures & fittings £'000	Total £'000
Cost			
At 1 January 2020	**390**	**295**	**685**
Additions	**217**	**2**	**220**
Disposals	**0**	**0**	**0**
At 31 December 2020	**607**	**298**	**905**
Accumulated Depreciation			
At 1 January 2020	**(361)**	**(266)**	**(628)**
Charge for the year	**(83)**	**(13)**	**(96)**
Disposals	**0**	**0**	**0**
At 31 December 2020	**(444)**	**(279)**	**(724)**
Net book value at 31 December 2020	**163**	**18**	**181**
Net book value at 31 December 2019	28	29	57

(b) Tangible assets - The Society

	Computer equipment & Systems £'000	Furniture, fixtures & fittings £'000	Total £'000
Cost			
At 1 January 2020	**350**	**251**	**602**
Additions	**139**	**0**	**139**
Disposals	**0**	**0**	**0**
At 31 December 2020	**490**	**251**	**741**
Accumulated Depreciation			
At 1 January 2020	**(323)**	**(222)**	**(545)**
Charge for the year	**(57)**	**(12)**	**(69)**
Disposals	**0**	**0**	**0**
At 31 December 2020	**(380)**	**(234)**	**(614)**
Net book value at 31 December 2020	**110**	**17**	**127**
Net book value at 31 December 2019	28	29	57

Notes to the Financial Statements (continued)
For the year ended 31 December 2020

20 Deferred Acquisition costs

	The Group		The Society	
	2020	2019	**2020**	2019
	£'000	£'000	£'000	£'000
At 1 January	**463**	668	**463**	668
Additions	**889**	904	**889**	904
Amortisation	**(893)**	(1,109)	**(893)**	(1,109)
Deferred acquisition costs at 31 December	**459**	463	**459**	463

21 Share capital

	The Group		The Society	
	2020	2019	**2020**	2019
	£'000	£'000	£'000	£'000
Issued and fully paid up				
96,210 ordinary shares of 1p (2019:96,552)	**1**	1	**1**	1

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

22 Technical provisions - liabilities

	The Group		The Society	
	2020	2019	**2020**	2019
	£'000	£'000	£'000	£'000
(a) Provision for gross unearned premium				
At 1 January	**10,024**	12,085	**10,024**	12,085
Movement in provision	**(604)**	(2,061)	**(604)**	(2,061)
Unearned premium at 31 December	**9,420**	10,024	**9,420**	10,024

	The Group		The Society	
	2020	2019	**2020**	2019
	£'000	£'000	£'000	£'000
(b) Provision for gross outstanding claims				
Notified claims1 January	**6,736**	8,355	**6,736**	8,355
Movement in provision	**(928)**	(1,619)	**(928)**	(1,619)
Notified at 31 December	**5,808**	6,736	**5,808**	6,736
Claims incurred but not yet reported (IBNR at 1 January	**4,041**	5,507	**4,041**	5,507
Movement in provision	**(219)**	(1,466)	**(219)**	(1,466)
Claims incurred but not yet reported (IBNR at 31 December	**3,822**	4,041	**3,822**	4,041
Gross outstanding claims at 31 December	**9,630**	10,777	**9,630**	10,777

22 Technical provisions - liabilities (continued)	**The Group**		**The Society**	
	2020	2019	**2020**	2019
	£'000	£'000	£'000	£'000
(c) Unearned commissions				
At 1 January	**402**	412	**402**	412
Movement in the provision	**2**	(10)	**2**	(10)
Unearned commission at 31 December	**404**	402	**404**	402

Within the movement in the provision for outstanding claims, there is a charge of £530,000 (2019: charge £849,000) which arose as outstanding claims were settled below reserves held as at 31 December 2018. This has been credited to the current year consolidated technical account.

23 Other technical provisions	**The Group**		**The Society**	
	2020	2019	**2020**	2019
	£'000	£'000	£'000	£'000
Provision for unexpired risks				
At 1 January	**0**	745	**0**	745
Movement in the provision	**0**	(745)	**0**	(745)
Unexpired risks at 31 December	**0**	0	**0**	0

Unexpired risk reserves was fully released in 2019.

24 Provisions for other risks	**The Group**		**The Society**	
	2020	2019	**2020**	2019
	£'000	£'000	£'000	£'000
Defined benefit pension scheme liability				
Provision at 1 January	**10,303**	8,544	**10,303**	8,544
Credit recognised through changes in equity	**6,292**	1,739	**6,292**	1,739
Expenses recognised through profit and loss				
Net interest expenses	**208**	234	**208**	234
Running costs	**142**	113	**142**	113
Pension contributions	**(1,733)**	(1,490)	**(1,733)**	(1,490)
Current service cost	**1,520**	1,163	**1,520**	1,163
Expense recognised through profit and loss	**137**	20	**137**	20
Net movement in provision	**6,429**	1,759	**6,429**	1,759
Provision at 31 December	**16,732**	10,303	**16,732**	10,303

25 Other creditors

	The Group		The Society	
	2020	2019	**2020**	2019
	£'000	£'000	£'000	£'000
Corporation tax payable	**243**	97	**239**	91
Amounts owed to other parties	**721**	941	**558**	798
Amounts due to subsidiaries	**0**	0	**32**	21
	964	1,038	**829**	910

Amounts due to subsidiaries are unsecured and are payable on demand

Notes to the Financial Statements (continued)
For the year ended 31 December 2020

26 Reconciliation of operating loss to cash generated by operations

	2020	2019
	£'000	£'000
Operating loss before taxation	(1,716)	(732)
Adjustment for:		
Investment income	(1,363)	(2,331)
Pension expense recognised through profit and loss	137	20
Depreciation	96	50
Amortisation	572	598
Operating cash flows before movements in working capital	(2,274)	(2,395)
Decrease in reinsurance assets	705	(178)
Decrease in deferred acquisition costs	4	206
Increase / (Decrease) in provision for unearned commission	2	(10)
Increase in insurance contract liabilities	(1,148)	(3,084)
Decrease in receivables	841	2,067
Decrease in accrued interest and prepayments	343	26
(Decrease) in unearned premiums	(605)	(2,061)
(Decrease) in payables	(133)	(2,035)
(Decrease) in other technical provisions	0	(745)
Cash generated by operations	(2,264)	(8,209)
Taxes paid	(116)	(282)
Net cash flow used by operating activities before investment of insurance assets	(2,380)	(8,491)
Interest and dividends received	877	1,196
Sales of financial investments	0	10,974
Purchase of financial investments	0	(6,000)
Other investment income	0	48
Net investment expenses	19	(3)
Cash generated from investment of insurance assets	896	6,215

Notes to the Financial Statements (continued)
For the year ended 31 December 2020

27 Operating Lease Commitments

The future minimum annual lease payments payable under non-cancellable operating leases expiring in the years shown below, are as follows:

	The Group Land and Buildings		The Society Land and Buildings	
	2020	2019	**2020**	2019
	£'000	£'000	£'000	£'000
Operating leases which expire:				
- within one year	**0**	227	**0**	227
- in two to five years	**0**	0	**0**	0
- after more than five years	**3,510**	0	**3,510**	0
	3,510	227	**3,510**	227
Operating lease rentals charged to profit and loss in the year	**324**	306	**324**	306

28 Related Parties

Directors

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

Directors' emoluments are disclosed in note 9.

Group Companies

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

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

29 Capital Commitments

The Group has no capital commitments for tangible or intangible assets contracted for and payable within 12 months (2019: nil).

30 Retirement benefit obligations

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 participates in 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 2021 is £1,691,000 (2020: £1,733,000).

The scheme is actuarially valued every three years. The valuation as at 30th June 2017 has now been completed by the Trustees and the scheme actuary and the Trustees of the scheme and the sponsoring employers have agreed a revised schedule of contributions that, in conjunction with other assumptions, would repay this deficit by 30th September 2035.

These include increased contributions payable as part of the deficit recovery plan as detailed below:
£54,852 In respect of calendar year 2018;
£54,852 in respect of calendar year 2019;
£54,852 in respect of calendar year 2020;
An increase in annual contribution rate from 25% of pensionable salaries to 26.8% for the period 1st January 2019 to 30th September 2035; and
Additional annual contributions of £109,704 for the period 1st January 2020 to 30th September 2035

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

The assets and liabilities of the scheme are not segregated between the employers that participate in the scheme. Consequently, the share of the scheme's liabilities in respect of the Company's employees and former employees, and the assets backing those liabilities, has been estimated.

30 Retirement benefit obligations (continued)

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

Assumptions	**2020**	2019
Discount rate	**1.5% pa**	2.2% pa
Retail Prices Index inflation	**2.8% pa**	3.0% pa
Consumer Prices Index inflation	**2.3% pa**	1.9% pa
Pension increases in payment	**2.8% pa**	3.0% pa
General salary increases	**2.8% pa**	2.4% pa
Life expectancy of male s currently aged 65	**25.8 years**	25.9 years
Life expectancy of female currently aged 65	**28.4 years**	28.1 years
Life expectancy of male aged 65 in 20 years' time	**27.2 years**	27.4 years
Life expectancy of female aged 65 in 20 years' time	**29.9 years**	29.7 years

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

	2020	2019
	£'000	£'000
Present value of defined benefit obligation	**(52,704)**	(42,510)
Fair value of scheme assets	**35,972**	32,207
Deficit	**(16,732)**	(10,303)

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

	2020	2019
	£'000	£'000
Current service costs	**1,520**	1,163
Running costs	**142**	113
Interest expense on net defined benefit liability	**208**	234
Post service costs	**0**	0
Total expense recognised n profit and loss	**1,870**	1,510

30 Retirement benefit obligations (continued)

The following amounts are included in finance income:

	2020	2019
	£'000	£'000
Running costs	**142**	113
Net interest charged on net defined liability	**208**	234
Total charge to finance income	**350**	347

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

	2020	2019
	%	%
Equity instruments	**46**	44
LDI instruments	**14**	15
Debt instruments	**10**	10
Property	**9**	10
Multi-asset funds	**20**	20
Cash	**1**	1
	100%	100%

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

	2020	2019
	£'000	£'000
Opening present value of defined benefit obligation	**42,510**	37,073
Current service cost	**1,520**	1,163
Interest on obligation	**926**	1,103
Contributions from scheme members	**0**	0
Actuarial gain	**8,613**	3,807
Benefits paid	**(865)**	(636)
Past service costs		0
Closing present value of defined benefit obligation	**52,704**	42,510

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

	2020	2019
	£'000	£'000
Opening fair value of the scheme assets	**32,207**	28,529
Interest on scheme assets	**718**	869
Actuarial return less interest on scheme assets	**2,321**	2,068
Running costs	**(142)**	(113)
Contributions by the employer	**1,733**	1,490
Contributions by scheme members	**0**	0
Benefits paid	**(865)**	(636)
Closing fair value of scheme assets	**35,972**	32,207

30 Retirement benefit obligations (continued)

The actual return on the Society's share of the scheme's assets over the year was a gain of £3,039,000 (2019: a gain of £2,937,000).

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

	Increase £'000	Decrease £'000
Discount Rate		
Effect of an increase/decrease of 0.1% pa in net liabilities	**(1,195)**	**1,234**
Price inflation		
Effect of an increase / decrease of 0.1% pa in net liabilities	**1,152**	**(1,119)**
Life expectancy		
Effect of an increase / decrease of one year in net liabilities	**1,823**	**(1,807)**

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

Defined contribution scheme

The Society's defined contribution scheme is administered by a third party. The Society pays contributions along with participating colleagues, and benefits are linked to the total level of contributions paid, the performance of each colleague's chosen investment fund and the form in which colleagues chose to take their benefits. The estimated amount of contributions expected to be paid to the scheme by the Society during 2021 is £27,000 (2020: £ 27,000).

Glossary
For the year ended 31 December 2020

Strategic Report

Key Performance Indicators

Combined Operating Ratio = $\dfrac{\text{Total Technical Charges}}{\text{Net Earned Premiums}}$

Household Loss Ratio = $\dfrac{\text{Claims paid + Change in provision for claims - Reinsurers' share + other technical provisions}}{\text{Net earned Premiums}}$

Underlying Household Expense Ratio = $\dfrac{\text{Net Operating Expenses}}{\text{Net Earned Premiums}}$

Investment Yield = $\dfrac{\text{Net Investment Income + Realised gains - Investment expenses}}{\text{Prior yeas investment balance}}$

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

Solvency II Cover = $\dfrac{\text{Total eligible own funds}}{\text{SCR}}$

Conduct risk indicators

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

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

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

Declined Claims = $\dfrac{\text{\% of Claims declined}}{\text{Claims logged}}$

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

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