UIA (Insurance) Limited

Annual Report and Financial Statements
for the year ended 31 December 2017

Registered Office

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

Advisors

Auditor

Deloitte LLP

Bankers

Unity Trust Bank plc

Investment Managers

Royal London Asset Management Ltd

UIA (Insurance) Limited

CHAIRPERSON'S STATEMENT

Governance of your company

Our Mutual status means that there are no shareholders or investors expecting a share of the profits that we earn. You, our policy-holders own the Company and thus profits are reinvested in the Company, keeping premiums low while providing members and their families with a wide range of real value–for-money products – all backed by our fast and friendly service. It is the team at UIA that makes us stand out from the crowd and I continue to be immensely proud of the work we do, to help our members put things right at their time of need.

The Governance objectives of the Board are set out in our Board Charter, which was updated in 2016 to reflect the introduction of the Senior Insurance Management Regime. There will be further updates this year to reflect the tightening regulatory requirements. I am pleased to report that, as last year, a majority of Non-Executive Directors continue to be independent as defined by the Association of Financial Mutuals UK Corporate Governance Code. As Chair, I continue to believe that there will always be a need for the balance of the Board of Directors to include nominees from our trade union affinity partners. All appointments to the Board are managed by the Nominations and Remuneration committee, ensuring any candidate meets the criteria set by the committee.

The Board has three committees. All the members of the Audit committee and the Risk Committee are independent. It is also pleasing to note that during 2017 a majority of the Nominations and Remuneration committee were independent.

Under the Board and Board Committees, sits the Chief Executive Officer and Executive Committee. There are also executive Working Groups covering specific areas, these are: Capital and Reserving Group, Investment Management Group, Risk Management Group and the Product, Pricing, Underwriting and Partnerships Group.

Our people and business transformation

The transformation of our business has continued during 2017 and we will be carrying on this good work in 2018 and beyond. We have redesigned and strengthened a number of our teams to ensure that we are fit for the future. Much has been done in terms of building the foundations for improved customer experience and making the lives of our colleagues better.

I would like to thank all our colleagues in the business for their tremendous efforts in 2017, which I believe leave us stronger and better placed to succeed in the years ahead.

Financial performance

The 2017 underwriting results have been significantly impacted by flood claims in Northern Ireland and large losses elsewhere in the UK. This has led to an underwriting loss of £4.4m. After investment income and fair value gains, this reduces to a loss before taxation of £1.4m. These losses are discussed more fully elsewhere in the Report and Financial Statements.

As an insurer we exist to serve our members and to pay their claims when they are unfortunate enough to suffer an insurance event. As a mutual, we do not need to smooth our results so that we can pay dividends to shareholders. This allows us to structure our reinsurance protections with a view to the longer term; at times therefore we will face periods of exceptional claims.

The financial markets volatility associated with both BREXIT and world events generally, have continued through 2017 and into 2018 to date. In anticipation of further equity market volatility, UIA Mutual replaced the equities backing the insurance business with a fixed interest portfolio in the autumn of 2017. These investments are now being managed by Royal London Asset Management.

The underwriting losses described above, are significantly reduced by investment income and gains and the impact of a reduced pension scheme deficit, leaving the net change in equity being a reduction of £0.8m for the year. Whilst total assets increased to £83.3m, our own available funds to cover the SCR fell by £2.1m. Accordingly, our Solvency Capital Requirement cover reduced slightly to 173% (2016:178%). This is comfortably above our own internal minimum risk appetite levels.

Our 2016 solvency cover increased as at December 2016 following the completion of our annual Solvency and Financial Condition Report which is also shown on our website. Accordingly we refer to our 2016 ratio as 178% hereafter in this report as opposed to the 172% disclosed in last year's annual report.

UIA (Insurance) Limited

CHAIRPERSON'S STATEMENT

Future strategy

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. We have in recent years also offered our products on a small number of aggregator websites, which helps provide some geographical and other diversification for our insurance business.

Our infrastructure improvements continue in 2018 as we build a platform from which to serve both our existing customers and new partners from existing and adjacent markets.

Working with the community

Through our Charitable Foundation we have continued to work with local, national and international projects that support and develop the social aims and aspirations of not only our trade union partners but also colleagues employed here at UIA Mutual who raise additional funds for local causes.

In 2017 we provided some £49,000 of support to a range of worthy causes, including a local foodbank and homelessness haven.

Board composition

And finally, this year has been one of significant change for UIA Mutual, as we have sought to build on the achievements of our predecessors and create a stronger and more sustainable organisation.

In September 2017, we asked an external consultancy to conduct a Review of the Board. In terms of composition of the Board, it was pleasing to see that they felt that UIA Mutual has a diverse Board with Board members from a union background, Member nominated, insurance experts and executive Board members.

There have been further changes to the Board since the date of our 2016 accounts and in July 2017 Eleanor Smith retired from the Board, having been elected as a Member of Parliament. I would like to thank Eleanor for all that she has contributed to the success of the Company.

In October 2017 Chris McElligott our Marketing Director left the Company. We wish Chris every success in his future career.

Peter Dodd

Peter Dodd
Chair of the Board
24 April 2018

STRATEGIC REPORT

Company purpose

Our aim is to be the first choice personal lines insurer to members of trade unions and like-minded people, through the provision of first class service and products.

Business model and strategy

In order to achieve this mission our desire is to remain an independent mutual that is financially strong and operating profitably. Our key measures of strength and profitability are our Solvency ratio and our Combined Operating Ratio and we aim to deliver these key targets primarily through the underwriting and administration of household insurance, supported by the sale of other complementary products. During the year under review, the Company continued to underwrite home emergency assistance (Class 18) business and also Before The Event (BTE) legal business. We also continue to underwrite After The Event (ATE) legal expenses insurance, although this business is largely in run-off. As a mutual, we have no shareholders to pay and we are thus able to generate long-term value to our policyholders. We aim to do this through a combination of excellent customer service, competitive premiums and the prompt payment of all valid claims.

Our strategy is dual focused.

Firstly, to continue extensive engagement with members of our key business partners, the trade unions, through a number of different communication channels, including direct mail, digital, magazines, conferences and face-to-face contact with key branch, regional and national secretaries. Through improved communication with our membership we can deliver insurance that meets 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.

Secondly, to offer our products to like-minded members of the general public through our Together Mutual Insurance brand, largely through digital routes. Through this brand we also seek to develop our "Affinity" relationships with like- minded organisations, as well as expanding into adjacent markets.

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

Review of the business

Our results for the year ended 31 December 2017 are set out on pages 30 and 31 and the balance sheet position at the year-end is set out on pages 33 and 34.

We have had a challenging year, with losses from underwriting of £4.4m. This has been primarily driven by a higher than expected loss ratio of 68%, up from 55% in 2016 arising from a significant flood loss event in Northern Ireland, and an increase in large losses generally. A good investment return of £2.9m reduced the pre taxation loss to £1.4m. After the tax that we pay on our investment returns, our overall loss was £1.9m. Our share of the UNISON defined pension benefit liability fell by £1.1m and thus total comprehensive expense for the year reduced to a net expense of £0.8m. We believe this is a fair result in challenging trading conditions.

At the end of the year, we had total assets amounting to £83.3m (2016: £79.6m) of which £60.7m (2016: £58.6m) were investment fund assets. The increase in total assets is due to a combination of factors, the value of our financial investments has increased by £2.1m (2016: £2.9m) and our share of the final salary pension liability provision reduced by £0.7m (2016: increase £5.5m).

By the year-end, we had £36.3m (2016: £37.1m) of retained profits and a173% coverage of our solvency capital requirement.

BREXIT

We are not expecting to have to alter our business model due to matters arising from any direct circumstances of the UK leaving the European Union. We underwrite entirely within the United Kingdom. We will, however, face the indirect consequences of such a move, such as a possible increase in general inflation and uncertainty within investment markets.

STRATEGIC REPORT (continued)

Key performance indicators (KPIs)

The Board considers that, in addition to the overall result, 2017 loss £1,892,000 (2016: profit £5,477,000), the following metrics represent the key financial dynamics of the Group:

Key performance indicator	2017 Actual	2016 Actual
Financial		
Combined operating ratio	122.3%	115.2%
Household loss ratio	67.7%	54.6%
Underlying household expense ratio	46.7%	60.6%
Retention rate	77.3%	80.6%
Investment yield	5%	2%
Return on capital employed	(4%)	0%
Solvency II cover	173%	178%
Total expense ratio	41.4%	52.6%
Underlying expense ratio	32.5%	42.0%
Non-financial		
New business policy count		
– Traditional	12,310	13,406
– Aggregator	15,183	6,397
– Together	1,284	5,303
Average new business premium	£165	£154
Claims frequency	4.7%	4.9%
Claims severity	£2,803	£2,298
Cost per acquisition	£84	£120

We 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. The 2016 COR is shown exclusive of the release of the equalisation provision.

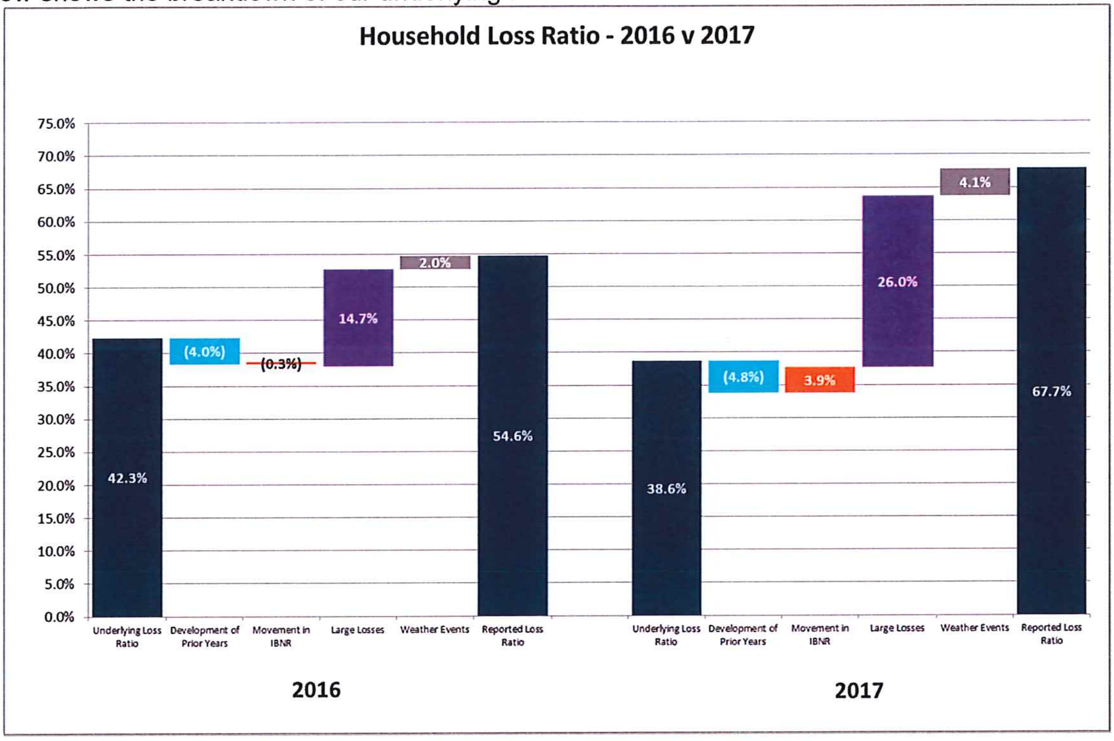
Our retention rate is also holding up well, and is near market-leading, despite intense competition from aggregator routes and the increasingly soft market.

Finally our solvency ratio has reduced slightly. An increase in underwriting risk was offset by a reduction in market risk as we no longer hold any direct investments in equities and our funds are now fully invested in fixed interest government and corporate bonds, cash equivalents and cash. However our own funds under Solvency II measurements, that are available to cover the SCR fell and there was thus a small reduction in our solvency cover to 173%. This is shown in Note 4.1.

STRATEGIC REPORT (continued)

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 coupled with a high level of member service are key to what we do. The table below shows the position taken from the December 2017 monthly management Information pack.

Conduct risk indicator		As at December 2017	Target	As at December 2016
Service levels	Customer services	92.0%	>80%	77.7%
	New business	92.0%	>80%	58.8%
	Claims abandoned calls	2.6%	<2%	4.6%
Not taken up	Not taken up	1.9%	<5%	2.0%
Declined claims	Claims declined	17.8%	<25%	8.7%
Customer satisfaction	Marketing HAWD	95.0%	>90%	94.0%
	Claims CSS	90.0%	>90%	94.0%
	Propensity to renew claims CSS	60.0%	>90%	N/a
Reportable complaints	Claims	10	<20	9
	Customer services	14	<5	4

CSS – Customer Satisfaction Score – Questionnaire sent to members after making a claim
HAWD – "How are we doing?" customer satisfaction survey

The results illustrate that, whilst not all targets are being met, notably the claims abandoned calls and the propensity for our customers to renew with us following the making of a claim, which we believe will be addressed through the introduction of our new claims system, we are continuing to deliver across a basket of key service metrics for our members.

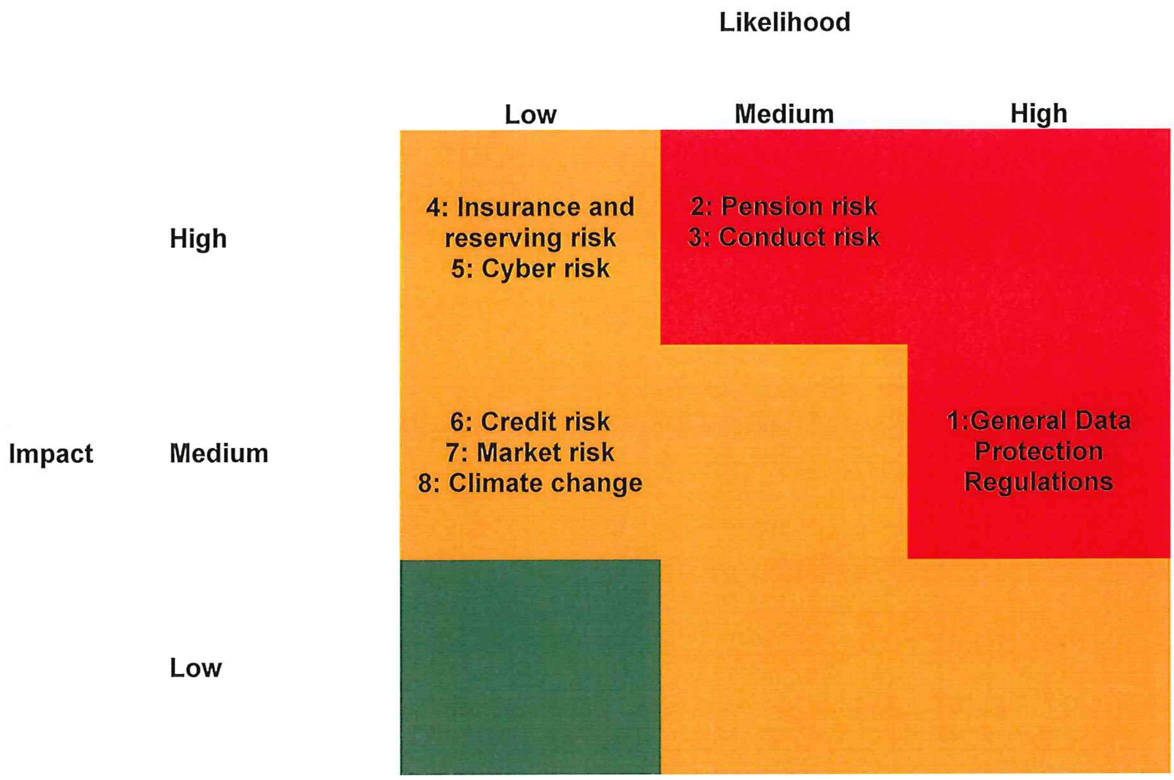
STRATEGIC REPORT (continued)

Executive pay

Members of the Executive Group are incentivised to exceed both performance and conduct risk indicators that are considered by the Nominations and Remuneration Committee. The Long Term Incentive Plan in force for the 2015 and 2016 years was cancelled on 21 March 2017. Compensation for the cancellation of this scheme was paid to an executive director during 2017 as shown in the Director's remuneration report. The Nominations and Remuneration Committee has approved a Transformation Incentive Plan covering 2018 to 2020 for executive directors. Details are also disclosed in the Directors Remuneration Report.

Principal risks and uncertainties

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



Risk Number	Risk heading	Risk description	Controls and actions
1	**General Data Protection Regulations (GDPR)**	The risk that the introduction of GDPR in May 2018 limits our ability to collect, use, or store data of a personal nature limiting our ability to trade with the public.	We have been in contact with our partnership firms to establish what impact GDPR will have on their ability to share personal data with us. Generally, at the moment, the view is that our products fall within the definitions of member services and membership benefits and that data will continue to be available. This, however, is a fluid landscape and an area of focus for us. Our own preparations for being GDPR compliant, including the training of colleagues as to its impact are on track to meet the full implementation date.
2	**Pension risk**	The current employer pension scheme is in a deficit position. The latest triennial valuation took place in 2014 with an overall deficit of £123m. This deficit is mainly attributable to UNISON, the co-sponsoring employer of the scheme. This deficit has increased at each annual re measurement and our share is approximately 5.0%.	A recovery plan remains in place between the Principal Employer and the members, which includes a reduction in benefits for future service, which acts to reduce the impact of future service accrual on the deficit. The Company has established a working group to monitor and look at alternative solutions to the current situation.

STRATEGIC REPORT (continued)

Principal risks and uncertainties (continued)

Risk Number	Risk heading	Risk description	Controls and actions
3	**Conduct risk**	Conduct risk refers to the risks attached to how the Group and its staff conduct their business on the market-place and in respect of our customers and suppliers. Our definition of conduct risk is the risk of our regulatory behaviour resulting in poor outcomes for our customers. Conduct risk is all regulatory aspects that touch the customer journey throughout the organisation ensuring that there is a good customer outcome for all customers and policyholders. We have to make sure that all legal and regulatory requirements are included in conduct risk throughout a product lifecycle.	The Group has conduct risk policies and procedures in place as part of a compliance framework to ensure understanding of conduct risk. Regulatory online training is issued to staff covering conduct risk topics such as Anti-Money Laundering, Data Protection Information Security, complaints handling. Face to face conduct training has also been undertaken. Conduct risk management information is reviewed by the Board. Regulatory developments are reviewed and circulated to colleagues where regulatory change is required.
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 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. We additionally purchase catastrophe reinsurance, per risk, and liability protections on an excess of loss basis.
5	**Cyber risk**	The risk that our Information Technology systems are attacked from external sources causing loss of proprietary information or inability to trade.	The Group has invested in up-grading its Firewalls and continuously monitors any threats or attempted threats. This form of risk continuously evolves and our response needs to be agile to potential threats.
6	**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.
7	**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 by type and class and regular meetings with investment fund managers.
8	**Climate change**	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 mechanisms.

STRATEGIC REPORT (continued)

Reinsurance arrangements

Our reinsurance arrangements ran from 1 January 2017 to 31 December 2017. The Risk Committee recommended and the Board approved bringing forward the renewal date of such arrangements to the 31 December 2017, and purchasing significantly more catastrophe cover than had been purchased in prior periods. All reinsurance security is vetted by the Risk Committee.

Additional reinsurance arrangements are in force where we underwrite Home Emergency and Legal expense insurances and we reinsure such insurance 100% to other reinsurance companies. These are long-standing arrangements with specialist unrated reinsurance companies.

Future developments

Our primary aim is to strengthen and broaden our partnerships within the Trade Union market, and to continue to offer our members competitive household, and other quality insurance products, underpinned by outstanding service levels. The personal lines market remains both highly competitive and highly regulated, and as a consequence is becoming dominated by larger players. We will use our small scale to our advantage by investing in a transformation programme that will give us the ability to operate in an agile, flexible and personalised nature. To achieve this, our commercial plan will contain features typically found in the broker market, but as a point of difference, we will retain strict underwriting control in our chosen markets. We will also realise growth by trading in a tactical manner through price comparison sites, where lower returns are likely but from which good quality opportunities are available.

During 2017, our internal financial capability has been significantly strengthened, and our investment strategy has been repositioned to reflect the relatively low volatile and short-tail nature of household business. The aim is to deliver consistent returns for our members in the expectation of ongoing political and economic uncertainty during our plan period.

Finally, we recognise that our colleagues are the bedrock of our business, and on which our members rely particularly when claims are made. As well as transforming our claims capability, we are also investing in the development our people right across the business. The aim is that we will create highly engaged and highly motivated teams that will heighten our service proposition still further.

Jon Craven
Director
24 April 2018

UIA (Insurance) Limited

DIRECTORS REPORT

The Directors present their report and the audited financial statements for the year ended 31 December 2017.

Strategic Report

The principal activity of the Company 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 2017 (2016: nil).

Directors

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

Peter Dodd	Chairperson
Jon Craven	Chief Executive Officer
Bob Abberley	
Tim Holliday	
Chris McElligott	Resigned 5 October 2017
Lucia McKeever	
Eithne McManus	
Oliver Peterken	
Marion Saunders	Senior Independent Director
Eleanor Smith	Resigned 31 July 2017
Ben Terrett	Resigned 1 March 2017
Tony Woodley	

Charitable Donations

During the year we made charitable donations of £49,411 (2016: £70,358). We did not make any political donations in either of 2017 and 2016.

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 Company'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
24 April 2018

CORPORATE GOVERNANCE REPORT

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

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.

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

Tim Holliday
Non-Executive Director - Independent

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 – UNISON Representative

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.

Eithne McManus
Non-Executive Director – Independent

Eithne has been on the Board since November 2014 and currently chairs 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 and LGPS Central. Eithne also acts as a consultant and trainer to financial services companies.

Oliver Peterken
Non-Executive Director - Independent

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

Oliver is Deputy Chairman of the Willow Foundation. Oliver is a non-executive Director of MS Amlin plc and chair of their Risk and Solvency Committee, as well a non-executive Director of UK Export Finance. Previously Oliver was Chief Risk Officer at BUPA UK and at Aspen Insurance Holdings and before that held various senior roles at Willis and the Prudential.

Marion Saunders
Non-Executive Director – Senior Independent Director

Marion was appointed a non-executive Director in 2010. Marion is currently the Senior Independent Director and Deputy Chair of the NHS Norfolk and Suffolk Foundation Trust, a member of the Information Rights Tribunal and the Mental Health Tribunal. Marion has been a lay member of the Chartered Insurance Institute Council and chaired adult and children Safeguarding Boards. Marion chaired a Primary Care Trust for seven years following 25 years in local government where she held branch officer posts within NALGO. Marion is a retired UNISON member.

CORPORATE GOVERNANCE REPORT (continued)

Board of Directors (continued)

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.

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

Statement of compliance with the Annotated Combined Code

The Board considers that throughout the year ended 31 December 2017, the Company has applied the relevant principles and complied with the relevant provisions of the Association of Financial Mutuals Annotated Corporate Governance Code.

Role of the Board

The role of the Board is to set and manage the strategy for the Company in a manner that upholds the vision of the organisation and to deliver the maximum value to the Company for the benefit of its members, whilst complying with the relevant regulatory requirements, and that the Company 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 Company's strategy and to agree the plans and budget for the forthcoming year. The Statement of the Board's Reserved Powers is set out in the Company's Charter and relates in the main to factors affecting the long-term strategy of the Company, while day-to-day decisions are delegated to Executive Directors. These powers are set out below.

Board's reserved powers

The Board reserves itself to decisions that determine:

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

Insurance

The Company has a Directors' and Officers' Insurance policy covering any potential legal actions against the Directors arising in the performance of their duties. 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 2017 by the Finance Director and acting interim Finance Directors, and other senior managers within the company.

Non-Executive Directors

At the start of the year, the Board comprised of the Non-Executive Chairperson plus eight Non-Executive and three Executive Directors. Following one Non-Executive Director resignation on 31 July 2017 and two Executive Directors' resignations on 1 March and 5 October 2017 respectively, there was the Non-Executive Chairperson, seven Non-Executive Directors and one Executive Director at the end of the year.

The Company has five Non-Executive Directors who fall within the definition of independence as outlined in the Annotated Combined Code.

CORPORATE GOVERNANCE REPORT (continued)

Non-Executive Directors (continued)

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

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

The Board has appointed a Senior Independent Director as required by the Code, to provide an alternative point of contact to the Chairperson, 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

In October 2017 an external review of Board effectiveness was commissioned. This was conducted by BP&E Global who presented their findings at the November Board. The review commended the Board for all of the work that was already underway to improve Board effectiveness and that it provided a good governance framework and strong systems and controls. It noted that the quality of information presented to the Board has evolved over the last year, and continues to improve. The report also made a number of recommendations for improved effectiveness.

Additionally, members of the Board have participated in in-house training activities covering our business transformation programme and regulatory and compliance. Our external auditors also provided training in respect of reserving techniques and matters ahead of our year end.

Information and support

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

Duty to prepare accounts

The Directors acknowledge their responsibilities for preparing accounts and a full statement of Directors' Responsibilities is set out on page 21. 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 Company.

Going concern and future viability

Going concern

The Strategic Report provides an overview of business performance, together with the Company's key performance indicators in respect of the year ended 31 December 2017. The Strategic Report also provides detail with regard to the Directors' assessment of the major risks and uncertainties facing the business in the future.

CORPORATE GOVERNANCE REPORT (continued)

Going concern and future viability (continued)

Going concern (continued)

We have adopted the going concern basis in respect of the preparation of the accounts in respect of the year ended 31 December 2017 as we have adequate financial resources in order to meet our liabilities as they fall due. As stated in the Strategic Report, we have total assets of £83.3m and investment assets of £60.7m. Our audited quarterly reported Solvency Capital Ratio is 173% as at 31 December 2017.

Based on a review of the strategic plan and other financial reports the Directors have a reasonable expectation that the company 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.

Future viability

As described in the Strategic Report, we have considered the principal risks and uncertainties facing the Company, including those that impact the Company's solvency, liquidity and profitability, as shown in the Company's Risk Register. An assessment of the appropriate period to consider the Company's future viability was carried out and the Committee recommended to the Board that we continue to use a period of three years as there was no material change to our confidence in our business plan and our solvency forecasts as adopted through the Own Risk and Solvency Assessment (ORSA) process, since the previous assessment. .

Our ORSA forecasts covering an initial 3 year period, and subsequently an extended 5 year period to 2022, were stress tested under the following conditions:

Scenario	Description
1	A fall in Equity markets of 30% combined with a shock increase in our pension deficit of £5m
2	A fall in Equity markets of 30% combined with a downgrade of all asset credit ratings by one Credit Quality Step as defined by EIOPA
3	Claims shock of £4m net of reinsurance combined with gross written premium reducing to £20m
4	A £15m gross windstorm loss, combined with a £5m flood event, two £1m flood events and £1m of attritional claims and their impact on reinsurance recoveries, reinstatement premiums payable and effect on available funds for investment.

Having reviewed the business plans and underlying assumptions on revenue growth, claims ratios and expenses, including the Company's solvency under normal and stressed conditions, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next three years.

Risk management and internal controls

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

During 2017 and up to the date of approval of the annual report, the Company 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 Company. The processes include:

- Board discussion and approval of the Company's strategic objectives and plans, and the risks to achieving them;
- Board review of performance and approval of budgets;
- Regular reviews by management of the risks to achieving objectives and actions being taken to mitigate them;
- Review by the Risk Committee of any incidents of fraud, suspected fraud, material error or misstatement, and the controls in place to protect the Company against 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 Company, as documented in the risk register and of the effectiveness of the controls in place to mitigate their impacts.

The internal control system is monitored and supported by the Internal Audit function that reports to the Audit Committee on the Company's operations. During 2017, the information received and considered by the Audit

CORPORATE GOVERNANCE REPORT (continued)

Risk management and internal controls (continued)

Committee provided assurance that there were no material control failures and this is evidenced by the Annual Audit Opinion as provided to us by our outsourced Internal Audit Function, RSM.

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

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

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

As part of this process, managers of the operational areas and of each major project are required to identify the risks, the probability of their occurrence, the impact if they occur and the actions being taken to manage these 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 changes to the Company 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 Company 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 was 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 Company's risk register, through discussions with senior management and the Chair of Audit, and through the Internal Auditor's own independent assessment. The Internal Audit function reports directly to the Chair of the Audit Committee.

CORPORATE GOVERNANCE REPORT (continued)

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 Company gathers valuable feedback from members using questionnaires and surveys. The AGM is another opportunity for the Company 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 2018 AGM is being held on Tuesday 26 June 2018 at 1 pm in the Aston Suite, The Holiday Inn Stevenage, St. Georges Way, Stevenage, Hertfordshire, SG1 1HS. Formal notices will be issued to members in due course.

At the 2017 AGM, a number of resolutions were voted on including:

- To receive the annual report of the Board, the auditor's report and the audited financial statements for the year ended 31 December 2016;
- To approve the remuneration report for the year ended 31 December 2016;
- To authorise the Board to re-appoint Deloitte LLP as auditors for the Company and to agree that their remuneration be determined by the Board;
- To re-elect Marion Saunders as a member of the Board;
- To re-elect Tony Woodley as a member of the Board;
- To re-elect Oliver Peterken as a member of the Board, having been appointed as a Director since the 2016 AGM and pursuant to Rule 71 of the Company;
- To re-elect Tim Holliday as a member of the Board, having been appointed as a Director since the 2016 AGM and pursuant to Rule 71 of the Company;
- To re-elect Jon Craven as a member of the Board; and
- To transact any other business permissible under the rules of the Company.

Corporate culture

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 Company 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 the year the Company engaged with an external party to undertake a colleague engagement survey, the results of which have been examined by the Board and executive management, and a development plan has been approved to address the issues raised by our colleagues in the survey. We have committed to our colleagues that a further two surveys will be undertaken over the next two years.

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 firm 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 which is available on the Company website. Details of the Board Committees are as follows:

Attendance of current Directors at 2017 board and committee meetings

	Board	Audit Committee	Risk Committee	Nominations and Remuneration Committee
Director	Meetings attended	Meetings attended	Meetings attended	Meetings attended
Bob Abberley	7 (8)	-	-	3 (3)
Jon Craven	8 (8)	-	6 (6)	-
Peter Dodd	8 (8)	-	6 (6)	3 (3)
Tim Holliday	8 (8)	5 (6)	5 (6)	-
Lucia McKeever	7 (8)	-	-	3 (3)
Eithne McManus	8 (8)	6 (6)	6 (6)	3 (3)
Oliver Peterken	7 (8)	6 (6)	6 (6)	-
Marion Saunders	8 (8)	6 (6)	-	3 (3)
Tony Woodley	8 (8)	-	-	2 (3)

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

The chair of the Board is Peter Dodd, and the chair of the Audit Committee is Eithne McManus. The chair of Risk during the year was initially Eithne McManus as acting chair until the appointment of Oliver Peterken in January 2017. The chair of Nominations and Remunerations changed during the year from Peter Dodd to Lucia McKeever, as acting chair before reverting to Peter Dodd by the end of the year.

Changes to Directors in the year are noted in the Directors' report on page 10.

Audit Committee

The Audit Committee presents a separate report on Page 18.

Risk committee

The Committee met six times in 2017 and is chaired by Oliver Peterkin.

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 Company. It provides advice on aspects of risk on request from the Board.

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

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

- The company's risk appetite and in particular its appetite for market risk
- The Company's investment strategy, and the implementation of a revised asset allocation strategy following the change in market risk appetite;
- A review of the detailed risk register The draft ORSA report and the quarterly SCR; and
- The appropriate reinsurance strategy.

On 16th April 2018, 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 2017.

Nominations and remuneration committee

The Committee met three times in 2017 and is chaired by Peter Dodd. 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 (including 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.

In order to benchmark all roles both internally and externally, we used a number of external sources. In 2016, we used the services of Willis Towers Watson to consider the levels of Executive Directors remuneration. In 2017 we used Croner to consider the levels of colleagues pay across the business, and in 2018 we are using Keystone to consider the levels of remuneration for non-executive directors. None of these companies have a connection to the Company other than providing these services. Executive and non-executive directors' remuneration is benchmarked every 3 years, the last being in 2016. In the intervening years, their remuneration is increased at the same rate as those awarded to our colleagues.

By order of the Board

Jon Craven
Director
24 April 2018

UIA (Insurance) Limited

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 Company's governance and regulatory policies and procedures, including those relating to compliance, financial malpractice and internal non-financial controls.

All members of the Committee are Non-Executive Directors and 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 six times during 2017. The committee invites a number of attendees to its meetings during the year, including the CEO, the Finance Director, the external and internal auditors, the Chair of the Board and members of senior management. The committee also met separately with the internal and external 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 Company, reviewing the significant reporting judgements, in particular going concern, the adequacy of insurance technical provisions and the calculation and recognition of retirement benefit obligations contained in accounts. It reviews the Company's internal financial controls and the internal control and risk management systems.

On 29 January 2018, 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 2017.

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 reserve and the assumption of going concern;
- An assessment of the method and assumptions used to determine the Pension Scheme liability in the financial statements;
- The basis to be used for the valuation of intangible assets and for investment valuations;
- Solvency II reporting and the content of the company's first Solvency and Financial Condition Report;
- The service provided by the external auditor, and the external audit management letter;
- Compliance reporting, including a switch from the use of an external compliance consultant to an internal compliance function;
- The internal audit plan, the main Internal Audit findings and progress throughout the year in addressing these findings; and
- In addition, the committee started carrying out a quarterly review of the technical provisions.

Internal audit

Over the course of the year, the Committee monitored and reviewed the effectiveness of the Company'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. During 2017, the manager of any area which was subject to an internal audit review was invited to attend the meeting at which the review report was discussed, to assist the Committee in understanding the findings and recommended actions.

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 five sets of financial statements for us, following a tender process in 2013. Our audit partner, David Heaton has performed this role for four years. We reviewed the quality of the service provided and decided not to retender for the service at this stage. This will be reconsidered next year.

The Committee considered the scope and fee levels of non-audit services provided by Deloitte. The nature of the non-audit services were not core to the system of controls of the Company, nor were they related to the production of the financial statements. The fee level was not deemed to be such that it would influence the judgement of the auditor in carrying out its audit. Therefore, the Committee considered that the work completed by Deloitte does not impair auditor independence.

E McManus

E McManus
Chair of the Audit Committee 24 April 2018

DIRECTORS' REMUNERATION REPORT

Remuneration policy for Executive Directors

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

Salaries

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

Variable pay

Annual bonus
Executive Directors are eligible to participate in an annual performance-based, cash performance award scheme. The Committee reviews and agrees performance award targets and levels of eligibility annually. The performance award is based on two factors: overall underwriting performance and on achievement of a set of personal objectives, which directly support the business plan. The first factor is designed to pay out a maximum of 5% 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 for the 2017 year.

Long-term incentive plans
On 21 March 2017 we cancelled the long term incentive schemes which commenced 1 January 2015 and 1 January 2016. A one-off payment of £20,547 was paid to C McElligott as compensation for the cancellation of the scheme. No other Director was entitled to any award. The scheme commencing on 1 January 2014 was settled in the year to 31 December 2016.

The schemes were wide-ranging and took into account the performance of the Company over a longer period, tying in the Executive Directors to the long-term viability and performance of the Company. The schemes operated under a three-year cycle, with initial seed capital provided in the sum of £25,000 for the CEO, £20,000 for the Finance Director and £10,000 for the Marketing Director. This seed capital was then subjected to a number of key performance and key conduct indicators, agreed by the Nominations and Remuneration Committee at the start of the year. KPI measures include Solvency, Return on Capital Employed and Combined Operating Ratio. Conduct measures include Retention Rates, Complaints and Compliance breaches.

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

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

At a meeting of the Nominations and Remuneration on 21 March 2017, the KPI's were reviewed and agreed. The following amounts were accrued as at 31 December 2016 and cash settled during the year:

Finance Director	£11,700
Marketing Director	£5,850

The CEO eligible for the 2014 scheme was no longer employed by the Company when this Scheme was settled.

Transformation Incentive Plan
At the meeting of the Nominations and Remuneration Committee in January 2018 a proposal for a Transformation Incentive Plan, based on the current transformational programme, was approved. This new scheme 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 target bonus and maximum bonus opportunity are as follows

	Bonus target	Maximum bonus opportunity
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 measure

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 maximum amount that can be awarded is 200% of the target opportunity and will not exceed 50% of annual salary in any one year.

DIRECTORS' REMUNERATION REPORT (continued)

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 2017 by way of salary sacrifice by the Directors that elected to join the scheme, plus a further 25% by the Company. The Company 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 company car or receive a car allowance equivalent in value to the maximum permitted lease cost, plus insurance and servicing costs. The maximum permitted value varies with the role.

In addition Executive Directors are eligible to participate in the Company's Healthcare Cashplan arrangement which is run by Westfield Heath.

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

	J Craven £	C McElligott £	B Terrett £
Salary and Fees	152,700	98,942	6,006
Pension and travel allowance	34,939		
Other benefits	549	1,325	183
Compensation for cancellation of LTIP		20,897	
Compensation for loss of office		50,548	137,389
Total 2017	**188,188**	**171,712**	**143,578**
Total 2016	126,471	106,180	152,801

Remuneration policy for Non-executive Directors

Fees for Non-Executive Directors are reviewed annually by the Nominations and Remuneration Committee with changes normally effective from 1 January. They are designed to recognise their responsibilities and are benchmarked against the same role in other comparable organisations using information from the Croner Reward Scheme.

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 £46,497. The basic salary for the Non-Executive Directors is £27,485 (2016: £26,999), with industry specialist Non-Executive Directors receiving £30,998. Committee chairs are paid an additional £3,100 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 2017 £	Salary and fees 2016 £
Peter Dodd	**49,080**	42,879
Bob Abberley	**27,485**	26,999
Mike Hayes	-	11,419
Timothy Holliday	**30,998**	20,300
Lucia McKeever	**34,101**	15,575
Eithne McManus	**34,352**	35,521
Oliver Peterken	**34,098**	20,300
Marion Saunders	**30,585**	29,029
Eleanor Smith	**21,533**	5,500
Andrew Wainwright-Brown	-	26,893
Tony Woodley	**27,485**	26,996

Changes in Non-Executive Directors are noted in the Directors' Report on page 10.

DIRECTORS' RESPONSIBILITIES STATEMENT

Directors' Responsibility Statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Co-operative and Community Benefit Societies law, as modified by the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008 (the Regulations) 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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

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

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

J Craven
24 April 2018

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- **give a true and fair view of the state of the group's and of the Society's affairs as at 31 December 2017 and of the group's loss 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 Co-operative Community Benefit Societies Act 2014 and the Insurance Accounts Directives (Miscellaneous Insurance Undertakings) Regulation 2008.**

We have audited the financial statements of UIA (Insurance) Limited (the 'Society') and its subsidiaries (the 'group') which comprise:

- the consolidated profit and loss account;
- the consolidated statement of comprehensive income;
- the consolidated and Society balance sheets;
- the consolidated and Society statements of changes in equity;
- the consolidated statement of cash flows; 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).

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 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 the non-audit services prohibited by the FRC's Ethical Standard were not provided 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.

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

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • *Valuation of technical provisions* • *Valuation of defined benefit pension scheme* • *Revenue recognition* Within this report, any new key audit matters are identified with ⊗ and any key audit matters which are the same as the prior year identified with ⊗.
Materiality	The materiality that we used for the group financial statements was £317,000 which was determined on the basis of 1.5% of net earned premium.
Scoping	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 was performed directly by the group audit engagement team.
Significant changes in our approach	There have been no significant changes to our audit approach from either the prior year or our audit plan.

Conclusions relating to going concern, principal risks and viability statement

Going concern

We have reviewed the directors' statement in note 2.1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the group's and Society's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Principal risks and viability statement

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the group's and the Society's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 7-8 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 14 that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity; or

the directors' explanation on page 14 as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. 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.

Valuation of technical provisions	
Key audit matter description	Insurance reserving for Household Incurred But Not Reported (IBNR) and specific loss events such as floods and fire, or any weather related events, remains the largest single area requiring significant management judgement. The relatively benign weather activity during the period means that our key audit matter is pinpointed to the assumptions made by management when calculating their margins above best estimate. A small change in key assumptions could result in a material change in the financial statements and hence represents the key opportunity for management to manipulate the financial results. The assessment of the calculation of the insurance technical provisions for claims outstanding requires management to make significant judgements in respect of the quantum of the ultimate cost of settling claims as set out in the accounting policy for claims incurred in note 2 to the financial statements. Note 3 to the financial statements highlights the critical accounting judgements and key sources of estimation uncertainty, where this matter is also discused. The reserve for gross claims outstanding was £12.6m at 31 December 2017 (2016: £10.6m) as set out in note 22.
How the scope of our audit responded to the key audit matter	To address this key audit matter, we: • assessed the design and implementation of controls around the reserving process; • agreed the data underlying the reserving calculations back to claims data, which has been tested for completeness and accuracy; • utilising our actuarial experts, challenged the methodology and significant assumptions inherent within the household claim reserves, including the time periods selected to derive the development factors within the chain ladder methodology used, and evaluated the level of prudency applied; • reviewed the 2017 settlement experience for previous years' claims against assumptions made in the prior year to assess management's level of accuracy in predicting the uncertainties considered in calculating technical reserves; and • reviewed the disclosures in the financial statements in respect of any significant changes in accounting estimates and checked for compliance with accounting standards.
Key observations	Based on the audit procedures performed, we concluded that the technical provisions and the disclosures in the financial statements are appropriate.

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

Valuation of defined benefit pension scheme	
Key audit matter description	The group operates a defined benefit pension scheme. There are key actuarial assumptions that are applied by management in estimating the pension liability to be recognised in the financial statements, particularly the discount rate to be applied to the liabilities, the future expectations of inflation, and current and future pensioner life expectancy. These are set out in the accounting policy for pension commitments in note 2 to the financial statements. These assumptions are particularly critical due to the recent market volatility and economic projections of an even more unstable market in the upcoming months and years. The gross liability balance is £40.9m (2016: £38.4m). The net deficit at 31 December 2017 was £10.3m (2016: £11.0m) as set out in note 30. Note 3 to the financial statements highlights the critical accounting judgements and key sources of estimation uncertainty, where this matter is also discussed.
How the scope of our audit responded to the key audit matter	To address this key audit matter, we: • assessed the design and implementation of controls around the pension review process, including meeting with senior management to discuss the pension monitoring and review process over the pension fund managers and review of the FRS 102 reports from the external actuary; • challenged and benchmarked key actuarial assumptions used individually and in aggregate against industry standards using our pension actuarial experts; and • considered the sensitivity of key assumptions by reviewing assessments of variability and uncertainty.
Key observations	Overall, based on market conditions at 31 December 2017, the assumptions used in determining the pension liability are reasonable in isolation and in aggregate.

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

Revenue recognition	
Key audit matter description	Premium income is recognised over the life of the respective policy on an accrual basis, with an unearned premium provision representing the portion of premiums relating to the unexpired coverage of the policy in force as at the year end date (calculated predominantly a daily basis or 24ths basis). This key audit matter relates to the risk that incorrect earnings patterns are applied to premiums under FRS 103 (for the general insurance business), leading to a potential misstatement of the split between earned and unearned premiums. Management judgement is required to apportion revenue between the amounts earned and unearned during the year. Net earned premiums were £21.4m in 2017 (2016: £20.8m) as set out in note 5 to the financial statements. The unearned premiums as at 31 December 2017 were £12.7m (2016: £11.7m) as set out in note 22 to the financial statements. The accounting policies applied are set out in note 2.
How the scope of our audit responded to the key audit matter	To address this identified risk we: • for third party business, reconciled the borderaux against the general ledger balances to assess the completeness and accuracy of the premium income recognised in the financial statements; • tested a sample of policies to verify the underlying data in the policy document against the premiums recorded in the accounting system to assess the accuracy and valuation of the household premium class of transaction; • reviewed the earnings pattern for the financial year (being predominantly a daily basis or 24ths basis) and compared that with prior years for consistency; and • performed a recalculation of the unearned premium reserve to evaluate whether earned premium had been recognised in the appropriate period.
Key observations	We concluded that the earning patterns applied by management and the resultant unearned premium reserves were reasonable.

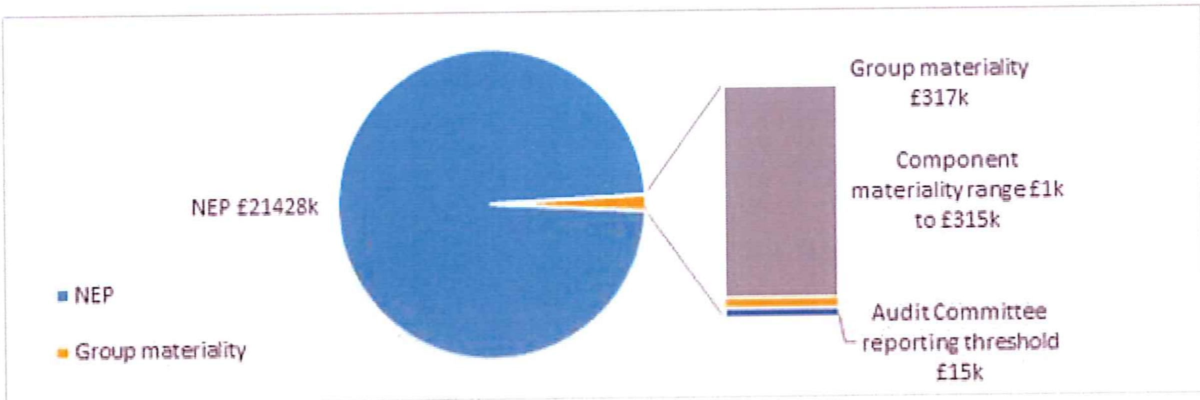
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UIA (INSURANCE) LIMITED (continued)

Our application of materiality

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

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

	Group financial statements	Society financial statements
Materiality	£317,000	£315,000
Basis for determining materiality	1.5% of net earned premium	1.5% of net earned premium, capped at 99% of Group materiality
Rationale for the benchmark applied	The net earned premium figure is considered an appropriate basis given the group and the Society continues to write new business, and the measure is stable and not subject to reserving fluctuations. Additionally, the performance of the group and Society is mainly measured by the scale of business written which is gross premium income less of any insurance ceded out via reinsurance.	



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £15,000 for the group and £15,000 for the Society, 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.

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

An overview of the scope of our audit

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.

There were no significant changes in scope from the prior year audit. All trading entities within the group are managed together from the same location and each were subject to a full scope audit executed at levels of materiality applicable to each individual entity which were lower than group materiality capped at £315k.

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

Other information

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

We have nothing to report in respect of these matters

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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- Fair, balanced and understandable – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee.

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.

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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

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/or those matters we have expressly agreed to report to them on in our engagement letter 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.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by our engagement letter

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 of 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.

Matters on which we are required to report by exception

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:

- a satisfactory system of control over transactions has not been maintained; or
- the Society has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

We have nothing to report in respect of these matters.

Other matters

Auditor tenure
Following the recommendation of the audit committee, we were appointed by 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 5 years, covering the years ending 31 December 2013 to 31 December 2017.

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).

D Heaton

David Heaton (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Manchester
24 April 2018

UIA (Insurance) Limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2017
Technical account

	Notes	2017 £'000	2016 £'000
Earned premiums net of reinsurance			
Gross earned premium	5(a)	**23,949**	22,408
Reinsurance premium ceded	5(a)	**(2,521)**	(1,608)
	6	**21,428**	20,800
Allocated investment return transferred from the non-technical account		**445**	207
Other technical income		**633**	48
Total technical income		**22,506**	21,055
Claims incurred net of reinsurance			
Gross insurance claims and claims settlement expenses	5(b)	**(14,962)**	(11,882)
Insurance claims and claims settlement expenses recoverable from reinsurers	5(b)	**1,264**	906
		(13,698)	(10,976)
Changes in other technical provisions net of reinsurance	23	**(695)**	(280)
Net operating expenses	7	**(12,509)**	(12,471)
Change in equalisation provision		**-**	4,093
Total technical charges		**(26,902)**	(19,634)
Balance on technical account for general business		**(4,396)**	1,421

The notes on pages 37 to 67 form part of these financial statements.

CONSOLIDATED PROFIT AND LOSS ACCOUNT (continued)
for the year ended 31 December 2017
Non-technical account

	Notes	2017 £'000	2016 £'000
Balance on the general business technical account		**(4,396)**	1,421
Investment income	10	**3,168**	1,737
Changes in fair value of investments	10	**566**	3,289
Net investment expenses	10	**(76)**	(99)
Allocated investment return transferred to the technical account		**(445)**	(207)
Net result of non-underwriting activities	11	**65**	32
Interest charge on defined benefit pension net liability		**(282)**	(190)
(Loss) / profit on ordinary activities before taxation		**(1,400)**	5,983
Tax on (loss) / profit on ordinary activities	12	**(492)**	(506)
(Loss) / profit for the financial year		**(1,892)**	5,477

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Retained (deficit) / surplus for the year		**(1,892)**	5,477
Re-measurement of net defined benefit pension liability	30	**1,117**	(5,481)
Total comprehensive (expense) for the year		**(775)**	(4)

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

The notes on pages 37 to 67 form part of these financial statements.

UIA (Insurance) Limited

CONSOLIDATED BALANCE SHEET
as at 31 December 2017

	Notes	Group		Company	
		2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Assets					
Intangible assets	14	**1,158**	381	**1,158**	381
Investments					
Financial investments	15	**60,743**	58,584	**60,743**	58,584
Investment in group undertakings	16	**-**	-	**264**	265
		60,743	58,584	**61,007**	58,849
Reinsurers' share of technical provisions					
Outstanding claims	17(a)	**2,146**	2,516	**2,146**	2,516
Unearned premiums	17(b)	**2,269**	-	**2,269**	-
		4,415	2,516	**4,415**	2,516
Debtors					
Arising out of direct insurance operations		**11,505**	12,414	**11,505**	12,414
Other debtors	18	**597**	151	**874**	222
		12,102	12,565	**12,379**	12,636
Other assets					
Tangible assets	19	**71**	21	**71**	21
Cash at bank and in hand		**2,097**	3,268	**2,023**	3,221
		2,168	3,289	**2,094**	3,242
Prepayments and accrued income					
Accrued interest		**4**	19	**4**	19
Deferred acquisition costs	20	**1,073**	1,068	**1,073**	1,068
Other prepayments and accrued income		**1,665**	1,167	**1,123**	948
		2,742	2,254	**2,200**	2,035
Total assets		**83,328**	79,589	**83,253**	79,659

The notes on pages 37 to 67 form part of these financial statements.

UIA (Insurance) Limited

CONSOLIDATED BALANCE SHEET (continued)
as at 31 December 2017

	Notes	Group		Company	
		2017	**2016**	**2017**	**2016**
		£'000	£'000	**£'000**	£'000
Liabilities					
Capital and reserves					
Share capital	21	**1**	1	**1**	1
Profit and loss account		**36,275**	37,050	**35,670**	36,500
Total equity		**36,276**	37,051	**35,671**	36,501
Technical provisions					
Unearned premiums	22a	**12,693**	11,702	**12,693**	11,702
Outstanding claims	22b	**12,553**	10,594	**12,553**	10,594
Unearned commission	22c	**417**	230	**417**	230
Other technical provisions	23	**975**	280	**975**	280
		26,638	22,806	**26,638**	22,806
Creditors					
Arising out of direct insurance operations		**3,551**	3,091	**3,551**	3,091
Arising out of reinsurance operations		**3,316**	2,606	**3,316**	2,606
Other creditors including taxation and social security	24	**3,252**	3,011	**3,782**	3,631
		10,119	8,708	**10,649**	9,328
Provision for other risks					
Provisions for pensions and similar obligations	25	**10,295**	11,024	**10,295**	11,024
Total equity, reserves and liabilities		**83,328**	79,589	**83,253**	79,659

Approved by the Board of Directors and authorised for issue on 24th April 2018 and signed on their behalf by:

Jon Craven
Director

The notes on pages 37 to 67 form part of these financial statements.

UIA (Insurance) Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2017

The Group	Share capital £'000	Profit and loss account £'000	Total £'000
At 1 January 2016	1	37,054	37,055
Surplus for the financial year	-	5,477	5,477
Re-measurement of net defined benefit pension liability	-	(5,481)	(5,481)
At 31 December 2016	**1**	**37,050**	**37,051**
Deficit for the financial year	**-**	**(1,892)**	**(1,892)**
Re-measurement of net defined benefit pension liability	**-**	**1,117**	**1,117**
At 31 December 2017	**1**	**36,275**	**36,276**

The Company	Share capital £'000	Profit and loss account £'000	Total £'000
At 1 January 2016	1	36,526	36,527
Surplus for the financial year	-	5,455	5,455
Re-measurement of net defined benefit pension liability	-	(5,481)	(5,481)
At 31 December 2016	**1**	**36,500**	**36,501**
Deficit for the financial year	**-**	**(1,946)**	**(1,946)**
Re-measurement of net defined benefit pension liability	**-**	**1,117**	**1,117**
At 31 December 2017	**1**	**35,671**	**35,672**

The notes on pages 37 to 67 form part of these financial statements.

UIA (Insurance) Limited

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Cash generated from operating activities			
Net cash flow used by operating activities before investment of insurance assets	26	**(1,629)**	(1,669)
Cash generated from investment of insurance assets	26	**5,425**	2,234
Net cash generated from operating activities		**3,796**	565
Cash flow from investing activities			
Purchase of equipment		**(1,041)**	(294)
Net cash used in investing activities		**(1,041)**	(294)
Net cash increase in cash at bank and in hand		**2,755**	271
Cash and cash equivalents at beginning of year		**14,353**	14,082
Cash and cash equivalents at end of year		**17,108**	14,353
Cash at bank and in hand		**2,097**	3,268
Short-term deposits presented within other financial instruments		**15,011**	11,085
Cash and cash equivalents		**17,108**	14,353

The notes on pages 37 to 67 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

1. General information

UIA (Insurance) Limited is a Registered Society ("the Society" or "the Company") 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 9.

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 Company 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.

Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements of accounting in preparing the annual financial statements.

2.2 Basis of consolidation

The consolidated financial statements consolidate the financial statements of the Company 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 company 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 attach solely to UIA (Insurance) Limited as the sponsoring employer and as such the scheme is accounted for as a defined benefit scheme within the parent Company's accounts and at group level.

The current and past service costs are included within operating expenditure. 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 25.

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 Company'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 Company 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 hierarchy that prioritises the inputs to valuation methods used to measure fair value. The hierarchy is as follows:

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

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 Company 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.

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. The expected claims are calculated based on information available at the balance sheet date.

Equalisation provision
The equalisation reserve was previously required by law and maintained in compliance with the insurance companies' regulations and INSPRU Prudential Sourcebook for insurers. Solvency II replaces these rules with effect from 1 January 2016 and does not require an equalisation reserve to be held. The reserve was transferred to the technical account on 1 January 2016.

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

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

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

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

2.15 Insurance receivables and payables

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

3. Critical accounting judgements and key sources of estimation uncertainty

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

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

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.

Critical accounting judgements in applying the Group's accounting policies

The critical accounting judgements applied by the Board are detailed below:

Technical provisions

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

Other technical provisions including unexpired risk provision

A reserve is required where part of the Company'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 a critical accounting judgement.

Key sources of estimation uncertainty

The key source of estimation uncertainty is described below:

Pensions

The employer pension scheme is valued on actuarial basis. The Company 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 Company's share of those assets and liabilities. The estimated proportion allocated to the Company is described in note 30.

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

4. Management of insurance and financial risk

The Company monitors and manages the risks relating to the Company through the Risk Committee and through internal risk reports which include, but are not limited to the monthly management information (MI) pack, the Company's risk register and reports prepared as and when necessary.

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

The Company 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
From 1 January 2016 the measurement of our regulatory capital moved into the Solvency II regime. The Company has been calculating and reporting on this basis since then. The following table is a summary of our capital position as reported in our audited Solvency and Financial Condition Report:

	At 31 December	
	2017	**2016**
	£m	£m
Market risk	**15.7**	17.1
Counterparty default risk	**1.3**	1.0
Non -life underwriting risk	**10.8**	10.2
Operational risk	**0.7**	0.7
Diversification credit	**(6.0)**	(5.9)
Total solvency capital requirement (SCR)	**22.5**	23.1
Total own funds	**39.0**	41.0
Total surplus	**16.5**	17.9
SCR coverage	**173%**	178%

The 2016 position reported in our audited financial statements reflected our December submission to the Bank of England and as such was unaudited. In the preparation of our Solvency and Financial Condition Report adjustments were made resulting in an increase in our reportable solvency ratio from 172% to 178%.

4. Management of insurance and financial risk (continued)

4.1. Insurance risk (continued)

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

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

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

We have carried out some sensitivity tests on the actual results for the year ended 31 December 2017 and these are set out below.

	2017	**2016**
	£'000	£'000
Balance on technical account for general business	**(4,396)**	1,421
Adjusted balance on technical account (Equalisation removed)	**-**	(2,672)
5% Increase in loss ratio (62% - 67%) (2016: 50% - 55%)	**(5,522)**	(3,725)
Weather event in UK – industry loss £250m	**(5,147)**	(3,423)
5% increase in expenses	**(5,023)**	(3,296)

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2017

4. Management of insurance and financial risk (continued)

4.1. Insurance risk (continued)

Claims development tables
The following tables show the development of claims 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	**2017** £'000	**2016** £'000	**2015** £'000	**2014** £'000	**2013** £'000	**2012** £'000	**2011** £'000	**Total** £'000
Estimates of ultimate claims								
End of accident year	14,474	10,984	10,121	9,471	10,633	13,254	11,321	
One year later		10,151	9,718	8,854	9,502	11,842	10,353	
Two years later			9,449	8,759	9,324	11,214	10,364	
Three years later				8,639	9,239	11,390	10,447	
Four years later					9,681	11,594	10,955	
Five years later						11,741	10,952	
Six years later							11,309	
Current estimate of ultimate claims	14,474	10,151	9,449	8,639	9,681	11,741	11,309	
Cumulative payments to date	(6,944)	(8,908)	(8,891)	(8,287)	(8,770)	(11,184)	(10,981)	
In balance sheet	7,530	1,243	558	352	911	557	328	11,479
Liability in respect of earlier years								286
Liability in balance sheet								**11,765**

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2017

4. Management of insurance and financial Risk (continued)

4.1. Insurance risk (continued)

Analysis of claims development – net	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000	Total £'000
Estimates of ultimate claims								
End of accident year	13,882	10,814	9,497	9,027	9,560	11,273	9,053	
One year later		9,953	9,037	8,593	8,384	9,716	7,954	
Two years later			8,778	8,481	8,064	9,336	7,938	
Three years later				8,365	8,003	9,165	7,698	
Four years later					8,287	9,157	7,640	
Five years later						9,194	7,591	
Six years later							7,578	
Current estimate of ultimate claims	13,882	9,953	8,778	8,365	8,287	9,194	7,578	
Cumulative payments to date	(6,812)	(8,883)	(8,341)	(8,116)	(7,897)	(9,146)	(7,538)	
In balance sheet	7,070	1,070	437	249	390	48	40	9,304
Liability in respect of earlier years								315
Liability in balance sheet								9,619

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 Company's risk appetite. The Company 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 Company 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 £3.3m (2016: £1.4m) the Board does not consider this to be a significant risk to the Company.

4.2.2 Equity risk

At the year-end we held £0.3m (2016: £32.7m) in equities or equity-based investments, being the Company's investment in subsidiaries, having sold our equity holdings in November 2017. Under Solvency II, which is measured at Company 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 market value.

4.3 Credit risk

The Company 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 Company is exposed to credit risk are:

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2017

4. Management of insurance and financial Risk (continued)

4.5 Credit risk (continued)
The carrying amount of financial and reinsurance assets represents the Company'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 in respect of any financial assets or liabilities.

The Company 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:

2017	**AAA**	**AA**	**A**	**BBB**	**BB**	**B**	**CCC ***	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Debt securities	1,093	3,620	13,749	15,359	2,615	61	11,822	**48,319**
Other investments	-	-	-	2	-	-	-	**2**
Deposits	-	-	9,045	3,009	-	-	8	**12,062**
Cash and cash equivalents	-	-	2,023	314	-	-	-	**2,337**
Reinsurance receivables	-	29	144	-	-	-	-	**173**
Total	**1,093**	**3,649**	**24,961**	**18,684**	**2,615**	**61**	**11,830**	**62,893**

* includes unrated

2016	**AAA**	**AA**	**A**	**BBB**	**BB**	**B**	**CCC ***	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Debt securities	1,935	11,844	4,828	3,912	123	538	791	23,971
Other investments	465	3,246	4,818	8,732	695	142	12,834	30,932
Deposits	-	-	2,001	-	-	-	-	2,001
Cash and cash equivalents	-	-	1,381	192	-	-	163	1,736
Reinsurance receivables	-	2	1,165	-	-	-	1,349	2,516
Total	2,400	15,092	14,193	12,836	818	680	15,137	61,156

* includes unrated

4.6 Liquidity risk

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

The Company 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 Company has sufficient funds to cover insurance claims and in practice most of the Company'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 2017

4. Management of insurance and financial Risk (continued)

4.7 Pension risk
As disclosed in note 30, the Company 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 Company relates to the covenant of the other participating employers within the scheme. In the highly unlikely event of the insolvency of the other employers, liability for the deficit would fall on the Company.

5. Underwriting Activities

5(a) Net earned premium

	2017 £'000	2016 £'000
Gross earned premium		
Gross written premium	**24,940**	23,063
Change in unearned premium	**(991)**	(655)
Gross earned premium	**23,949**	22,408
Reinsurance premium ceded		
Reinsurance premium payable	**(4,042)**	(1,608)
Change in reinsurers share of unearned premium	**1,521**	-
Reinsurance premium ceded	**(2,521)**	(1,608)
Net earned premium	**21,428**	20,800

5(b) Net insurance claims and claims settlement expenses

	2017 £'000	2016 £'000
Insurance claims and claims settlement expenses		
Gross insurance claims and claims settlement expenses paid	**(13,504)**	(13,671)
Gross change in provision for claims	**(1,458)**	1,789
Gross incurred insurance claims and claims settlement expenses	**(14,962)**	(11,882)
Insurance claims and claims settlement expenses recoverable from reinsurers		
Gross claims and claims settlement expenses paid recoverable from reinsurers	**1,462**	2,527
Gross change in provision for claims and claims settlement expenses recoverable from reinsurers	**(198)**	(1,621)
Gross claims and claims settlement expenses recoverable from reinsurers	**1,264**	906
Net incurred claims and claims settlement expenses	**(13,698)**	(10,976)

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2017

6. Segmental analysis

Technical account 2017	Household	Home Emergency	Legal	Legal Expenses	Total
	£'000	£'000	£'000	£'000	£'000
Net earned premium					
Gross written premium	**23,069**	**795**	**666**	**410**	**24,940**
Change in gross unearned premium	**(636)**	**(194)**	**(161)**	**-**	**(991)**
Gross earned premium	**22,433**	**601**	**505**	**410**	**23,949**
Reinsurance premium ceded	**(1,167)**	**(601)**	**(505)**	**(248)**	**(2,521)**
Net earned premium	**21,266**	**-**	**-**	**162**	**21,428**
Allocated investment return transferred from the non-technical account	**445**	**-**	**-**	**-**	**445**
Overriding commission	**-**	**308**	**325**	**-**	**633**
Total technical income	**21,711**	**308**	**325**	**162**	**22,506**
Net claims incurred					
Gross insurance claims and claims settlement expenses	**(13,880)**	**(148)**	**(127)**	**(807)**	**(14,962)**
Insurance claims and claims settlement expenses recoverable from reinsurers	**182**	**148**	**127**	**807**	**1,264**
Net claims incurred	**(13,698)**	**-**	**-**	**-**	**(13,698)**
Change in other technical provisions	**(695)**	**-**	**-**	**-**	**(695)**
Net operating expenses	**(12,354)**	**-**	**-**	**(155)**	**(12,509)**
Change in equalisation provision	**-**	**-**	**-**	**-**	**-**
Total technical charges	**(26,747)**	**-**	**-**	**(155)**	**(26,902)**
Balance on technical account	**(5,036)**	**308**	**325**	**7**	**(4,396)**

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2017

6. Segmental analysis (continued)

Technical account 2016	Household	Home Emergency	Legal	Legal expenses	Total
	£'000	£'000	£'000	£'000	£'000
Net earned premium					
Gross written premium	21,828	255	222	758	23,063
Change in gross unearned premium	(262)	(210)	(183)	-	(655)
Gross earned premium	21,566	45	39	758	22,408
Reinsurance premium ceded	(934)	(45)	(39)	(590)	(1,608)
Net earned premium	20,632	-	-	168	20,800
Allocated investment return transferred from the non-technical account	207	-	-	-	207
Overriding commission	-	24	24	-	48
Total technical income	20,839	24	24	168	21,055
Net claims incurred					
Gross insurance claims and claims settlement expenses	(10,845)	-	-	(1,037)	(11,882)
Insurance claims and claims settlement expenses recoverable from reinsurers	(147)	-	-	1,053	906
Net claims incurred	(10,992)	-	-	16	(10,976)
Change in other technical provisions	(280)			-	(280)
Net operating expenses	(12,507)			36	(12,471)
Change in equalisation provision	4,093			-	4,093
Total technical charges	(19,686)	-	-	52	(19,634)
Balance on technical account	1,153	24	24	220	1,421

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

7. Expenses

(a) Net operating expenses	**2017** £'000	2016 £'000
Acquisition costs	**5,625**	4,024
Changes in deferred acquisition costs	**(5)**	(259)
Administrative expenses	**6,889**	8,706
Total net operating expenses	**12,509**	12,471
(b) Auditor's remuneration		
Fees payable to the auditor for the audit of the annual accounts	**96**	66
Fees payable for the audit of subsidiary Companies pursuant to legislation	**10**	12
Other services pursuant to legislation	**20**	28
Other services pursuant to taxation	**4**	3
Total Auditor's remuneration	**130**	109
(c) Operating lease payments		
Rental of buildings	**306**	306
Hire of plant and machinery	**47**	48
Total operating lease payments	**353**	354

8. Employee information

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

	2017 Number	2016 Number
Underwriting and claims	**34**	30
Administration and finance	**30**	24
Sales and marketing	**25**	23
Subsidiary activities	**57**	56
Total number of employees	**146**	133

8. Employee information (continued)

Staff costs for the above persons were as follows:

	2017 £'000	2016 £'000
Wages and salaries	**2,745**	2,842
Social security cost	**260**	273
Pension costs	**767**	769
Movement in holiday pay accrual	**-**	(10)
Total staff costs	**3,772**	3,874

9. Directors' emoluments

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

	2017 £'000	2016 £'000
Aggregate emoluments	**380**	385
Compensation for loss of office	**188**	-
Compensation for cancellation of Long Term Incentive Plan	**21**	-
Excess retirement benefits		
- Current Directors	**-**	73
- Past Directors	**41**	-
Total Directors emoluments	**630**	458

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 19.

10. Net investment return

	Net investment income	Amortised interest	Net investment expenses	Net realised gains/ (losses)	Changes in fair value	Net investment result
	2017	**2017**	**2017**	**2017**	**2017**	**2017**
	£'000	£'000	£'000	£'000	£'000	£'000
Equities	**628**	**-**	**(66)**	**(42)**	**-**	**520**
Bonds & short term gilts	**220**	**-**	**(5)**	**164**	**-**	**379**
Unit trusts	**14**	**-**	**(9)**	**2,072**	**566**	**2,643**
Term deposits	**14**	**53**	**-**	**-**	**-**	**67**
Cash and cash equivalents	**35**	**-**	**-**	**-**	**-**	**35**
Other investment income	**10**	**-**	**10**	**-**	**-**	**20**
Other investment expenses	**-**	**-**	**(6)**	**-**	**-**	**(6)**
Total investment return	**921**	**53**	**(76)**	**2,194**	**566**	**3,658**

	Net investment income	Amortised interest	Net investment expenses	Net realised gains/ (losses)	Changes in fair value	Net investment result
	2016	2016	2016	2016	2016	2016
	£'000	£'000	£'000	£'000	£'000	£'000
Equities	530	-	(91)	155	1,570	2,164
Bonds & short term gilts	-	123	(6)	21	-	138
Unit trusts	91	-	(10)	756	1,719	2,556
Term deposits	30	-	-	-	-	30
Cash and cash equivalents	31	-	-	-	-	31
Other investment income	-	-	12	-	-	12
Other investment expenses	-	-	(4)	-	-	(4)
Total investment return	682	123	(99)	932	3,289	4,927

11. Net result of non-underwriting activities

The net results of the non-underwriting activities of the Company'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.

2017	UIA (Insurance Services) Ltd	UIA (Call Centres) Ltd	UIA Lottery Management Services Ltd	Total
	£'000	£'000	£'000	£'000
Turnover	**218**	**2,171**	**-**	**2,389**
Administrative expenses	**(153)**	**(2,171)**	**-**	**(2,324)**
Retained profit for the year	**65**	**-**	**-**	**65**

2016	UIA (Insurance Services) Ltd	UIA (Call Centres) Ltd	UIA Lottery Management Services Ltd	Total
	£'000	£'000	£'000	£'000
Turnover	706	1,918	-	2,624
Administrative expenses	(668)	(1,919)	(5)	(2,592)
Retained profit / (loss) for the year	38	(1)	(5)	32

12. Taxation on profit on ordinary activities

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

	2017	2016
	£'000	£'000
(a) Analysis of the tax charge		
UK corporation tax:		
Current tax	**916**	68
Adjustments in respect of previous periods	**16**	-
Total corporation tax	**932**	68
Changes in deferred tax balances (see (c))	**(440)**	438
Total current tax charge for the year	**492**	506

(b) Factors affecting tax charge for the year

The tax assessed for the year is lower than 19.25% (2016: lower than 20%) of taxable income for the year. The differences are explained below:

	2017	2016
	£'000	£'000
(Loss) / Profit on ordinary activities before tax	**(1,400)**	5,983
Tax on ordinary activities at 19.25% (2016: 20%)	**(270)**	1,197
Effects of:		
Loss / (profit) on technical account	**846**	(284)
Allocated investment return	**85**	41
Return on pension scheme	**54**	38
Fully franked investment income	**(69)**	(92)
Unrealised (loss) / gain movement	**-**	(217)
Refund from 2015	**(16)**	-
Indexation	**(130)**	(69)
Charitable donations	**(8)**	(10)
Realised losses brought forward	**-**	(98)
Current tax charge for the year	**492**	506

(c) Provision for deferred taxation

	2017	2016
	£'000	£'000
Deferred tax at 1 January	**438**	(3)
Movement in the provision	**(440)**	441
Deferred tax at 31 December	**(2)**	438

In 2017, a deferred tax liability of £nil (2016:£438,000) was recognised in relation to unrealised gains.

13. (Deficit) / surplus for the financial year

Consistent with Section 408 of the Companies Act 2006 the Company income statement is not presented as part of these financial statements. The Group deficit for the financial year was £775,000 (2016: deficit of £4,000) which includes a £829,000 deficit (2016: deficit of £26,000), which is reported in the financial statements of the Company.

14. Intangible assets

	Group	Company
	Software development £'000	**Software development** £'000
Cost		
At 1 January 2017	**2,815**	**2,815**
Additions	**971**	**971**
Provision for impairment	**(88)**	**(88)**
At 31 December 2017	**3,698**	**3,698**
Accumulated amortisation		
At 1 January 2017	**(2,434)**	**(2,434)**
Charge for the year	**(143)**	**(143)**
Provision for impairment	**37**	**37**
At 31 December 2017	**(2,540)**	**(2,540)**
Net book value at 31 December 2017	**1,158**	**1,158**
Net book value at 31 December 2016	381	381

15. Financial investments

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

	Group		Company	
	2017	**2017**	**2017**	**2017**
	Fair value	Cost	Fair value	Cost
Financial assets	£'000	£'000	£'000	£'000
Shares and other variable securities in unit trusts	**45,633**	**45,046**	**45,633**	**45,046**
Debt securities and other fixed income securities	-	-	-	-
Loans and receivables	-	-	-	-
Cash and cash equivalents	**15,110**	**15,011**	**15,110**	**15,011**
Total	**60,743**	**60,057**	**60,743**	**60,057**

	Group		Company	
	2016	2016	2016	2016
	Fair value	Cost	Fair value	Cost
Financial assets				
Shares and other variable securities in unit trusts	32,686	29,510	32,686	29,510
Debt securities and other fixed income securities	11,928	11,799	11,928	11,799
Loans and receivables	2,885	2,896	2,885	2,896
Cash and cash equivalents	11,085	11,085	11,085	11,085
Total	58,584	55,290	58,584	55,290

The Group has no financial liabilities. (2016:£nil)

16. Investment in subsidiaries

	Company	
	2017	**2016**
	£'000	£'000
Cost at 1 January and 31 December	**475**	475
Provision for impairment at 1 January	**(210)**	(210)
Provision for impairment	**(1)**	-
Provision for impairment at 1 January	**(211)**	(210)
Net book value at 31 December	**264**	265

The Company owns 100% of the ordinary shares of 5 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, UIA Lottery Management Services Limited which acted as a lottery operator; and Uniservice Limited, a dormant company.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2017

17. Technical provisions - assets

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
a) Reinsurers share of outstanding claims				
At 1 January	**2,516**	4,473	**2,516**	4,473
Movement in the provision	**(370)**	(1,957)	**(370)**	(1,957)
Reinsurers share of outstanding claims at 31 December	**2,146**	2,516	**2,146**	2,516

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
b) Reinsurers share of unearned premium				
At 1 January	**-**	-	**-**	-
Movement in the provision	**2,269**	-	**2,269**	-
Reinsurers share of unearned premium at 31 December	**2,269**	-	**2,269**	-

18. Other debtors

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Amounts owed by other parties	**595**	151	**595**	151
Deferred tax asset	**2**	-	**-**	-
Amounts due from subsidiaries	**-**	-	**279**	71
Total other debtors	**597**	151	**874**	222

Amounts due from subsidiaries are unsecured and are repayable on demand.

19. Tangible assets

(a) Tangible assets – Group

	Computer equipment & systems £'000	Furniture, fixtures & fittings £'000	Total £'000
Cost			
At 1 January 2017	**321**	**661**	**982**
Additions	29	41	70
Disposals	(11)	(142)	(153)
At 31 December 2017	**339**	**560**	**899**
Accumulated depreciation			
At 1 January 2017	**(318)**	**(643)**	**(961)**
Charge for the year	(8)	(12)	(20)
Disposals	11	142	153
At 31 December 2017	**(315)**	**(513)**	**(828)**
Net book value at 31 December 2017	**24**	**47**	**71**
Net book value at 31 December 2016	3	18	21

(b) Tangible assets – Company

	Computer equipment & systems £'000	Furniture, fixtures & fittings £'000	Total £'000
Cost			
At 1 January 2017	**281**	**618**	**899**
Additions	29	41	70
Disposals	(9)	(142)	(151)
At 31 December 2017	**301**	**517**	**818**
Accumulated depreciation			
At 1 January 2017	**(278)**	**(600)**	**(878)**
Charge for the year	(8)	(12)	(20)
Disposals	9	142	151
At 31 December 2017	**(277)**	**(470)**	**(747)**
Net book value at 31 December 2017	**24**	**47**	**71**
Net book value at 31 December 2016	3	18	21

20. Deferred acquisition costs

	Group		Company	
	2017	2016	**2017**	2016
	£'000	£'000	£'000	£'000
At 1 January	**1,068**	809	**1,068**	809
Movement in the provision	**5**	259	**5**	259
Deferred acquisition costs at 31 December	**1,073**	1,068	**1,073**	1,068

21. Share capital

	Group		Company	
	2017	2016	**2017**	2016
	£'000	£'000	£'000	£'000
Issued and fully paid up 121,985 ordinary shares of 1p (2016:129,400)	**1**	1	**1**	1

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

22. Technical provisions - liabilities

	Group		Company	
	2017	**2016**	**2017**	**2016**
	£'000	£'000	£'000	£'000
a) Provision for gross unearned premium				
At 1 January	**11,702**	11,047	**11,702**	11,047
Movement in the provision	**991**	655	**991**	655
Provision for unearned premium at 31 December	**12,693**	11,702	**12,693**	11,702

	Group		Company	
	2017	**2016**	**2017**	**2016**
	£'000	£'000	£'000	£'000
b) Provision for gross outstanding claims				
At 1 January	**10,594**	12,290	**10,594**	12,290
Movement in the provision	**1,959**	(1,696)	**1,959**	(1,696)
Provision for outstanding claims at 31 December	**12,553**	10,594	**12,553**	10,594

22. Technical provisions – liabilities (continued)

	Group		Company	
	2017	**2016**	**2017**	**2016**
	£'000	£'000	£'000	£'000
c) Unearned commissions				
At 1 January	**230**	-	**230**	-
Movement in the provision	**187**	230	**187**	230
Provision for unearned commission at 31 December	**417**	230	**417**	230

Within the movement in the provision for outstanding claims, there is a release of £1,009,000 (2016: release £813,000) which arose as outstanding claims were settled below reserves held as at 312 December 2016. This has been credited to the current year consolidated technical account.

23. Other technical provisions

	Group		Company	
	2017	**2016**	**2017**	**2016**
	£'000	£'000	£'000	£'000
Provision for unexpired risks				
At 1 January	**280**	-	**280**	-
Movement in the provision	**695**	280	**695**	280
Provision for unexpired risks at 31 December	**975**	280	**975**	280

24. Other creditors

	Group		Company	
	2017	**2016**	**2017**	**2016**
	£'000	£'000	£'000	£'000
Corporation tax payable	**588**	25	**573**	18
Amounts owed to other parties	**2,664**	2,986	**2,383**	2,832
Amounts due to subsidiaries	**-**	-	**826**	781
Total other creditors	**3,252**	3,011	**3,782**	3,631

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

25. Provisions for other risks

	Group		Company	
	2017	**2016**	**2017**	**2016**
	£'000	£'000	£'000	£'000
Defined benefit pension scheme liability				
Provision at 1 January	**11,024**	5,476	**11,024**	5,476
Credit recognised through changes in equity	**(1,117)**	5,481	**(1,117)**	5,481
Expense recognised through profit and loss				
Net interest expenses	**282**	189	**282**	189
Running costs	**111**	95	**111**	95
Pension contributions	**(1,119)**	(1,015)	**(1,119)**	(1,015)
Current service cost	**1,114**	798	**1,114**	798
Expense recognised through profit and loss	**388**	67	**388**	67
Net movement in provision	**(729)**	5,548	**(729)**	5,548
Provision at 31 December	**10,295**	11,024	**10,295**	11,024

26. Reconciliation of operating (loss) / surplus to cash generated by operations

	2017 £'000	2016 £'000
Operating (loss) / profit before taxation	**(1,400)**	5,983
Adjustment for:		
Investment Income	**(3,658)**	(4,927)
Pension expense recognised through profit and loss	**388**	67
Depreciation	**21**	24
Amortisation	**144**	140
Loss on impairment of property, plant and equipment	**50**	210
(Decrease) in equalisation provision	**-**	(4,093)
Operating cash flows before movements in working capital	**(4,455)**	(2,596)
Decrease in reinsurance assets	**370**	1,957
(Increase) in deferred acquisition costs	**(5)**	(259)
Increase in provision for unearned commission	**417**	-
Increase / (decrease) in insurance contract liabilities	**1,959**	(1,696)
(Increase) / decrease in receivables	**(2,036)**	2,025
(Increase) in accrued interest and prepayments	**(483)**	(314)
Increase in unearned premiums	**991**	655
Increase / (decrease) in payables	**1,283**	(1,647)
Increase in other technical provisions	**695**	280
Cash generated by operations	**(1,264)**	(1,595)
Taxes paid	**(365)**	(74)
Net cash flow used by operating activities before investment of insurance assets	**(1,629)**	(1,669)
Interest and dividends received	**689**	835
Sales of financial investments	**71,017**	30,114
Purchase of financial investments	**(66,215)**	(28,616)
Other investment income	**10**	-
Net investment expenses	**(76)**	(99)
Cash generated from investment of insurance assets	**5,425**	2,234

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:

	Group Land and buildings		Company Land and buildings	
	2017	**2016**	**2017**	**2016**
	£'000	£'000	£'000	£'000
Operating leases which expire:				
within one year	**-**	-	**-**	-
in two to five years	**306**	305	**306**	305
after more than five years	**-**	-	**-**	-
	306	305	**306**	305
Operating lease rentals charged to profit and loss in the year	**306**	306	**306**	306

28. Related parties

Directors

Members of the Board of Directors may also be members of the Company through having insurance policies with the Company. 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 Company 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 contracted for and payable within 12 months (2016: nil).

30. Pension costs

The Company participates in a multi-employer defined benefit 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 assets of the scheme are held in a separate trustee-administered fund. The scheme is administered by trustees and is completely independent of the Company.

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 2018 is £1,126,566 (2017: £1,043,000).

30. Pension costs (continued)

The results of the formal actuarial valuation as at 30 June 2017 were updated to 31 December 2017 by an independent qualified actuary in accordance with FRS 102. As required by FRS 102, the value of the defined benefit liability 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.

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

Assumptions	**2017**	**2016**
Discount rate	**2.4% pa**	2.7% pa
Retail Prices Index inflation	**3.2% pa**	3.3% pa
Consumer Prices Index inflation	**2.1% pa**	2.3% pa
Pension increases in payment	**3.2% pa**	3.3% pa
General salary increases	**2.6% pa**	2.8% pa
Life expectancy of male currently aged 60	**26.6 years**	26.7 years
Life expectancy of male aged 60 in 20 years' time	**28.1 years**	28.6 years
Life expectancy of female currently aged 60	**28.7 years**	29.0 years
Life expectancy of female aged 60 in 20 years' time	**30.2 years**	31.0 years

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

	2017 £'000	**2016** £'000
Present value of scheme liabilities	**(40,946)**	(38,390)
Fair value of scheme assets	**30,651**	27,366
Scheme deficit	**(10,295)**	(11,024)

The amounts recognised in loss / (profit) are as follows:

	2017 £'000	**2016** £'000
Service costs	**1,114**	798
Running costs	**111**	94
Interest charge on net defined benefit pension deficit	**282**	190
Total operating charge	**1,507**	1,082

30. Pension costs (continued)

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

	2017 %	2016 %
Equity instruments	**45**	43
Debt instruments	**30**	30
Property	**8**	9
Multi-asset funds	**17**	18
Cash	**-**	-
Total	**100%**	100%

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

	2017 £'000	2016 £'000
Opening present value of defined benefit obligation	**38,390**	27,473
Current service cost	**1,114**	798
Interest on obligation	**1,030**	1,031
Contributions from scheme members	**5**	2
Actuarial gain	**889**	9,780
Benefits paid	**(482)**	(694)
Closing present value of defined benefit obligation	**40,946**	38,390

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

	2017 £'000	2016 £'000
Opening fair value of the scheme assets	**27,366**	21,997
Interest on scheme assets	**748**	842
Actuarial return less interest on scheme assets	**2,006**	4,299
Running costs	**(111)**	(95)
Contributions by the employer	**1,119**	1,015
Contributions by scheme members	**5**	2
Benefits paid	**(482)**	(694)
Closing fair value of scheme assets	**30,651**	27,366

The actual return on the Company's share of the scheme's assets over the year was £2,754,000 gain (2016: £5,141,000 gain).

UIA (Insurance) Limited

Glossary
for the year ended 31 December 2017

Strategic Reports
Key Performance Indicators

$$\text{Combined Operating Ratio} = \frac{\text{Incurred Losses + Expenses}}{\text{Earned Premiums}}$$

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

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

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

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

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