uia mutual

insurance for trade union members

&

together mutual insurance

2018

SUMMARY REPORT

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CONTENTS

EXECUTIVE DIRECTORS:

Jon Craven	Chief Executive Officer
John Nickson	Finance Director (Appointed 26 June 2018)

NON-EXECUTIVE DIRECTORS:

Bob Abberley	
Peter Dodd	Chairperson
Tim Holliday	Senior Independent Director (Appointed 31 July 2018)
Lucia McKeever	
Eithne McManus	
Oliver Peterken	
Marion Saunders	Stood down as Senior Independent Director (31 July 2018)
Tony Woodley	

ANNUAL GENERAL MEETING AGENDA

The Annual General Meeting of UIA (Insurance) Limited (the Society) will be held in the Aston Suite, Holiday Inn Stevenage, St. Georges Way, Stevenage, Hertfordshire, SG1 1HS on Monday, 24 June 2019 at 1.00pm to consider the following business and, if thought fit, pass the following resolutions by a simple majority of votes cast:

1. To receive the annual report of the Board, the auditors' report and the audited financial statements for the year ended 31 December 2018.

2. To approve the remuneration report for the year ending 31 December 2018.

3. To re-appoint Deloitte LLP to be auditors of the Society, to hold office until the conclusion of the next Annual General Meeting, and to agree that their remuneration will be determined by the Board.

4. To re-elect Bob Abberley for a period of 3 years.

5. To re-elect Oliver Peterken for a period of 3 years.

6. To re-elect Tim Holliday for a period of 3 years.

7. To re-elect Lucia McKeever for a period of 2 years.

8. To re-elect Jon Craven.

9. To formally elect John Nickson.

10. To transact any other business permissible under the rules of the Society.

In addition;
To note the stepping down of Marion Saunders, Policyholder Elected Non-Executive Director, from the Board.

Copies of the agenda and a form of proxy will be sent to members of UIA together with a link to access the 2018 Summary Report online.

The Annual Report and Financial Statements for the year ending 31 December 2018, together with additional copies of the agenda, are available via www.uia.co.uk or on request from the PA to the Chief Executive Officer, UIA (Insurance) Limited, Kings Court, London Road, Stevenage, Herts, SG1 2TP.

Jon Craven
Chief Executive Officer
9 April 2019

CHAIRPERSON'S STATEMENT

GOVERNANCE OF YOUR SOCIETY

Our Mutual status means you, our members own the Society and thus, over time, any profits are reinvested in the business, keeping premiums as low as possible, while providing members and their families with a wide range of real value-for-money products – all backed by our fast and friendly service. Our 2018 member survey provided good evidence that our products and services are valued, with 81% of UIA policyholders saying that they 'definitely will' or are 'very likely to', renew their insurance. At the point of claim, similar levels of satisfaction were seen, where 89% of UIA policyholders either 'agreed', or 'strongly agreed' that they were happy with the claims process.

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.

The majority of Non-Executive Directors continue to be independent as defined by the Association of Financial Mutuals UK Corporate Governance Code, although 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 that any candidate meets the criteria set by the committee.

The Board has three committees. All the members of the Audit Committee and the majority of the members of the Risk and Nominations and Remuneration Committees are independent.

The Board has delegated execution of the Society's strategy to the Chief Executive Officer (CEO). The CEO is assisted in the performance of his duties by the Executive Group. There are also executive working groups covering specific areas, including: Capital Management Group, Investment Management Group, Risk Management Group, Pensions Group, Recruitment and Reward Group and The Product, Pricing, Underwriting and Partnerships Group. During 2019, we also plan to

> **You, our members own the Society and thus, over time, any profits are reinvested in the business, keeping premiums as low as possible, while providing members and their families with a wide range of real value-for-money products**

launch the Colleague and Membership Groups to look after the needs of these crucial stakeholders.

OUR PEOPLE AND BUSINESS TRANSFORMATION

The transformation of our business has continued during 2018, and this included the successful implementation of our new claims system in July. Other successful projects included key regulatory matters such as the implementation of General Data Protection Regulation (GDPR) and the Insurance Product Information Document (IPID).

We have also spent a significant time on preparing for the delivery of our new pricing, product and underwriting system, and our new policy administration system. Work on both of these major changes will continue during 2019.

The transformation of our business has continued during 2018, and this included the successful implementation of our new claims system in July.

FINANCIAL PERFORMANCE

The 2018 underwriting results have been significantly impacted by the 'Beast from the East' weather event in February and March of that year. The combination of extremely cold air from Siberia and Storm Emma affected the whole UK property insurance industry severely, and cost the Society some £2m in additional claims. The particularly dry weather also led to a significant increase in subsidence claims in 2018. These events, together with a series of large fire claims from our members, have led to an underwriting loss of some £7.5m for 2018 (2017: £4.4m loss).

In recent years, gains on the equity portfolio have mitigated the impact of underwriting losses. However, in late 2017 the Board took the prudent decision to de-risk the investment portfolio and invest in a mix of bonds and cash. This has protected the Society from the significant stock market falls in the last quarter of 2018, but does mean that expected investment returns will be at a lower level than recent years.

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

CHAIRPERSON'S STATEMENT

CONTINUED

shareholders. However, the underwriting losses of recent years have led us to review our pricing, and premiums for many members will have seen some increase. This step has been necessary to ensure that the Society remains viable and so that we can continue to serve our members for the longer term.

The financial markets volatility associated with both Brexit and world events generally, have continued through 2018 and into 2019 to date.

Whilst total assets decreased due to the aforementioned losses, our Solvency Capital Requirement coverage has improved during the year from 173% to 194%. This is comfortably above our own internal minimum risk appetite level of 150% or more. Key reasons for the improved capital cover include the reduced pension deficit and the benefit from the pricing actions that we have needed to take.

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 the last year repriced the business written through a small number of aggregator websites, which has reduced new business volumes. We remain committed to writing such business where it can be underwritten on a profitable basis, and help provide some geographical and other diversification for our other insurance business.

Our infrastructure improvements continue in 2019 and beyond. Of particular focus for the next 18 months will be the development of our new policy administration system and our pricing and underwriting tools.

WORKING WITH THE COMMUNITY

We have decided to close the legal entity that was our Charitable Foundation in order to save administration and audit costs. However, we continue to work with local projects that support and develop the social aims and aspirations of not only our trade union partners, but also our colleagues employed here at UIA Mutual, who raise additional funds for local causes.

In 2018, our colleagues provided donations to Stevenage Community Food Bank and the Society donated £2,500 each to the food bank and Stevenage Haven, which looks after young homeless people.

BOARD COMPOSITION

The only significant change in the last year has been the appointment of John Nickson as Finance Director and Company Secretary. John is a chartered accountant and chartered insurer, and has brought with him significant financial services experience. John's appointment was confirmed at the Board meeting of 26 June 2018.

OUR COLLEAGUES

Finally, I would like to thank all our colleagues who have worked so hard in the last year to continue to deliver a high quality service to our members at a time of great change.

Peter Dodd
Chair of the Board
9 April 2019

STRATEGIC REPORT

SOCIETY PURPOSE

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

BUSINESS MODEL AND STRATEGY

In order to achieve this mission, our corporate aim is to remain an independent mutual that is financially strong and operating profitably. Our key measures of strength and profitability are our Solvency Ratio and our Combined Operating Ratio, and we aim to deliver these key targets primarily through the underwriting and administration of household insurance, supported by the provision of other complementary products. During the year under review, the Society continued to underwrite Home Emergency Assistance (Class 18) business and also Before The Event (BTE) legal expenses insurance. We also continue to underwrite After The Event (ATE) legal expenses insurance, although this business 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 commercial 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 media, magazines, conferences and face-to-face contact with key branch, regional and national officials. Through improved communication with our membership, we can deliver insurance that meets their requirements, enhances 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 distributed 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

2018 was an extremely poor year for us. Our result, a loss of £8.1m has arisen due to a number of factors:

Firstly, our underwriting result, a loss of £7.5 m, was adversely affected by the "Beast from the East" freeze in February and March 2018 at a cost of £2m. More importantly, however, inappropriate pricing for the level of risk assumed was in place for much of 2017 and into early 2018, leading to significant losses through the Together brand in particular. This was identified in March 2018, and in May 2018 the first of a number of corrective pricing and underwriting actions were introduced. These changes will put our business on a much stronger footing for 2019 and beyond.

STRATEGIC REPORT
CONTINUED

Secondly, we chose to de-risk our investment portfolio by moving our equity holdings into short-and medium-dated funds. This move protected our balance sheet, and our solvency ratio is in-line with many other insurers. This remains the right investment stance for us into 2019 and beyond, as we invest over a medium-term timeline. However, in doing so, we faced losses arising from market interest rate changes. Over the medium term, interest rate rises are welcome as yields also rise.

Finally, our expense base remains under scrutiny as we look to match our costs more appropriately to our earnings. We will introduce efficiencies into our cost base through selective investment into our operating model, and our transformation programme will deliver key components of this. At the same time, we will continue to develop and support our colleagues so that they can continue to deliver the personalised service levels that our members rightly expect. In the near term, we plan to return the business to a break-even position.

At the same time, we will continue to develop and support our colleagues so that they can continue to deliver the personalised service levels that our members rightly expect.

Our balance sheet has retained profits of £30.5m and with a solvency capital ratio of 194% (2017: 173%), the Society remains strong.

For a full description of our business and its results for the financial year, please refer to our Annual Report and Financial Statements which are available on our website www.uia.co.uk

BREXIT

The Board has approved these Reports and Accounts on 9 April 2019, three days before the UK formally has to leave the European Union without any withdrawal agreement or have negotiated a further extension to the withdrawal date with the agreement of the other 27 members of the Union. The Board is satisfied that it is able to perform its obligations in respect of, and to approve these Reports and Accounts, despite the obvious uncertainties that currently exist.

We are not expecting to have to alter our business model due to matters arising from any direct or indirect impact of the UK leaving the European Union in either a deal or no-deal exit. 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 further uncertainty within investment markets.

It is possible that claims cost inflation may increase under some Brexit scenarios due to skills and materials challenges. However, it is not practical at this stage to ascertain what the impact of such shortages will be. Such an impact will affect the overall insurance market, which may respond with generally increased premiums for home insurance.

Certain of our reinsurers are non-UK based within the European Union. We have investigated post Brexit arrangements and are satisfied that such arrangements will continue to be in place.

£5m of financial and reinsurance assets held on our balance sheet as at 31 December 2018 are issued or owed by financial institutions based in Europe. We consider these to be stated at fair market value as at the year end. The political situation at the date of approving these Reports and Accounts remains uncertain and this continues to affect investment and insurance markets.

KEY PERFORMANCE INDICATORS (KPIS)

The Board considers that, in addition to the overall result, 2018 loss £8,065,000 (2017: loss £1,892,000), the following metrics represent the key financial dynamics of the Group:

KEY PERFORMANCE INDICATOR	2018 ACTUAL	2017 ACTUAL
Financial		
Combined operating ratio	138.3%	122.3%
Household loss ratio	80.7%	67.7%
Underlying household expense ratio	49.0%	46.7%
Retention rate	76.5%	77.3%
Investment yield excluding capital gains or losses	2%	5%
Return on capital employed	(20%)	(4%)
Solvency II cover	194%	173%
Total expense ratio *(see below)	46.6%	47.9%
Underlying expense ratio *(see below)	42.7%	41.4%
Non-financial		
New business policy count		
– Traditional	10,750	12,310
– Aggregator	10,607	15,183
– Together	513	1,284
Average new business premium	£171	£165
Claims frequency	5.3%	4.7%
Claims severity	£2,660	£2,803
Cost per acquisition	£74	£84

* Note The 2017 total expense ratio and underlying expense ratio have been restated to be consistent with 2018.

A severe reduction in values of financial markets was included in our Own Risk and Solvency Assessment, and the Society continued to meet the required statutory solvency and capital requirements over the business planning period.

The Board and senior management continue to review the situation and will take whatever action is necessary to protect the interests of the members of the Society.

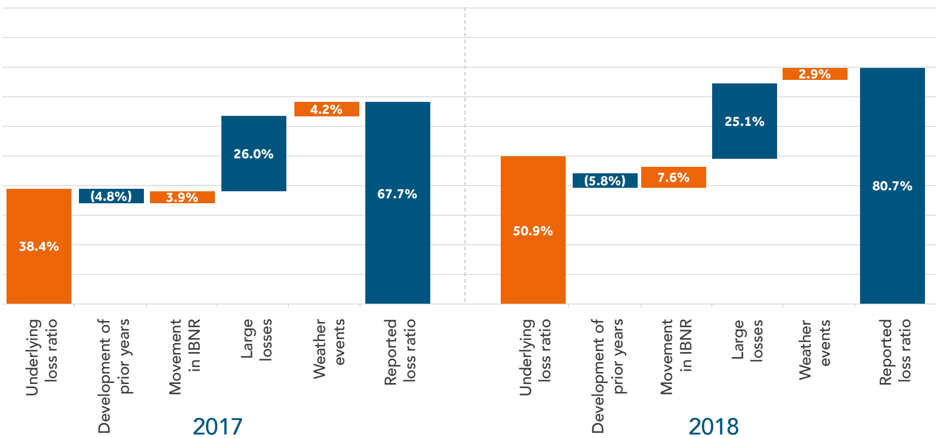
Combined operating ratio (COR) is a common measure for insurance companies and is calculated as total costs (claims plus commission and expenses) divided by net earned premium income.

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

Finally, our solvency ratio has increased as a result of management actions to de-risk our investment portfolio and re-price a large section of our business, and a reduction in our pension deficit. Additionally, we purchased a higher level of reinsurance cover in 2018, which has had a positive impact on our solvency ratio. We no longer hold any direct investments in equities and our investments are invested in fixed-interest government and corporate bonds, cash equivalents and cash.

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

HOUSEHOLD LOSS RATIO – 2017 v 2018



Large losses are losses exceeding £25,000 not included within other categories

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.

CONDUCT RISK INDICATOR		DECEMBER 2018	TARGET	DECEMBER 2017
Service levels	Customer services (month)	83.6%	>80%	92.0%
	New business (month)	90.1%	>80%	92.0%
	Claims abandoned calls (month)	8.0%	<2%	2.6%
Not taken up	Not taken up (month)	2.9%	<5%	1.9%
Declined claims	Claims declined (month)	4.0%	<25%	17.8%
Customer satisfaction	Marketing HAWD (month)	92%	>90%	95.0%
Reportable complaints to Financial Ombudsman	Claims and Customer services (for the year)	40	<25	24

Our claims abandoned calls rate is higher than our target rate due to the new system implantation absorbing more resources than anticipated during the latter part of the year. These are now reducing to more acceptable levels as we have increased the level of resources to include a small team on standby should the normal resource base become stretched at times of a high incidence of claims.

Our reportable claims to the Financial Ombudsman for 2018 now includes complaints arising from our add-on products – Home Emergency, Before the Event legal insurance and Travel.

EXECUTIVE PAY

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

STRATEGIC REPORT

CONTINUED

PRINCIPAL RISKS AND UNCERTAINTIES

Our heat map of principal risks and uncertainties facing the business is shown below:
Our potential exposures to risks emerging from Brexit are disclosed separately on page 8.

LIKELIHOOD

IMPACT	LOW	MEDIUM	HIGH
HIGH	4: Insurance and reserving risk 5: Cyber risk	1: Pension risk	
MEDIUM	6: Credit risk 7: Market risk 8: Climate change	3. Pricing risk	
LOW			2: Business Transformation risk

RISK NUMBER	RISK HEADING	RISK DESCRIPTION	CONTROLS AND ACTIONS
1	**Pension risk**	The current employer pension scheme is in a deficit position. The latest triennial valuation took place in 2017 with an overall deficit. This deficit is mainly attributable to UNISON, the co-sponsoring employer of the scheme. This deficit or surplus has changed at each annual re-measurement and our share is approximately 5.0%.	A recovery plan is in place and additional deficit repair contributions have been agreed and are disclosed in Note 30: Retire benefit obligations in our Annual Report and Financial Statements. UNISON is carrying out a strategic review of its pension provision and the Society is represented at the review meetings.
2	**Business transformation risk**	Transformation programme failure and/or significant cost overruns.	The transformation programme progress and implementation is reviewed by management, and costs are reviewed by the Board. Current progress on critical aspects has been good and the delivery of the claims system in July 2018 provides comfort regarding our ability to deliver the overall programme. Phase one of our new pricing system is due to be delivered by April 2019.
3	**Pricing risk**	The Society operates in a highly competitive market and there is a risk that the Society either charges an inappropriate price for household insurance or fails to react quickly to changing market circumstances, which could lead to a poor underwriting result.	The Society has invested in a pricing manager during 2018, who has worked through a series of tactical moves to improve the underwriting portfolio while still remaining within the overall strategy of being the first choice personal lines provider to members of trade unions, their families and other like-minded organisations and their members, through the provision of first-class service and products. The Society also closely monitors the FCA's thematic review of overall pricing in the general insurance market.

RISK NUMBER	RISK HEADING	RISK DESCRIPTION	CONTROLS AND ACTIONS
4	**Insurance and reserving risk**	The Group's business is to accept insurance risk which is appropriate to enable the Group to meet its objectives. Reserving risk is associated with insurance risk and it occurs when claims provisions make insufficient allowance for claims, claims handling expenses and reinsurance bad debt provisions. There is a possibility that the Group's management does not make sufficient provision for exposures which could affect the Group's earnings and capital.	Within a Board-approved underwriting policy and agreed risk appetites, the Group seeks to balance this insurance risk with the pursuit of appropriate reward in the form of sufficient levels of insurance premiums. Particular attention is paid to actual and forecast loss ratios, being claims incurred divided by premiums. The Group's actuarial team uses a range of recognised actuarial techniques to project the gross written premium, monitor claims development patterns and determine claims provisions. The Board of Directors reviews the reserving position quarterly. We additionally purchase catastrophe reinsurance together with 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 upgrading 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. The Society's operational resilience continues to be monitored in this respect and its response to cyber risk is part of the internal audit plan for 2019.
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 and regular meetings with our Investment Fund Manager.
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. We believe we can adapt to such changes through our improved pricing mechanisms.

CHANGES TO PRINCIPAL RISKS

Our principal risk last year was the introduction of the General Data Protection Regulations. We have successfully implemented the required changes and are adherent to the Regulations on an on-going basis. This has been replaced as principal risk by our pension risk. Additionally, this year, we have included our business transformation risk. Last year, we considered conduct risk to be a principal risk. We have concluded that, following training and strengthening of our compliance programme, this is no longer a principal risk, and is replaced by pricing risk.

REINSURANCE ARRANGEMENTS

Our reinsurance arrangements ran from 31 December 2017 to 31 December 2018. The Risk Committee recommended and the Board approved bringing forward the renewal date of such arrangements to the 31 December 2017 from 1 January 2018 for this year, and purchasing significantly more catastrophe cover than had been purchased in prior periods. Our reinsurance arrangements for 2019 are also in place from 1 January 2019. 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.

> **Our continued aim is to be the first choice personal lines provider to members of trade unions, their families and other like-minded organisations and their members.**

UIA CHARITABLE FOUNDATION

As Peter has mentioned, we have taken the decision to focus our charitable work through our primary vehicle, UIA (Insurance) Limited, and close the Charitable Foundation. The primary reason is to raise the Society's profile within both the local area and the broader charitable arena with our continued support of the charitable foundation's aims. The Group remains committed to reinvesting members' money for good charitable purposes.

FUTURE DEVELOPMENT

Our primary focus continues to be to strengthen and broaden our partnerships within the Trade Union market, and to offer our members competitive household, and other quality insurance products, underpinned by outstanding service levels. We operate within the personal lines market, which remains both highly competitive and highly regulated, and as a consequence is becoming dominated by larger players. We will use our small scale to our advantage by continuing to invest in a transformation programme that will give us the ability to operate in an agile, flexible and personalised nature, which keeps members at the heart of our offerings.

During 2019, we will be launching our new pricing engines and commence building our new policy administration system, which will enhance our pricing and risk selection and allow us to further improve our service for our members.

In 2018, our internal technical capability has been significantly strengthened following on from our investment in colleagues during 2017.

The aim of our investment portfolio 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, on which our members rely, particularly when claims are made. The launch of our new claims system in mid-2018 will enable us to better service our members at such unfortunate times when a claim is necessary.

A key focus for 2019 and beyond is to continue to underwrite appropriate risks at an acceptable price, while maintaining strict budgetary controls over our expenses and project development costs, and to return to long-term financial sustainability following our results for this year.

Jon Craven
Director
9 April 2019

SUMMARY DIRECTOR'S REMUNERATION REPORT

REMUNERATION POLICY FOR EXECUTIVE DIRECTORS

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

SALARIES

Base salaries are reviewed tri-annually using external consultants. This was last carried out in 2016 and the next review is in 2019. In the intervening years, subject to the approval of the Nominations and Remuneration Committee, the policy is to increase base salaries at the same basic inflationary rate as the Society's colleagues.

VARIABLE PAY

Annual bonus

Executive Directors are eligible to participate in an annual performance-based, cash performance award scheme. The Committee reviews and agrees performance award targets and levels of eligibility annually. The performance award is based on two factors: overall underwriting performance, and on achievement of a set of personal objectives, which directly support the business plan. The first factor is designed to pay out a maximum of 5% of base salary and there is a threshold below which no performance award is paid. Total awards for exceptional performance will not exceed 35% for the CEO and 20% for the Finance Director. No awards are to be made in respect of the 2018 financial year.

Transformation Incentive Plan

The Transformation Incentive Plan is a three-year scheme covering the period 2018 to 2020 and is available to Executive Directors. Non-Executive Directors are not eligible to participate in the scheme. The scheme will be settled at the end of the three-year period in April 2021.

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

There are 4 measures used that are linked to our transformation incentive plan:

- Combined operating ratio
- Solvency capital requirement
- Colleague engagement survey
- Customer satisfaction measures

All measures need to be successfully met before any award is made, and the bonus target and maximum bonus opportunity is split equally across all four measures. The measurements are taken for the 2020 financial year. The maximum amount that can be awarded will not exceed 50% of annual salary over the three-year period. No awards have been accrued in respect of the 2018 financial year.

PENSION

Executive Directors are eligible to be members of UNISON's Staff Pension Scheme, which is a defined benefit plan with a pension paid on retirement based on salary and length of service.

	BONUS TARGET	MAXIMUM BONUS TARGET
Chief executive officer	40%	80%
Executive directors	24%	48%

Contributions of 9.1% were made in 2018 by way of salary sacrifice by the Directors that elected to join the scheme, and a further 25% by the Society. Additionally, social security taxes associated with the salary sacrifice are contributed. Future contributions rates are disclosed in Note 30: Retirement benefit obligations in our Annual Report and Financial Statements. A Director who does not join the scheme is eligible for a pension allowance. The Society provides a lump sum benefit of four times basic salary in the event of death in service to Executive Directors, either through the scheme or independently.

OTHER BENEFITS

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

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

Prior to his appointment as Director, John Nickson acted as interim Finance Director. His remuneration during that period was £85,680. During the year John Nickson accrued pension benefits amounting to £1,220 per annum (2017: £nil) in the Society's defined benefit pension scheme payable at normal retirement age.

	J CRAVEN £	J NICKSON £
Salary and Fees	155,754	75,833
Pension and travel allowance	37,114	5,600
Other benefits	560	1,879
Total 2018	**193,428**	**83,312**
Total 2017	188,188	Nil

SUMMARY DIRECTOR'S REMUNERATION REPORT

CONTINUED

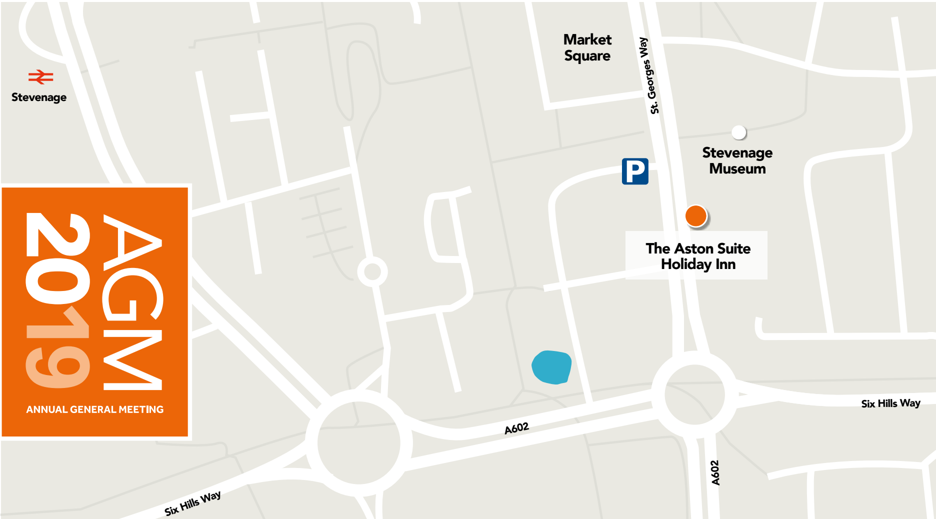
REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS

Fees for Non-Executive Directors are reviewed annually by the Nominations and Remuneration Committee with changes normally effective from 1 January. Fees are designed to recognise their responsibilities and are reviewed using external third parties on a tri-annual basis. This was last carried out in 2016. In the intervening years, subject to the approval of the Nominations and Remuneration Committee, the policy is to increase base salaries at the same rate as the Society's colleagues.

The policy is to allow discretion to accommodate the need to attract different skills, experience and knowledge. Fees comprise a basic annual fee, paid in monthly instalments. Fees are neither pensionable nor performance-related and Non-Executive Directors do not participate in any bonus schemes. The basic salary for the Chairperson is £47,427. The basic salary for the Non-Executive Directors is £28,035 (2017: £27,485), with industry specialist Non-Executive Directors receiving £31,618. Committee Chairs are paid an additional £3,162 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 2018 £	SALARY AND FEES 2017 £
Peter Dodd	**48,202**	49,080
Bob Abberley	**30,422**	27,485
Timothy Holliday	**32,935**	30,998
Lucia McKeever	**31,197**	34,101
Eithne McManus	**34,780**	34,352
Oliver Peterken	**34,780**	34,098
Marion Saunders	**29,879**	30,585
Eleanor Smith	-	21,533
Tony Woodley	**28,035**	27,485
Total	**270,230**	**289,717**

WHERE TO FIND US ON THE DAY



Situated in the very heart of the busy business hub of Stevenage, the 4-star Holiday Inn is within easy walking distance of Stevenage railway station.

BY RAIL: A 20-minute train journey from London Kings Cross, Stevenage train station is an eight-minute walk away from the hotel through the town centre. Trains also connect regularly with the north.

BY CAR: From the A1(M) motorway, exit at Junction 7 and take the A602 exit to Stevenage. Follow the A602 to St. George's Way and the Holiday Inn Stevenage will be on your right.

CAR PARKING: A public car park is located opposite the hotel at Southgate, Stevenage, SG1 1EW. Alternative parking can be found at Westgate Multi Storey. Both offer a reduced rate of £3.70 to hotel guests. Validate your token at the hotel reception. Accessible parking is available at the hotel.

BY AIR: London Luton Airport is 30 minutes away by taxi. National Express coaches take around 50 minutes.

The Aston Suite
Holiday Inn Stevenage
St. George's Way
Stevenage
Hertfordshire
SG1 1HS

Tel: 01438 722 727
www.histevenage.com

Monday 24 June 2019
at 1.00pm

UIA (Insurance) Ltd, Kings Court, London Road
Stevenage, Hertfordshire, SG1 2TP
01438 761 776 | www.uia.co.uk | www.togethermutualinsurance.co.uk

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