

# Mutual Societies Annual Return

## AR 30 – Industrial and Provident Societies Act 1965 Form



### Full name of society

UIA (Insurance) Limited
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### Important information you should read before completing this form

We require all Industrial and Provident societies to complete this form every year.

For a society registered on or after 8 January 2012, the year of account will end on the last day of the month in which the anniversary of its registration falls, unless the society has notified us otherwise. For a society registered before 8 January 2012, the society's year of account must end between 31 August to 31 January inclusive, unless the society has notified us otherwise.

All the required information must be submitted within seven months of the year end date. Failure to submit the documents constituting your society's annual return by the due date is an offence and may result in prosecution.

Please keep a copy of the form and the supporting documents for future reference.

The notes that accompany this form will help you complete the questions.

Please be aware that any personal details you give on the form will be placed on the society's public file.

It is important you give accurate and complete information and disclose all relevant information. If you do not, it may take us longer to assess your annual return.

### Terms in this form and Contents

'FSA', 'we' and 'us' refer to the Financial Services Authority.

'You' refers to the person signing the form on behalf of the society.

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FSA use only		
	Date Received	Case Officer
1st		
2 <sup>nd</sup>		

Received in Mutual Returns Team
25 MAR 2013

# Mutual Societies Annual Return

## AR 30 – Industrial and Provident Societies Form



### Filling in the form

1 If you are using your computer to complete the form:

- use the TAB key to move from question to question and press SHIFT TAB to move back to the previous question; and
- print out the completed form and arrange for it to be signed.

2 If you are filling in the form by hand:

- use black ink;
- write clearly; and
- arrange for it to be signed.

3 If you make a mistake, cross it out and initial the changes; do not use correction fluid.

4 If you think a question is not relevant to you, write 'not applicable' and explain why.

5 If you:

- leave a question blank;
- do not get the form signed; or
- do not attach the required supporting information

without telling us why, we will have to treat the return as incomplete. This will increase the time taken to assess your return.

6 If there is not enough space on the form, you may need to use separate sheets of paper. Clearly mark each separate sheet of paper with the relevant question number.

7 Send us your application by post. It must include:

- this form;
- a set of printed accounts;
- an audit report or accountant's report where appropriate (or a supplementary return); and
- supporting documents.

Send it to:

**Mutuals Team  
The Financial Services Authority  
25 The North Colonnade  
Canary Wharf  
LONDON  
E14 5HS**

## 1

**Details of society****1.1 Details of the society**

Register number	2898R
Registered office address	Kings Court, London Road Stevenage, Herts
Postcode	SG1 2TP

**1.2 Year end date (dd/mm/yyyy)**

See Note 1.2

3	1	/	1	2	/	2	0	1	2
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**Committee of management**

If you are a club you do not need to give a year of birth in questions 1.3-1.6.

The names of the members of the Committee at the date on which the return is signed should be entered below in BLOCK CAPITALS.

**1.3 Details of Chairman**

Name	Mr Gerard Martin Gallagher
Address	17 Toft Hill Bishop Auckland, County Durham
Postcode	DL14 0JA
Year of birth	1954
Business occupation and other directorships	

**1.4 Details of Treasurer**

Name	
Address	
Postcode	
Year of birth	
Business occupation and other directorships	

## 1.5 Details of Secretary

Name	Mr Benjamin John Terrett
Address	60 Basils Road Stevenage, Herts
Postcode	SG1 3PX
Year of birth	1972
Business occupation and other directorships	

## 1.6 Details of Members of the Committee

Name	Address	Year of birth	Business occupation and other directorships
As per attached sheet		yyyy	
		yyyy	
		yyyy	
		yyyy	
		yyyy	
		yyyy	

Please use separate sheets of paper if you need more space.

Please indicate how many separate sheets of paper you have used.

Two

All societies must answer the following questions whether the answers are yes or no, and provide all other information requested

- 1.7 Does the society take deposits (excluding withdrawable shares) within the provisions of the Financial Services and Markets Act 2000?  
 No  
 Yes
- 1.8 Does the society hold deposits (excluding withdrawable shares) taken previously, even though it does not currently take them, within the provisions of the Financial Services and Markets Act 2000?  
 No  
 Yes
- 1.9 Is the society a subsidiary of another society?  
 No  
 Yes
- 1.10 Does the society have one or more subsidiaries?  
 No  
 Yes
- 1.11 Is the society currently accepted by the Inland Revenue as a charity for tax purposes?  
 No ▶ Continue to question 1.12  
 Yes ▶ Give details below  
Reference number of letter from Inland Revenue or the Scottish Charity number  
  
You must confirm that you have attached a copy of the  Yes  
Inland Revenue's letter to this return
- 1.12 Is the society registered with the Tenant Services Authority, Welsh Ministers or The Scottish Housing Regulator?  
 No ▶ Continue to question 1.14  
 Yes ▶ Select the one you are registered with below and provide the registration number  
 Tenant Services Authority  
 Welsh Ministers  
 The Scottish Housing Regulator  
Register number
- 1.13 Is the society a registered social landlord?  
 No  
 Yes
- 1.14 Does the society offer any insurance products?  
 No  
 Yes
- 1.15 Does the society undertake residential mortgage business?  
 No  
 Yes
- 1.16 Name of any organisation to which the society is affiliated  
Name

**Benefit of the community societies**

1.17 As once completed this return will be placed on the society's public file, benefit of the community societies are welcome to use the space below to provide a report for all those who may have an interest in the society. If provided, this report should cover the activities of the society during the financial period covered by the return and should set out how these activities have brought benefit to the community.

Please use separate sheets of paper if you need more space.  
Please indicate how many separate sheets of paper you have used.

## 2

**Statistics**

We can use these figures in our Annual Report.

**Account details****2.1 You must enter the figures below**

See notes for help on items E-T. Enter NIL where applicable

A	Members at beginning of year	125,921
B	Members ceased during year	33,191
C	Members admitted during year	23,833
D	Members at end of year	116,563
E	Turnover for year	27,858,000
F	Total of income and expenditure (receipts and payments added together)	-
G	Net surplus/(deficit) for year	2,155,000
H	Fixed assets	465,000
I	Current assets	83,724,000
J	Total assets (equal to amount in row O, below)	84,189,000
K	Current liabilities	56,363,000
L	Share capital	1,000
M	Long-term liabilities	Nil
N	Reserves	27,825,000
O	Total liabilities, share capital & reserves (K+L+M+N) (equal to amount in J above)	84,189,000
All societies (excluding clubs) must complete boxes P-T		
P	Investments in other Industrial and Provident societies	Nil
Q	Loans from members	Nil
R	Loans from Employees' Superannuation Schemes	Nil
S	Dividends on sales	Nil
T	Share interest	Nil

**2.2 Names of subsidiaries as defined in Section 15 of the Friendly and Industrial and Provident Societies Act 1968**

UIA (Insurance Services) Limited
UIA (Call Centres) Limited
Uniservice Limited
UIA Lottery Management Services Limited
UIA (Trustees) Limited

**2.3 Names of subsidiaries not dealt with in group accounts (if any) and reasons for exclusions (as approved by the FSA)**

The society must have written authority from us to exclude a subsidiary from group accounts




# 3

## The audit

**3.1 Type of audit used for the attached accounts.**

If the society has used a full professional audit or an accountant's report then the report must be prepared by a registered auditor.

- Full professional audit   ▶ Continue to section 4
- Accountant's report       ▶ Complete questions 3.2 and 3.3
- Lay audit                   ▶ Complete questions 3.2 and 3.3
- Unaudited                 ▶ Complete questions 3.2 and 3.3

**3.2 Do the society's registered rules allow the society not to undertake a full professional audit?**

- No
- Yes

**3.3 Has the membership passed at general meeting, in accordance with section 4A(2) of the Friendly and Industrial and Provident Societies Act 1968, a resolution allowing the society not to undertake a full professional audit for the year of account in question?**

- No
- Yes

## 4

## Accounts and signature

## Accounts

- 4.1 Date on which the accounts and balance sheet will be/were laid before the AGM (dd/mm/yyyy)

1	8	/	0	6	/	2	0	1	3
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- 4.2 Does your society have to produce accounts to the minimum standard required?

- Yes ▶ you must confirm that you have attached the accounts and the audit/accountant's report bearing the original signatures of the auditor (if required by law), the secretary and the two committee members.  Attached
- No ▶ you must complete a supplementary return, see notes for details.  Attached

## Signature – all societies to complete

- 4.3 The Secretary of the society must sign and date below

I certify that the information in this form is correct to the best of my knowledge and belief.

Name	Mr Benjamin John Terrett
Signature	
Phone number	01438 761761
Email	ben.terrett@uia.co.uk
Date	22/03/2013

Name	Address	Year of Birth	Business occupation and other directorships
Ian Robert William Cracknell	The Kop Henham Road Debden Green Saffron Walden Essex CB11 3LZ	1961	Chief Executive Officer  UIA (Insurance Services) Limited UIA (Call Centres) Limited Uniservice Limited UIA Lottery Management Services Limited UIA (Trustees) Limited
Peter Dodd	24 Scarisbrick Road Levenshulme Manchester M19 2BS	1954	Non-Executive Director  The Mechanics Centre Limited
Gerard Martin Gallagher	17 Toft Hill Bishop Auckland County Durham DL14 0JA	1954	Non-Executive Director  UIA (Insurance Services) Limited UIA (Call Centres) Limited Uniservice Limited UIA Lottery Management Services Limited UIA (Trustees) Limited
Michael Anthony Hayes	6 Bryn Terrace Brynsadler Rhondda Cynon Taff CF72 9BU	1965	Engineer
Robert Newton	Molebank House Haydons Close Chipping Campden GL55 6JN	1950	Professional Director Co-operative Banking Group Limited The Co-operative Bank plc CIS General Insurance Limited Co-operative Insurance Society Limited Reclaim Fund Limited Silentair Group Limited

Name	Address	Year of Birth	Business occupation and other directorships
Marion Saunders	39 Richmond Court Gardens Colne Road Cromer Norfolk NR27 9AQ	1953	Non-Executive Director  London Strategic Housing
Geoffrey David Shears	10 The Postern Barbican London EC2Y 8BJ	1947	Non-Executive Director
Eleanor Smith	17 Old Bank Top Northfield Birmingham B31 3XD	1957	Non-Executive Director
Benjamin John Terrett	60 Basils Road Stevenage Herts SG1 3PX	1972	Finance Director  UIA (Insurance Services) Limited
Andrew Wainwright-Brown	High House Baylham Ipswich IP6 8LD	1959	Non-Executive Director  High House Consulting



**UIA (Insurance) Limited**

**Annual Report and Accounts  
for the year ended 31 December 2012**



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

FSA Registered Number 110863

## UIA (Insurance) Limited

### CHAIRPERSON'S STATEMENT

I will be stepping down at this year's AGM following 10 years with UIA, the last two, as Chair of the organisation. During this period I have had the opportunity to see UIA transformed into the modern, forward looking company that it is today and one that has continued to prosper through the global economic crisis.

I am pleased to report that the future of UIA is in good hands as under Ian Cracknell's leadership the Company has had another successful year. Ian has forged a new team to help UIA achieve even greater success in the future. Our challenge in 2012 was to continue the good progress that had been made in previous years to build on our success for the benefit of our policyholders. In addition, to ensure that UIA remained financially strong and capable of continuing to deliver quality household and other general insurance products to our members, into the future.

### New Board Appointments

As Ian developed his team during the year I am very pleased to say that Ben Terrett was appointed to the role of Finance Director and Company Secretary. Ben is a qualified accountant and has worked at UIA for over eight years, in the capacity of Internal Audit and Compliance Manager. He brings a wealth of knowledge and experience to the role, particularly in relation to the regulatory environment that we operate within.

Since the 2012 AGM, we also welcomed Eleanor Smith and Lucia McKeever to the Board in the capacity of UNISON nominated Directors. Eleanor is a past President of UNISON and Lucia is a Vice President of the Union.

### Financial Performance

Over the last few years we have striven to achieve our objectives in challenging market conditions for business and consumer alike. However, our financial results show a considerable degree of success with solid new business figures and growth enjoyed in the number of members taking out our policies from key trade union partnerships, such as Unite. This contributed to earned premiums of over £22m, during the year.

Driven by a continued low frequency in claims our underwriting position remains very strong and, buoyed by a solid investment performance, delivered a surplus of over £3m during the year.

These excellent results have further strengthened our capital position, providing us with very strong foundations on which to build our future strategy.

### Strong Partnerships

UIA has a proud history within the trade union movement and we remain committed to building on this heritage to offer products and services to meet the needs of both trade union members and like-minded consumers.

Our relationships with our trade union partners remain very strong and I am delighted to report that early in 2013 we have entered into a new partnership to promote our products to members of GMB.

## **UIA (Insurance) Limited**

### **CHAIRPERSON'S STATEMENT (continued)**

#### **A New Brand for a New Market**

We have a firm belief in our status as an independent and financially strong mutual insurance company. We know that our members are looking for fairness, transparency and superior service from the organisation that they choose to have a relationship with. This is something that we strive to offer through UIA Insurance to our trade union partners but we also want to offer 'like-minded' customers with the opportunity to have a relationship with us and will therefore be launching a new brand in 2013, to meet their needs, called 'Together Mutual Insurance'. Growth from this new market will spread the ever increasing cost of running a modern insurance company in a heavily regulated market, allowing us to continue to give great value to our trade union members.

#### **Meeting the Needs of our Members**

First and foremost our priority is to ensure that we provide our members with excellent customer service. We know that our members have a choice of where to place their insurance but we take pride in the fact that 8 out of every 10 members choose to keep their policies with us year on year.

We regularly take the time to talk to our members and, whilst we are not complacent about the service that we provide, it has been pleasing to note that, in regular surveys conducted during 2012, over 90% said that they were happy with the service that they received from us. More importantly, when they had to claim on their policies, nearly all said that they were happy with the service that they received and would continue to renew their household insurance with UIA.

We continue to seek ways of enhancing the quality of reporting to our members. In 2013 we will provide members with the ability to download or store their policy documents online and I would encourage everyone to take advantage of our email reporting services whenever possible, rather than choosing to receive printed copies of the Annual Report and Accounts. You can also choose to receive email copies of the voting papers for this years' Annual General Meeting.

#### **Competitive Insurance Products**

During 2012 we launched a new range of home insurance products designed to more closely match the needs of our members. The range included a Classic policy for those living in smaller properties, a Flexi policy to meet the requirements of most of our members and a Signature policy that included more comprehensive cover, including legal expenses and home emergency insurance. I am pleased to say that our members have welcomed the new choices that have been made available to them and the take up of the new product range has been successful.

#### **Charitable Activities**

We have continued to fund the good work of the UIA Charitable Foundation through our commitment to donating a share of our post-tax profits. In 2012 we approved donations of over £40,000 to more than 40 charities and voluntary organisations.

In 2013 we are looking to review the guidelines for the Foundation to ensure that we are working closely with our trade union partners, our staff and our members to support causes that are of specific interest to them. We are particularly interested in working with charities which can demonstrate a strategy for change over a specific timeframe, supported through the achievement of project objectives that can be monitored and evaluated.

# UIA (Insurance) Limited

## CHAIRPERSON'S STATEMENT (continued)

### Risk Management and Capital Requirements

In May 2012 we undertook a review of our Risk Management process and in particular our approach to the new Solvency II regime. Our first objective under this review was to ensure that members' needs continued to be protected, but we also wanted to ensure that our responses to the initiative were proportionate to the nature and complexity of the Company.

In completing this review we decided to follow many other insurers and use industry standard calculations to determine our capital requirements, enabling us to meet the requirements of our policyholders, by complying with the regulations but also enabling us to have a more efficient cost base.

At the end of the year our capital stood at £32m, which is over £13m in excess of the minimum set by our regulator.

As part of the Solvency II regulations we are required to report not just on our capital requirements, but we also have to subject this capital to stress tests and scenarios to ensure that we can meet the needs of our policyholders under extreme events. During 2012 we therefore developed our Own Risk and Solvency Assessment (ORSA) which is a process which seeks to align our business strategies, policies and procedures to the risks we face and allocate capital to those risks. The resulting document forms a blueprint for our business and will be submitted to the Regulator during 2013.

### Equipping UIA for the Future

The economic outlook for the foreseeable future will remain a challenging one for both individuals and businesses alike. UIA recognises the impact that the recession and Government cutbacks in public services are having on many of our customers. It is therefore imperative that we continue to provide them with access to quality and value for money insurance products, delivered with service excellence.

UIA is in a strong position to build for the future and will be investing in new technology during 2013 to help us to become even more efficient in the way that we meet the needs of our policyholders.

The UIA Board is therefore confident that we have the plans in place and financial strength to prosper in this challenging landscape and continue to develop the business for the benefit of our members.

### Acknowledgements

Finally, as I step down from the Board, I thank the people that I have worked with at UIA over the last 10 years, including Board members both past and present, all of whom have added to the success that we continue to enjoy. I would like to give UIA my very best wishes for the future.



Gerry Gallagher  
Chair of the Board  
7 March 2013



# UIA (Insurance) Limited

## DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 December 2012.

### Principal activity and review of the business

The principal activity of the Company is the transaction of general insurance business. The Company's business and prospects are highlighted in the review by the Chairperson.

The result for the year is shown in the consolidated revenue account on page 14.

### Directors

The names of the current Directors are listed on pages 3 to 5.

The changes to the Executive and Non-Executive Board this year are as follows:

Geoff Shears	Appointed 9 May 2012
Malcolm Cantello	Resigned 19 June 2012
Andrew Gay	Resigned 30 April 2012
Alison Shepherd	Resigned 7 March 2012
Eleanor Smith	Appointed 19 June 2012
Ian Templeton	Resigned 29 June 2012
Ben Terrett	Appointed 25 July 2012

All other Directors held office throughout the year.

### Charitable donations

During the year the Company approved a donation to the UIA Charitable Foundation amounting to £25,000 (2011: £50,000).

The Company also made other charitable donations of £19,037 (2011: £21,366).

### Statement of Directors' responsibilities

The Directors are required to present accounts for each financial year in accordance with applicable law and regulations.

Industrial and Provident Society Law, as modified by the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008 (the Regulations), require the Directors to prepare financial statements for each financial year. In accordance with the Regulations the Directors have elected to prepare both the consolidated and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP).

The consolidated and company financial statements are required by law and UK GAAP to present fairly the financial position of the group and the company and the performance for that period. The Regulations, which apply the provisions of the Companies Act 2006, provide that the financial statements give a true and fair view and a fair presentation.

# UIA (Insurance) Limited

## DIRECTORS' REPORT (continued)

In preparing each of the consolidated and company financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the accounts;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business; and
- the board is responsible for maintaining adequate accounting records that disclose with reasonable accuracy at any time the financial position of the group, safeguarding the assets of the group, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Statement as to disclosure of information to auditors

The Directors have taken all necessary steps to obtain all relevant audit information and to establish that the auditors are aware of that information.

As far as the Directors are aware, there is no relevant information of which the Company's auditors are unaware.

By order of the Board



Ben Terrett  
Company Secretary

7 March 2013

# UIA (Insurance) Limited

## CORPORATE GOVERNANCE REPORT

### Board of Directors

*Gerry Gallagher*

Non-Executive Director, Chairperson

Gerry was appointed a non-executive director in 2003 and chairperson in June 2011.

From 1974 to 2010 Gerry was a member of police staff with Durham Constabulary and for many years as Trade Union Side Secretary of the Constabulary Police Staff Group.

Gerry was a member of the National Executive Council from 2000 to 2010 when he stepped down after serving as UNISON National President 2009-2010.

He is also a non-executive Director of UIA (Insurance Services) Ltd, UIA (Call Centres) Ltd, UIA Lottery Management Services Ltd, Uniservice Ltd and UIA (Trustees) Ltd. He is a member of the Audit, the Risk and the Nominations and Remuneration Committees.

Gerry will retire from the Board at the next Annual General Meeting in accordance with the rules of the Society.

*Ian Cracknell MA FIDM FloD*

Chief Executive Officer

Ian was appointed CEO designate on February 2012 and became CEO in June 2012, following the retirement of Ian Templeton. Ian has been with UIA since February 1997 and was formerly Marketing Director of UIA (Insurance) Ltd, appointed in 1998. He is also a Director of UIA (Insurance Services) Ltd and all other Subsidiaries.

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

*Ben Terrett BA FCA Cert CII*

Finance Director

Ben is a Fellow of the Institute of Chartered Accountants in England and Wales, having qualified as a Chartered Accountant in 1998. He worked in general practice until 2004, when he began contracting as an Internal Auditor for the Audit Commission. Ben joined the UIA Group in February 2005, where he began the process of setting up the Internal Audit function. He was appointed Internal Audit and Compliance Manager in March 2010, with responsibility for Compliance Oversight.

Ben was appointed to the position of Finance Director with effect from 1 July 2012, receiving FSA approval for the role on 10 July 2012. Ben is also the Company Secretary.

Ben is also a Director of UIA (Insurance Services) Ltd.

*Peter Dodd*

Non-Executive Director

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

Peter worked for the Post Office for 23 years and then for the Communication Workers Union for 10 years. He has held positions within the CWU from 1976 to 2007. He is a director of the

## UIA (Insurance) Limited

### CORPORATE GOVERNANCE REPORT (continued)

Mechanics Centre Ltd, an Employment Tribunal Member, a lay member of the National Institute for Health Research and a governor of the Central Manchester & University Hospitals Foundation Trust.

*Mike Hayes*

Non-Executive Director

Mike was appointed a non-executive director in 2007. He is a member of the Audit and Nominations and Remuneration Committee.

Mike is an engineering assistant with Cardiff City Council. He was elected to the NEC of UNISON in 2003 and is currently chair of UNISON's Finance and Resource Management Committee.

*Bob Newton BSc FIA FloD CDir*

Non-Executive Director  
Independent Professional Director

Bob was appointed a non-executive director in 2007. He is the chair of the Risk Committee and is a member of the Audit Committee. He is a Fellow of the Institute and Faculty of Actuaries, a Fellow of the Institute of Directors, a Chartered Director and a member of the Chartered Insurance Institute.

He is also a director of Co-operative Banking Group Ltd, the Co-operative Bank plc and Reclaim Fund Ltd, is chair of CIS General Insurance Ltd, Co-operative Insurance Society Ltd and Silentair Group Ltd and is an advisor to Heirtrace Ltd. He has more than 40 years' experience in the insurance industry having held executive director positions with General Accident (UK), CGU Insurance, Aviva and NFU Mutual Insurance Society.

*Marion Saunders*

Non-Executive Director  
Senior Independent Director

Marion was appointed a non-executive director in 2010. She is a member of the Audit committee, the Nominations and Remuneration Committee and the Risk Committee.

Marion is currently a lay member on the Council of the Chartered Insurance Institute, a non-executive director of London Strategic Housing, a member of the Information Rights Tribunal and the Conduct and Competency Committee of the Nursing & Midwifery Council. She 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.

*Geoffrey D Shears MA LLB*

Non-Executive Director

Geoffrey was appointed a Non-Executive Director in 2012, following nomination by Unite. He read Law at the London School of Economics and took a Master's degree in Industrial Relations at the University of Warwick before joining W.H.Thompson, the trade union lawyers, in 1971.

Geoffrey is a solicitor and member of the Law Society. He remained with Thompsons throughout his legal career, becoming Joint Managing Partner in 1996 and CEO in 2000. He left the firm, as Executive Chair, in 2009 and is now President of Union Solidarity International. He has been Treasurer of the Institute of Employment Rights since 2001, and is

## UIA (Insurance) Limited

### CORPORATE GOVERNANCE REPORT (continued)

Vice President of the Centre for Labour and Social Studies. Geoffrey is a member of Unite and the GMB, and an honorary member of the NUM.

*Eleanor Smith*

Non-Executive Director

Eleanor was appointed to the Board in the Summer of 2012, receiving FSA approval on 19 June 2012. She is a qualified and registered Nurse and is employed by the Birmingham Women's Healthcare Trust. Eleanor is a past President of UNISON and still maintains an active role as Unison Branch Secretary whilst acting as the Staff side Lead Negotiator for the Healthcare Trust. Eleanor had been a School Governors Chair for twelve years and has been in the past Constituency Secretary for her Local Labour Party.

*Andrew Wainwright-Brown ACIS FCII*

Non-Executive Director

Independent Professional Director

Andrew was appointed a non-executive Director during 2010. He chairs the Audit Committee and is a member of the Risk Committee. He is an Associate of the Institute of Chartered Secretaries and Administrators and a Fellow of the Chartered Insurance Institute.

In 2008, Andrew semi-retired from the position of Deputy Managing Director & C.O.O. of British Marine (a subsidiary of QBE) after a 28-year career in the insurance industry during which he held senior executive and finance positions with a number of major insurers. In addition to his role with UIA, he acts as a consultant and executive coach to businesses in the insurance sector.

### Company Secretary and Registered Office

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

### Advisers

#### Auditors

Mazars LLP

#### Bankers

Unity Trust Bank plc

#### Investment Managers

Aviva Investors Global Services Ltd  
Fiske plc  
Royal London Cash Management Ltd

## UIA (Insurance) Limited

### CORPORATE GOVERNANCE REPORT (continued)

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

The Board comprises the Non-Executive Chairperson plus eight non-executive and two executive directors. Within the definition of Non-Executive Directors, UIA makes two types of appointment. Primarily the Board is made up of Non-Executive Directors, who are not financial services professionals. Members of the Board are recruited from membership, recommended by business partnerships or through open competition. In addition, the Board has appointed two Non-Executive Directors with extensive financial services and management experience. 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.

During 2012, the Board did not have a majority of Non-Executive Directors who fell within the strict interpretation of independence as outlined in the Annotated Combined Code. However the Board believes that it functioned 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 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 manages its responsibilities and ensure the effective engagement and contribution of all Directors. The Chairperson encourages and promotes a culture of openness and debate by facilitating the effective contribution of Non-Executive Directors in particular and ensuring constructive relations between Executive and Non-Executive Directors. Responsibility for the day to day management of UIA is delegated to the CEO, supported by the Finance Director. During the year, the Executive Directors met weekly to develop strategies and policies for recommendation to the Board and to implement the strategy approved by the Board. Non-executive Directors challenge, approve and monitor the strategies and policies recommended by the Executive Directors.

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

A full list of the Directors, together with their biographies, the Committees on which they sit and their attendance records are given on pages 3, 4, 5 and 10. Board appointments and resignations are given on page 1.

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

During 2012 and up to the date of approval of the annual report, UIA has operated a system of internal control which provides reasonable assurance of effective and efficient operations covering all controls including financial and operational controls, and compliance with laws and regulations.

# UIA (Insurance) Limited

## CORPORATE GOVERNANCE REPORT (continued)

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

Processes are in place for identifying, evaluating and managing on an ongoing basis the significant risks facing the Company and include:

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

The internal control system is monitored and supported by the Internal Audit function that reports to the Audit Committee on the Company's operations. During 2012, the information received and considered by the Audit Committee provided assurance that there were no material control failures.

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

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

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

## UIA (Insurance) Limited

### CORPORATE GOVERNANCE REPORT (continued)

The Board confirms that there has been in place for the year under review an ongoing process for identifying, evaluating and managing the risks faced by the Company that are significant to the achievement of its business objectives. As part of this process, managers of the operational areas and of each major project are required to identify the risks, the probability of their occurrence, the impact if they occur and the actions being taken to manage these impacts to the desired level. Managers are required to monitor and report on the key risks in their areas, highlighting whether these are stable, increasing or decreasing, as well as maintaining a risk log providing details of significant incidents and loss events. A consolidated report is submitted to every quarterly meeting of the Risk Committee providing an analysis of risks reported in the period, together with all changes to the Company risk register.

#### Statement of Compliance with the Annotated Combined Code

UIA is committed to high standards of corporate governance. The Board considers that throughout the year ended 31 December 2012, UIA has applied the relevant principles and complied with the relevant provisions of the Code. The following are the exceptions:

- Independent Non Executive Directors do not comprise at least half the Board
- The Chairman on appointment did not meet the independence criteria
- The majority of members of the nomination committee are not Independent Non-Executive Directors
- The members of the Audit committee do not meet the independence criteria

The Board does not regard these exceptions as material and the reasons for departure are explained elsewhere in this report.

#### Board Committees

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

##### Audit Committee

Andrew Wainwright-Brown (Chairperson)

Peter Dodd (until July 2012)

Gerry Gallagher

Mike Hayes

Bob Newton

Marion Saunders

Eleanor Smith (from July 2012)

This Committee meets three or four times a year and at least once meets separately with the external audit partner in the absence of Executive Directors and members of management. It assists the Board in discharging its responsibilities for the integrity of the financial statements and for ensuring the effectiveness of systems of internal control. It assists the Board in providing leadership, direction and oversight with regard to the Company's governance and regulatory policies and procedures, including those relating to compliance, financial malpractice and internal non-financial controls.

All members of the Committee are Non-Executive Directors and at least one member of the Committee has recent and relevant financial experience.



# UIA (Insurance) Limited

## CORPORATE GOVERNANCE REPORT (continued)

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 contained in them. It reviews the Company's internal financial controls and the internal control and risk management systems. It monitors and reviews the effectiveness of the Company's internal audit function. It considers the appointment of and fees for external auditors, ensures that their objectivity and independence is safeguarded in respect of any non-audit services.

### Risk Committee

Bob Newton (Chairperson)  
Ian Cracknell (from July 2012)  
Peter Dodd  
Andrew Gay (until April 2012)  
Gerry Gallagher  
Ian Templeton (until June 2012)  
Marion Saunders (from July 2012)  
Ben Terrett (from July 2012)  
Andrew Wainwright-Brown

This Committee meets three or four times a year.

The Committee assists the Board in establishing, monitoring and amending the effectiveness and appropriateness of the Group's risk and management strategy and policies. At least once a year the Committee will review the Risk Appetite and report to the Board any recommendations including assessing the appropriateness of the Corporate Plan in the context of Risk Appetite. At each meeting it reviews the Risk Register to ensure that all material risks are included and assessed in accordance with the Risk Appetite and to ensure that for each risk a set of risk management processes and measures are in place to mitigate or minimise the impact of the risk identified. It reports to the Board any actions arising from the review of the Risk Register to be incorporated in the financial and operational plans as appropriate.

It reviews the Internal Capital Adequacy Assessment including the design, build, operation and oversight of the Group's internal models. It reviews significant reports from regulatory agencies relating to risk issues, together with reports from management on the Company's compliance with laws and regulations and reports to the Board as part of the regular reporting of committee meetings. The Committee reviews the scope of the work of the Internal Audit and Compliance function as it relates to issues of risk and encourages a culture of risk awareness throughout the Company. It provides advice on aspects of risk on request from the Board. The Committee reports to the Board the outcome of each meeting and ensures that all members of the Board are fully aware of the output of the work of the Committee and the sensitivities or risks associated with the recommendations of the Committee.

## UIA (Insurance) Limited

### CORPORATE GOVERNANCE REPORT (continued)

#### Nominations and Remuneration Committee

Peter Dodd (Chair Person)  
Ian Cracknell (from February 2012)  
Gerry Gallagher  
Mike Hayes  
Malcolm Cantello (until June 2012)  
Marion Saunders (from June 2012)  
Alison Shepherd (until March 2012)  
Ian Templeton (until June 2012)

The Committee meets twice a year. The responsibilities of the Committee include reviewing the Board's structure, size and composition, selecting and proposing to the Board suitable candidates for appointment as Directors, and succession planning. The Committee considers the balance of skills, knowledge, experience, length of service, independence, 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.

#### Attendance at 2012 Board and Committee Meetings

Director	Board Meetings attended	Audit Committee Meetings attended	Risk Committee Meetings attended	Nominations and Remuneration Committee Meetings attended
Malcolm Cantello	3 (3)		3 (3)	1 (1)
Ian Cracknell	6 (6)		4 (4)	2 (2)
Peter Dodd	6 (6)	2 (2)	4 (5)	2 (2)
Gerry Gallagher	6 (6)	4 (4)	5 (5)	2 (2)
Andrew Gay	2 (2)		2 (2)	
Mike Hayes	5 (6)	3 (4)		0 (1)
Bob Newton	5 (6)	4 (4)	5 (5)	
Marion Saunders	6 (6)	3 (3)	2 (2)	1 (1)
Geoffrey Shears	2 (4)			
Alison Shepherd	1 (1)			1 (1)
Eleanor Smith	1 (3)	1 (2)		
Ian Templeton	3 (3)		3 (3)	1 (1)
Ben Terrett	3 (3)		2 (2)	
Andrew Wainwright-Brown	6 (6)	4 (4)	5 (5)	

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

The Board also meets once a year for a detailed review of strategy.

## **UIA (Insurance) Limited**

### **DIRECTORS REMUNERATION REPORT**

#### **Remuneration Policy for Executive Directors**

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

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.

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 the achievement of key performance indicators, which directly support the business plan. The scheme is designed to pay out a percentage of base salary and there is a threshold below which no performance award is paid. Total awards for exceptional performance will not exceed 10% for the CEO and Finance Director. The Committee's policy is to increase the relative importance of variable pay based on the achievement of objectives, to increase the emphasis on the personal accountability of Executive Directors.

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 2012 by way of salary sacrifice by the directors plus a further 25% by the company. The scheme provides a lump sum benefit of four times basic salary in the event of death in service.

In addition to the benefits described above, the Executive Directors are provided with a company car.

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

#### **Remuneration Policy for Non-Executive Directors**

Non-Executive Directors, including the Chair, have letters of appointment which set out their duties and responsibilities. Their appointment is generally for an initial period of three years, and subject to re-election by the membership, may be renewed by mutual consent. Non-Executive Directors may serve for a maximum of nine years, although this may be extended by resolution of the Board in exceptional circumstances.

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

#### **Directors' Emoluments**

These are shown in note 5 to the accounts.

# UIA (Insurance) Limited

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UIA (INSURANCE) LIMITED

We have audited the financial statements of UIA (Insurance) Limited for the year ended 31 December 2012 which comprise the consolidated revenue accounts, consolidated and company balance sheets, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) having regard to the statutory requirement for insurance companies to maintain equalisation provisions. The nature of equalisation provisions, the amounts set aside at 31 December 2012 and the effect of the movement in those reserves during the year on shareholders' funds, the balance on the general business technical account and profit before tax, are disclosed in note 15.

### Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 1 and 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report, including our opinion, has been prepared for and only for the company's members as a body in accordance with the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008, which modified the Industrial and Provident Societies Acts 1965 to 2002. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate)

### Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group and the company's affairs as at 31 December 2012 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008.

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

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## UIA (Insurance) Limited

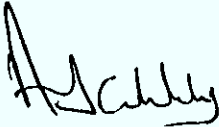
### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UIA (INSURANCE) LIMITED (continued)

#### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008 requires us to report to you if, in our opinion:

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

In accordance with our instructions from the company we review whether the Corporate Governance Report reflects the company's compliance with the 8 provisions of the Annotated UK Corporate Governance Code specified by the Association of Finance Mutuals.



Andrew Goldsworthy (Senior statutory auditor)  
for and on behalf of Mazars LLP  
Chartered Accountants and Statutory Auditors

Tower Bridge House  
St Katharine's Way  
London  
E1W 1DD

20 March 2013

## UIA (Insurance) Limited

### CONSOLIDATED REVENUE ACCOUNT for the year ended 31 December 2012

	Notes	2012 €000	2011 €000
<b>Technical Account</b>			
Earned premiums, net of reinsurance			
Gross premiums written		27,858	28,996
Outwards reinsurance premiums		(6,037)	(6,399)
Change in gross provision for unearned premiums		379	(263)
Earned premiums, net of reinsurance	2	22,200	22,334
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(14,284)	(15,956)
Reinsurers' share		4,024	4,507
Change in provision for claims			
Gross amount		1,022	1,678
Reinsurers' share		(610)	(535)
Change in equalisation provision	15	22	17
Net operating expenses		(11,892)	(10,010)
Balance on technical account	2	482	2,035
<b>Non technical account</b>			
Balance from technical account		482	2,035
Investment income	6	1,327	1,093
Unrealised gains/(losses) on investments		1,634	(2,024)
Investment expenses and charges		(155)	(170)
Other income		2,356	2,222
Other charges		(2,162)	(2,168)
Surplus on ordinary activities before taxation	3	3,482	988
Tax on profit on ordinary activities	7	(298)	(48)
Surplus for the year		3,184	940

All of the income and expenditure relates to continuing operations.

The notes on pages 19 to 36 form part of these financial statements.

## UIA (Insurance) Limited

### CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES *for the year ended 31 December 2012*

	Notes	2012 €000	2011 €000
Retained surplus for the year		3,184	940
Actuarial (loss) on pension scheme	22	(1,029)	(1,676)
Total recognised gains and losses for the year		<u>2,155</u>	<u>(736)</u>

All results are derived from continuing operations.

The notes on pages 19 to 36 form part of these financial statements.


# UIA (Insurance) Limited


## CONSOLIDATED BALANCE SHEET as at 31 December 2012

Company Number AC000532

	Notes	2012 €000	2011 €000
<b>ASSETS</b>			
<b>Investments</b>			
Other financial investments	9	45,813	43,812
<b>Reinsurers' share of technical provisions</b>			
Arising from reinsurance operations		10,823	11,433
<b>Debtors</b>			
Arising from direct insurance operations		22,566	22,733
Other debtors	10	6	10
		<u>22,572</u>	<u>22,743</u>
<b>Other assets</b>			
Tangible assets	11	465	388
Cash at bank and in hand		3,672	2,896
		<u>4,137</u>	<u>3,284</u>
<b>Prepayments and accrued income</b>			
Accrued interest		44	29
Other prepayments and accrued income		800	797
		<u>844</u>	<u>826</u>
<b>Total Assets</b>		<u><u>84,189</u></u>	<u><u>82,098</u></u>
<b>LIABILITIES</b>			
<b>Capital and Reserves</b>			
Share capital	12	1	1
Profit and loss account	13	27,825	25,670
		<u>27,826</u>	<u>25,671</u>
<b>Technical provisions</b>			
Provision for unearned premiums			
Gross amount	14	11,170	11,549
Claims outstanding			
Gross amount	14	18,702	19,724
Equalisation provision	15	4,129	4,151
		<u>34,001</u>	<u>35,424</u>
<b>Creditors</b>			
Arising from direct insurance operations		4,536	4,278
Arising from reinsurance operations		10,188	10,203
Other creditors including tax and social security	16	2,904	2,631
		<u>17,628</u>	<u>17,112</u>
<b>Total Liabilities excluding pension liability</b>		<u>79,455</u>	<u>78,207</u>
Pension liability	22	4,734	3,891
<b>Total Liabilities</b>		<u><u>84,189</u></u>	<u><u>82,098</u></u>

Approved by the Board of Directors on 7 March 2013 and signed on their behalf by:

  
Gerry Gallagher  
Chairperson

  
Ian Cracknell  
Chief Executive Officer

  
Ben Terrett  
Finance Director

The notes on pages 19 to 36 form part of these financial statements.



# UIA (Insurance) Limited

## COMPANY BALANCE SHEET as at 31 December 2012

Company Number AC000532

	Notes	2012 £000	2011 £000
<b>ASSETS</b>			
<b>Investments</b>			
Other financial investments	9	46,288	44,287
<b>Reinsurers' share of technical provisions</b>			
Arising from reinsurance operations		10,823	11,433
<b>Debtors</b>			
Arising from direct insurance operations		22,566	22,733
Other debtors	10	53	87
		<u>22,619</u>	<u>22,820</u>
<b>Other assets</b>			
Tangible assets	11	463	379
Cash at bank and in hand		3,469	2,413
		<u>3,932</u>	<u>2,792</u>
<b>Prepayments and accrued income</b>			
Accrued interest		44	29
Other prepayments and accrued income		620	620
		<u>664</u>	<u>649</u>
<b>Prepayments and accrued income</b>			
		<u>664</u>	<u>649</u>
<b>Total Assets</b>		<u><u>84,326</u></u>	<u><u>81,981</u></u>
<b>LIABILITIES</b>			
<b>Capital and Reserves</b>			
Share capital	12	1	1
Profit and loss account	13	27,886	25,694
		<u>27,887</u>	<u>25,695</u>
<b>Technical provisions</b>			
Provision for unearned premiums			
Gross amount	14	11,170	11,549
Claims outstanding			
Gross amount	14	18,702	19,724
Equalisation provision	15	4,129	4,151
		<u>34,001</u>	<u>35,424</u>
<b>Creditors</b>			
Arising from direct insurance operations		4,536	4,278
Arising from reinsurance operations		10,188	10,203
Other creditors including tax and social security	16	2,980	2,490
		<u>17,704</u>	<u>16,971</u>
<b>Total Liabilities excluding pension liability</b>			
		<u>79,592</u>	<u>78,090</u>
Pension liability	22	4,734	3,891
<b>Total Liabilities</b>		<u><u>84,326</u></u>	<u><u>81,981</u></u>

Approved by the Board of Directors on 7 March 2013 and signed on their behalf by:

  
Gerry Gallagher  
Chairperson

  
Ian Cracknell  
Chief Executive Officer

  
Ben Terrett  
Finance Director

The notes on pages 19 to 36 form part of these financial statements.

## UIA (Insurance) Limited

### CONSOLIDATED CASHFLOW STATEMENT for the year ended 31 December 2012

	Notes	2012 £000	2011 £000
Net cash inflow from operating activities	17	1,433	1,017
Corporation tax paid		(92)	(26)
Capital expenditure		(266)	(304)
Net cash inflow		<u>1,075</u>	<u>687</u>

#### CASHFLOWS WERE INVESTED AS FOLLOWS:

Increase/(decrease) in cash holding	18	776	(1,333)
Net portfolio investment	18		
Purchase of equities		27,102	21,750
Purchase of fixed income securities		2,553	8,121
Sale of equities		(24,203)	(23,140)
Sale of fixed income securities		(4,241)	(414)
Deposits with credit institutions		(912)	(4,297)
Net investment of cashflows		<u>1,075</u>	<u>687</u>

The notes on pages 19 to 36 form part of these financial statements.

# UIA (Insurance) Limited

## NOTES TO THE ACCOUNTS

*for the year ended 31 December 2012*

### 1. Accounting policies

#### **Basis of preparation**

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

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

#### **Premiums**

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

#### **Claims incurred**

Claims incurred consist of claims and claims handling expenses, both internal and external, paid during the year together with the movement in the provision for outstanding claims and expenses.

Outstanding claims comprise provisions for the estimated ultimate costs of settling all claims incurred but unpaid at the balance sheet date whether reported or not, and related claims handling expenses.

#### **Acquisition costs**

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

#### **Investments**

##### **Group**

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

##### **Company**

Investments in group undertakings are stated at cost.

##### **Investments**

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

## UIA (Insurance) Limited

### NOTES TO THE ACCOUNTS (continued) for the year ended 31 December 2012

#### 1. Accounting policies (continued)

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

Investment revenue and expenses in foreign currencies are translated into sterling at the rates of exchange ruling at the date on which the transaction occurs, or in the case of transactions covered by related foreign exchange contracts, at the rate of exchange specified in the contract. Investment assets and liabilities are translated at the rates ruling at the balance sheet date. All exchange differences are reported in the revenue account.

Investment returns are reported in the non-technical account.

#### Tangible assets

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

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

#### Deferred taxation

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

#### Equalisation provision

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

#### Leases

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

#### Pension commitments

Employees are eligible to join the defined benefit scheme of UNISON, which is a multi-employer scheme. The disclosures required to be made under the provisions of FRS 17 (Retirement Benefits) are made in note 22. Employees of both UIA (Insurance) Limited and UIA (Call Centres) Limited are eligible to participate in the scheme. It is only possible to ascertain the assets and liabilities attaching to both companies.

## UIA (Insurance) Limited

### NOTES TO THE ACCOUNTS (continued)

*for the year ended 31 December 2012*

#### 1. Accounting policies (continued)

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

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

## UIA (Insurance) Limited

### NOTES TO THE ACCOUNTS (continued) for the year ended 31 December 2012

#### 2. Segmental analysis

Technical account	Household	Legal	Total	Household	Legal	Total
	2012 £000	Expenses 2012 £000	2012 £000	2011 £000	Expenses 2011 £000	2011 £000
Gross premiums written	21,657	6,201	27,858	22,236	6,760	28,996
Outward reinsurance premiums	(1,239)	(4,798)	(6,037)	(1,214)	(5,185)	(6,399)
Change in provision for unearned premiums	379	-	379	(263)	-	(263)
Earned premiums, net of reinsurance	<u>20,797</u>	<u>1,403</u>	<u>22,200</u>	<u>20,759</u>	<u>1,575</u>	<u>22,334</u>
Claims incurred, net of reinsurance						
Claims paid						
Gross amount	(10,290)	(3,994)	(14,284)	(11,621)	(4,335)	(15,956)
Reinsurers' share	-	4,024	4,024	127	4,380	4,507
Change in provision for claims						
Gross amount	412	610	1,022	1,225	453	1,678
Reinsurers' share	-	(610)	(610)	(66)	(469)	(535)
Change in equalisation provision	22	-	22	17	-	17
Net operating expenses	<u>(10,782)</u>	<u>(1,110)</u>	<u>(11,892)</u>	<u>(8,835)</u>	<u>(1,175)</u>	<u>(10,010)</u>
Balance on technical account	<u>159</u>	<u>323</u>	<u>482</u>	<u>1,606</u>	<u>429</u>	<u>2,035</u>

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

## UIA (Insurance) Limited

### NOTES TO THE ACCOUNTS (continued) for the year ended 31 December 2012

#### 3. Surplus on ordinary activities before taxation

	2012 £000	2011 £000
Surplus on ordinary activities before taxation is stated after including:		
Acquisition costs	7,030	5,057
Auditors' remuneration		
Audit fees	87	84
Operating lease payments		
Hire of plant and machinery	44	44
	<u>          </u>	<u>          </u>

#### 4. Staff costs

	2012 £000	2011 £000
Wages and salaries	3,532	3,343
Social security cost	264	259
Pension cost	981	976
	<u>          </u>	<u>          </u>
	<u>4,777</u>	<u>4,578</u>

The average number of employees during the year was as follows:

	2012	2011
	<u>142</u>	<u>144</u>

## UIA (Insurance) Limited

### NOTES TO THE ACCOUNTS (continued) for the year ended 31 December 2012

#### 5. Directors' emoluments

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

	Salary and fees £	Performance Award £	Benefits £	Compensation for loss of office £	Total 2012 £	Total 2011 £
<b>Executive</b>						
Ian Cracknell	116,142	16,740	9,404	-	142,286	139,108
Andrew Gay	36,360	8,700	2,774	-	47,834	163,507
Ian Templeton	85,024	26,200	7,545	26,966	145,735	238,116
Ben Terrett	31,815	-	3,745	-	35,560	-
<b>Non-Executive</b>						
Les Bayliss	-	-	-	-	-	917
Malcolm Cantello	9,500	-	-	-	9,500	20,000
Peter Dodd	19,000	-	-	-	19,000	12,500
Gerry Gallagher	36,000	-	-	-	36,000	20,500
Bob Newton	25,717	-	-	-	25,717	25,250
Marion Saunders	18,535	-	-	-	18,535	12,500
Geoffrey Shears Andrew	12,535	-	-	-	12,535	-
Wainwright-Brown	26,717	-	-	-	26,717	25,250

Mike Hayes, Alison Shepherd and Eleanor Smith waived their directors' fees for 2012 (and 2011). A charitable donation of £18,000 has been made during 2012 in lieu of Mike Hayes' waived fees (2011: Two charitable donations of £12,500 were made in lieu of Mike Hayes and Alison Shepherd's waived fees).

Pension Entitlement	Years of service	Accrued pension as at 31 December 2012 £	Increase in accrued pension £
Ian Cracknell	15	29,022	7,322
Andrew Gay <sup>1</sup>	14	52,924	1,246
Ian Templeton <sup>2</sup>	14	40,339	3,648
Ben Terrett <sup>3</sup>	-	6,708	1,233

<sup>1</sup> Andrew Gay resigned on 30 April 2012

<sup>2</sup> Ian Templeton resigned on 29 June 2012

<sup>3</sup> Ben Terrett was appointed on 25 July 2012

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

The total accrued pension at 31 December 2012 shown above is the pension to which each director would be entitled on leaving service, but deferred to retirement age.

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



## UIA (Insurance) Limited

### NOTES TO THE ACCOUNTS (continued) *for the year ended 31 December 2012*

<b>6. Investment income</b>	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Investment income from other investments		
Listed investments	819	739
Gains on the realisation of investments	615	402
Net return on pension scheme	(107)	(48)
	<hr/>	<hr/>
	1,327	1,093
	<hr/>	<hr/>

## UIA (Insurance) Limited

### NOTES TO THE ACCOUNTS (continued) for the year ended 31 December 2012

7. Taxation on profit on ordinary activities	2012 £000	2011 £000
<b>(a) Analysis of the tax charge</b>		
UK corporation tax:		
Current tax	298	48
Adjustments in respect of previous periods	-	-
Changes in deferred tax balances (see (c))	-	-
	<hr/>	<hr/>
	298	48
Double tax relief	-	-
	<hr/>	<hr/>
	298	48
Foreign tax:		
Current tax	-	-
	<hr/>	<hr/>
Total	298	48
	<hr/> <hr/>	<hr/> <hr/>

#### **(b) Factors affecting tax charge for the year**

The tax assessed for the year is lower than 24% (2011: 26%) of taxable income for the year. The differences are explained below:

	2012 £000	2011 £000
Investment income	1,434	1,141
Unrealised gains/(losses) on investments	1,634	(2,024)
Investment expenses and charges	(155)	(170)
	<hr/>	<hr/>
	2,913	(1,053)
Profit of subsidiaries	194	54
	<hr/>	<hr/>
	3,107	(999)
Tax on investment income at 24% (2011: 26%)	746	(260)
Effects of:		
Fully franked investment income	(46)	(69)
Adjustments in respect of previous periods	-	(106)
Unrealised gain movement	(392)	526
Indexation	(59)	(43)
20% tax rate in subsidiaries	34	-
Change in tax rate during 2012	15	-
	<hr/>	<hr/>
Current tax charge for the year (see (a))	298	48
	<hr/> <hr/>	<hr/> <hr/>

#### **(c) Deferred taxation**

A deferred tax asset of £208,000 (2011: £447,000) has not been recognised in accordance with the provisions of FRS 19 (Deferred Tax) regarding recoverability of deferred tax assets.

## UIA (Insurance) Limited

### NOTES TO THE ACCOUNTS (continued) for the year ended 31 December 2012

#### 8. Surplus for the financial year

Consistent with Section 408 of the Companies Act 2006 the Company profit and loss account is not presented as part of these financial statements. The surplus for the financial year of £3,184,000 (2011: £940,000) includes £3,221,000 surplus (2011: £898,000), which is dealt with in the financial statements of the Company.

9. Other financial investments	Market Value		Cost	
	2012 £000	2011 £000	2012 £000	2011 £000
Fixed interest redeemable stocks	1,604	1,313	1,566	1,448
Gilt strips *	6,289	8,027	6,174	7,980
Shares, other variable yield securities and units in unit trusts				
Listed on a recognised stock exchange	9,157	6,524	9,994	7,673
Unit trusts	12,407	10,680	11,741	11,163
Deposits with credit institutions	16,356	17,268	16,356	17,268
	<u>45,813</u>	<u>43,812</u>	<u>45,831</u>	<u>45,532</u>

\* Gilt strips are measured at amortised cost.

The Company is the holder of all the group's investments detailed above. It also has a further £475,004 (2011: £475,004) invested in its subsidiaries. Total investments for the Company are £46,288,000 (2011: £44,287,000).

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

- UIA (Insurance Services) Limited acts as an insurance agent;
- UIA (Call Centres) Limited acts as an operator of telephone call centres;
- UIA (Trustees) Limited acts as corporate trustee for the UIA Charitable Foundation
- UIA Lottery Management Services Limited acts as a lottery operator; and
- Uniservice Limited acted as an insurance agent in 2012 but will not trade in 2013

10. Other debtors	The Group		The Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Amounts owed by other parties	3	7	3	7
Corporation tax receivable	-	-	-	1
Deferred tax asset	3	3	-	-
Intercompany debtors	-	-	50	79
	<u>6</u>	<u>10</u>	<u>53</u>	<u>87</u>

## UIA (Insurance) Limited

### NOTES TO THE ACCOUNTS (continued) for the year ended 31 December 2012

#### 11. Tangible assets

##### (a) Tangible assets – Group

	Computer Equipment & Systems £000	Furniture, Fixtures & Fittings £000	Total £000
Cost			
At 1 January	2,643	519	3,162
Additions	240	26	266
At 31 December	<u>2,883</u>	<u>545</u>	<u>3,428</u>
Accumulated depreciation			
At 1 January	(2,267)	(507)	(2,774)
Charge for the year	(184)	(5)	(189)
At 31 December	<u>(2,451)</u>	<u>(512)</u>	<u>(2,963)</u>
Net book value at 31 December 2012	<u>432</u>	<u>33</u>	<u>465</u>
Net book value at 31 December 2011	<u>376</u>	<u>12</u>	<u>388</u>

##### (b) Tangible assets – Company

	Computer Equipment & Systems £000	Furniture, Fixtures & Fittings £000	Total £000
Cost			
At 1 January	2,559	474	3,033
Additions	236	26	262
Disposals	(43)	(6)	(49)
At 31 December	<u>2,752</u>	<u>494</u>	<u>3,246</u>
Accumulated depreciation			
At 1 January	(2,191)	(463)	(2,654)
Charge for the year	(173)	(5)	(178)
Disposals	43	6	49
At 31 December	<u>(2,321)</u>	<u>(462)</u>	<u>(2,783)</u>
Net book value at 31 December 2012	<u>431</u>	<u>32</u>	<u>463</u>
Net book value at 31 December 2011	<u>368</u>	<u>11</u>	<u>379</u>

## UIA (Insurance) Limited

### NOTES TO THE ACCOUNTS (continued) for the year ended 31 December 2012

<b>12. Share capital</b>	<b>2012</b>	<b>2011</b>
	£000	£000
<b>Issued and fully paid up</b>		
116,563 ordinary shares of 1p (2011: 125,921)	<u>1</u>	<u>1</u>

<b>13. Reserves</b>	The Group		The Company	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	£000	£000	£000	£000
Balance at 1 January	25,670	26,406	25,694	26,472
Surplus for the year after taxation	3,184	940	3,221	898
Net (loss) on pension scheme	(1,029)	(1,676)	(1,029)	(1,676)
Balance at 31 December	<u>27,825</u>	<u>25,670</u>	<u>27,886</u>	<u>25,694</u>

<b>14. Technical provisions</b>	The Group		The Company	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	£000	£000	£000	£000
Provision for unearned premium – Gross				
Balance at 1 January	11,549	11,286	11,549	11,286
Movement in the provision	(379)	263	(379)	263
Balance at 31 December	<u>11,170</u>	<u>11,549</u>	<u>11,170</u>	<u>11,549</u>

	The Group		The Company	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	£000	£000	£000	£000
Claims outstanding – Gross				
Balance at 1 January	19,724	21,402	19,724	21,402
Movement in the provision	(1,022)	(1,678)	(1,022)	(1,678)
Balance at 31 December	<u>18,702</u>	<u>19,724</u>	<u>18,702</u>	<u>19,724</u>

### 15. Equalisation provision

The provision has reduced accumulated funds at year-end by £4,129,000 (2011: £4,151,000) and for the year increased the balance on the technical account and increased the surplus on ordinary activities before taxation by £22,000 (2011: £17,000).

## UIA (Insurance) Limited

### NOTES TO THE ACCOUNTS (continued) for the year ended 31 December 2012

16. Other creditors	The Group		The Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Other creditors comprises of the following amounts:				
Corporation tax payable	217	11	177	-
Amounts owed to other parties	2,687	2,620	2,541	2,490
Intercompany creditors	-	-	262	-
Balance at 31 December	<u>2,904</u>	<u>2,631</u>	<u>2,980</u>	<u>2,490</u>

### 17. Reconciliation of operating surplus to net cash inflow from operating activities

	2012 £000	2011 £000
Operating surplus before taxation	3,482	988
(Surplus)/deficit arising on revaluation of investments	(1,634)	2,024
Amortisation of interest on gilt strips	(68)	(47)
Actuarial (losses) on pension scheme	(1,029)	(1,676)
Pension costs FRS 17 provision	843	1,391
Depreciation charge	189	72
Decrease in reinsurers' share of technical provisions	610	535
Decrease/(increase) in debtors	171	(853)
(Increase) in accrued interest and prepayments	(18)	(33)
(Decrease)/increase in unearned premiums	(379)	263
(Decrease) in claims provisions	(1,022)	(1,678)
(Decrease) in equalisation provision	(22)	(17)
Increase in creditors	310	48
Net cash inflow from operating activities	<u>1,433</u>	<u>1,017</u>

## UIA (Insurance) Limited

### NOTES TO THE ACCOUNTS (continued) for the year ended 31 December 2012

#### 18. Movement in cash, portfolio investment and financing

	At 1 Jan 2012	Cashflow	Change to Market value	Amortisation	At 31 Dec 2012
	£000	£000	£000	£000	£000
Cash at bank and in hand	2,896	776	-	-	3,672
Shares, other variable yield securities and unit trusts	17,204	2,899	1,461	-	21,564
Fixed income securities	1,313	118	173	-	1,604
Gilt strips	8,027	(1,806)	-	68	6,289
Deposits with credit Institutions	17,268	(912)	-	-	16,356
<b>Total investments</b>	<b>46,708</b>	<b>1,075</b>	<b>1,634</b>	<b>68</b>	<b>49,485</b>

	At 1 Jan 2011	Cashflow	Change to Market value	Amortisation	At 31 Dec 2011
	£000	£000	£000	£000	£000
Cash at bank and in hand	4,229	(1,333)	-	-	2,896
Shares, other variable yield securities and unit trusts	20,502	(1,390)	(1,908)	-	17,204
Fixed income securities	1,702	(273)	(116)	-	1,313
Gilt Strips	-	7,980	-	47	8,027
Deposits with credit institutions	21,565	(4,297)	-	-	17,268
<b>Total investments</b>	<b>47,998</b>	<b>687</b>	<b>(2,024)</b>	<b>47</b>	<b>46,708</b>

## UIA (Insurance) Limited

### NOTES TO THE ACCOUNTS (continued) for the year ended 31 December 2012

#### 19. Operating lease commitments - Group

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

	Land and buildings 2012 £000	Land and buildings 2011 £000	Other 2012 £000	Other 2011 £000
Operating leases which expire:				
within one year	-	-	-	-
in two to five years	-	-	-	-
after more than five years	360	270	-	-
Total	<u>360</u>	<u>270</u>	<u>-</u>	<u>-</u>

#### 20. Related parties - Directors

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

#### 21. Capital commitments

The Group has no capital commitments contracted for and payable within twelve months (2011: nil).

#### 22. Pension costs

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

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

Contributions are paid to the scheme in accordance with the Schedule of Contributions agreed between the trustees and the employers. The estimated amount of contributions expected to be paid to the scheme by the Company during 2013 is £1,012,000 (2012: £989,000).

The results of the formal actuarial valuation as at 30 June 2011 were updated to 31 December 2012 by an independent qualified actuary in accordance with FRS 17. As required by FRS 17, the value of the defined benefit liabilities has been measured using the projected unit method.



## UIA (Insurance) Limited

### NOTES TO THE ACCOUNTS (continued) for the year ended 31 December 2012

#### 22. Pension costs (continued)

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

The expected rate of return on assets over the financial year ending 31 December 2012 was 5.4% pa (2011: 6.1% pa). This rate is derived by taking the weighted average of the long term expected rate of return on each of the asset classes that the scheme was invested in at 31 December 2011.

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

Assumptions	31 Dec 2012	31 Dec 2011
Discount rate	4.4% pa	4.8% pa
Retail Prices Index inflation	3.0% pa	3.1% pa
Consumer Prices Index inflation	2.3% pa	2.1% pa
Pension increases in payment	3.0%	3.1%
General salary increases		
first year	1.0% pa	2.0% pa
over next year	3.0% pa	1.5% pa
over next year	3.0% pa	1.5% pa
thereafter	3.0% pa	3.1% pa
Expected return on scheme assets	5.4% pa	5.4% pa
Life expectancy of male currently aged 60	26.2 years	26.1 years
Life expectancy of male aged 60 in 20 years time	27.7 years	27.6 years

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

	31 Dec 2012 £000	31 Dec 2011 £000
Present value of scheme liabilities	18,726	15,706
Fair value of scheme assets	(13,992)	(11,815)
Scheme deficit	<u>4,734</u>	<u>3,891</u>

## UIA (Insurance) Limited

### NOTES TO THE ACCOUNTS (continued) for the year ended 31 December 2012

#### 22. Pension costs (continued)

The amounts recognised in operating surplus are as follows:

	31 Dec 2012 £000	31 Dec 2011 £000
Employer's part of current service cost	696	639
Past service cost	-	-
Total operating charge	<u>696</u>	<u>639</u>

The following amounts are included in finance income:

	31 Dec 2012 £000	31 Dec 2011 £000
Interest cost	762	729
Expected return on scheme assets	(655)	(681)
Total charge to finance income	<u>107</u>	<u>48</u>

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

	31 Dec 2012 £000	31 Dec 2011 £000
Equity instruments	61%	59%
Debt instruments	30%	31%
Property	8%	9%
Cash	1%	1%
	<u>100%</u>	<u>100%</u>

## UIA (Insurance) Limited

### NOTES TO THE ACCOUNTS (continued) for the year ended 31 December 2012

#### 22. Pension costs (continued)

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

	31 Dec 2012 £000	31 Dec 2011 £000
Operating present value of scheme liabilities	15,706	12,961
Employer's part of current service cost	696	639
Interest cost	762	729
Contributions from scheme members	-	-
Actuarial loss	1,931	908
Benefits paid	(369)	469
Past service costs	-	-
Closing present value of scheme liabilities	<u>18,726</u>	<u>15,706</u>

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

	31 Dec 2012 £000	31 Dec 2011 £000
Opening fair value of the scheme assets	11,815	10,461
Expected return on scheme assets	655	681
Actuarial gain/(loss)	902	(768)
Contributions by the employer	989	972
Benefits paid	(369)	469
Closing fair value of scheme assets	<u>13,992</u>	<u>11,815</u>

The actual return on the Company's share of the scheme's assets over the last year was £1,557,000 (2011: £87,000).

The amount recognised outside the revenue account in the statement of total recognised gains and losses (STRGL) for 2012 is a loss of £1,029,000 (2011: loss of £1,676,000). The cumulative amount (since 31 December 2008) recognised outside profit and loss at 31 December 2012 is a loss of £4,056,000.

## UIA (Insurance) Limited

### NOTES TO THE ACCOUNTS (continued) for the year ended 31 December 2012

#### 22. Pension costs (continued)

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

	31 Dec 2012 £000	31 Dec 2011 £000	31 Dec 2010 £000	31 Dec 2009 £000	31 Dec 2008 £000
Present value of scheme liabilities	18,726	15,706	12,961	11,746	8,344
Fair value of scheme assets	(13,992)	(11,815)	(10,461)	(8,679)	(6,760)
	<u>4,734</u>	<u>3,891</u>	<u>2,500</u>	<u>3,067</u>	<u>1,584</u>
	31 Dec 2012 £000	31 Dec 2011 £000	31 Dec 2010 £000	31 Dec 2009 £000	
Experience adjustments on scheme assets:					
Amount of (gain)/loss	(902)	768	(579)	(789)	
Experience adjustments on scheme liabilities:					
Amount of loss/(gain)	21	(49)	9	(58)	

Data on experience adjustments is presented for the last four years rather than five years as required by FRS 17. Information in respect of earlier years is unavailable as the group's share of the scheme assets and liabilities could not be identified at that time.