



Uia (Insurance) Limited

Annual Report and Accounts
for the year ended 31 December 2008

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

FSA Registered Number 110863

UIA (Insurance) Limited

CHAIR'S STATEMENT

The past year has seen a remarkable turnaround in economic and political fortunes, but for more than one hundred years, UIA has looked after the insurance needs of trade union members and throughout this time, despite many challenges, it has continued to hold to its traditional values and ethos. Our aim is always to provide products and services that meet the needs of our customers, at a price they can afford, supported by excellent levels of service. Our commitment to mutuality is a key element of this strategy, which places our customers firmly at the centre of everything we do. We believe our mutuality brings a quality of service and commitment to our members that cannot be bettered.

Our mutuality means that everyone who has an eligible policy with us has a say on how we operate and this is very important to us. We encourage all our members to participate in our key decisions and make their views known to us. Please use this by casting your votes at our forthcoming annual general meeting. If you are able to attend, we welcome the opportunity to hear your views and to answer any concerns that you have. If not, please utilise the postal or electronic voting service.

By any measure, 2008 was an extraordinary year, heralding the most severe global downturn since the 1930s. The economic problems that were first seen in the US housing market spread to the financial services industry and have now moved on to the broader economy. Our business is not immune to these global effects and, as a consequence, we are reporting a loss for the year of £6.7m, of which £4.8m arises from the fall in value of our investments. Despite the loss for the year, we remain strongly capitalised and comfortably meet the capital requirements agreed with our regulators. The Board constantly monitors the Company's financial position and has recently taken further action to improve performance through better risk management, raising premium rates and cutting costs. In particular, we have reduced our exposure to equity markets and introduced enhanced processes for controlling underwriting risk.

Despite the economic difficulties, we delivered a number of notable successes in 2008. In particular, sales of our household insurance products exceeded expectations despite the ever-increasing competition in the marketplace. The success of our outbound telemarketing activity and further developments to our websites contributed to this excellent sales performance. We have continued to tackle the costs of running our business activities and are on target to deliver further cost savings during 2009.

In 2008, gross written premium income decreased by £1.3m to £27.5m, predominantly due to our strategy of charging the right premium for every risk. Our household insurance claims ratio of 68% was lower than the 76% seen in 2007, which was impacted by exceptional weather events. As the economic climate worsens, we are, like all other insurers, reviewing our procedures to tackle fraud. We have already seen a slight increase in fraudulent claims and firm action is taking place to ensure we protect our honest customers from these additional costs.

Our strategy is to grow organically by developing new products and distribution channels. In 2008, our websites were redesigned to ensure they mirrored the look and feel of our external communications and were more user-friendly for our customers. We also made a considerable investment in developing our capability for managing customer information. This has allowed us to make significant improvements in our ability to offer customers products that we predict are most likely to meet their current and future insurance requirements. During the year, we introduced more competitive rates for our travel insurance products, implemented a new motor insurance panel and introduced a home emergency product, providing cover for home emergencies. We are pleased with the progress of these new developments.

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CHAIR'S STATEMENT (continued)

We are committed to providing the highest level of service to our members. We recognise that our customer service standards must remain high so that the new business created from the successful delivery of our growth strategy can be turned into long-term relationships with satisfied customers. The quality of our service is evidenced through our regular customer surveys, with better than 90% satisfaction levels achieved throughout the year.

We are equally proud of the service provided by our staff to UNISON members through the UNISONdirect helpline service. This facility has continued to grow in breadth of service provision and number of enquiries. We will be making further investments in 2009 to strengthen our capabilities and ensure that service quality can be maintained.

We take seriously our role as a responsible corporate citizen and take account of the economic, social and environmental impacts of our operations. We have taken steps to reduce our energy usage, improve recycling and control emissions. It is our belief that acting in this way is not only in tune with the beliefs of our members but also a source of business opportunity and improved competitiveness.

We are pleased to continue the support of the UIA Charitable Foundation that makes small grants to organisations working to address areas of social need at home and abroad. During 2008, the Foundation made grants to over 40 charities and voluntary organisations working in areas of concern to our members.

Carolyn Baker retired as Chair of the Board in June 2008 having served as a Director for 17 years. I thank Carolyn for her outstanding contribution to the work of the Board and to the success of the Company. I would also like to pass on my thanks to Ian Templeton, Andrew Gay, Ian Cracknell and all our staff for their skill, dedication, hard work and enthusiasm during 2008. I want to thank all my Board colleagues for the valuable help and support they have given me over the last year.

We are in a strong position to deliver our strategy during 2009 and move the business forward through the quality of our unique offering to trade union members and their families. 2009 has started well with business volumes ahead of the same time last year. We nevertheless remain focussed on meeting the needs of our members as we seek to introduce new and enhanced value-for-money products to meet their insurance needs, with high levels of service at all times. Our goal is to continue strengthening our core business by growing at a sustainable rate. These are challenging times, but we are performing well and can expect continued success in the future.

Malcolm Cantello
Chair of the Board

UIA (Insurance) Limited

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 December 2008.

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 reviewed by the Chairperson on pages 1 to 2.

The result for the year is shown in the consolidated revenue account on page 16.

Directors

The names of the current Directors are listed on pages 5 to 7. All held office throughout the year, with the exception of Carolyn Baker who retired on 17 June 2008, Alison Shepherd who was appointed on 04 February 2008 and Les Bayliss on 25 July 2008.

Charitable donations

During the year the company made donations to the UIA Charitable Foundation amounting to £12,500 (2007: £23,000).

The company also made other charitable donations of £23,100 (2007: nil)

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 1993 as amended 2005 (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 Part VII of the Companies Act 1985, provide in relation to such financial statements that references in the relevant part of the Regulations to financial statements giving a true and fair view and references to their achieving a fair presentation.

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

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DIRECTORS' REPORT (continued)

- 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.

Auditors

A resolution to reappoint Mazars LLP as independent auditors to the Company and to authorise the Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board

Andrew Gay
Secretary

UIA (Insurance) Limited

CORPORATE GOVERNANCE REPORT

Board of Directors

Malcolm Cantello Non-Executive Director, Chairperson

Malcolm was appointed as a non-executive Director of UIA (Insurance) Ltd in 2003 and has been chairperson since June 2008.

Malcolm has worked in the transport industry for the last 40 years. He has been in internal audit and customer relations in a managerial capacity for over 30 years and is now an internal auditor for a transport charity. He is a Past President of UNISON and has been an active union member for many years.

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 Nominations and Remuneration Committee.

Ian Templeton FCII FRSA Managing Director

Ian joined UIA (Insurance) Ltd in November 1998 and was appointed to the Board as Director of Operations at the Annual General Meeting in 1999 and has been Managing Director since June 2002.

Ian is a Fellow of the Chartered Insurance Institute, a Chartered Insurer and was President of the Chartered Insurance Institute for 2006/7. He has worked in insurance and financial services since 1967, including roles in sales, marketing and administration with insurance companies and insurance brokers. He has worked for a number of companies including Cheltenham & Gloucester, Sentry Insurance, Cornhill Insurance, Whitely Henshaw Hindle and Provincial Insurance.

Ian is also a Director of UIA (Insurance Services) Ltd, UIA (Call Centres) Ltd, UIA Lottery Management Services Ltd, Uniservice Ltd, UIA (Trustees) Ltd and a non-executive Director of Legal ATE Limited. In respect of his UIA appointments, he is a member of the Nominations and Remuneration Committee.

Ian is also a Director of The Insurance Charities and a trustee of the Chartered Insurance Institute Pension Fund.

Andrew Gay BSc FCA ACII Deputy Managing Director

Andrew has been with UIA since September 1998, became a Director of UIA (Insurance) Ltd in 1999 and has been Deputy Managing Director since November 2002.

Andrew is a chartered accountant and chartered insurer, with 30 years experience in the insurance industry. He previously worked for Gan Life Holdings, Anthony Lumsden & Co Ltd and Neville Russell.

Andrew is also a Director of UIA (Insurance Services) Ltd, and Hatfield Hyde Sports Club Ltd.

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CORPORATE GOVERNANCE REPORT (continued)

Ian Cracknell MA FIDM Executive Director, Marketing

Ian has been with UIA since February 1997 and became Marketing Director of UIA (Insurance) Ltd in 1998 and is also a Director of UIA (Insurance Services) Ltd.

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

Les Bayliss Non-Executive Director

Les was appointed a non-executive Director in 2008. He is a member of the Audit and Risk Committee.

Les is Assistant General Secretary of Unite. He is also a Director of TU Fund Managers, Welfare Holdings (H & V) and National Electrotechnical Training.

Veronica Dunn Non-Executive Director

Veronica was appointed a non-executive Director in 1995 and is a past Vice Chairperson of the Board and Chairperson of the Audit and Risk Committee. As she has been a Director for more than 9 years, Veronica is subject to annual re-election. She is a member of the Audit and Risk Committee.

Veronica is a councillor for the Byker ward, Newcastle City Council and is an Employment Tribunal Member. She was employed as a Principal Officer (Education) by Newcastle City Council. She is a Past President of UNISON.

Mike Folliard Non-Executive Director

Mike was appointed a non-executive Director in 2001. He is a member of the Nominations and Remuneration Committee and the Charitable Foundation Committee of which he is Chair. Mike recently retired from the National Health Service after 42 years, during which he served over 25 years as Staff Side Chair and 33 years as UNISON Branch Secretary. He was a member of Unison's NEC from its birth in 1993 until 2007 and chaired its International Committee.

Gerry Gallagher Non-Executive Director

Gerry was appointed a non-executive Director in 2003. He is the chairperson for the Nominations and Remuneration Committee.

Gerry has been a member of the National Executive Council for UNISON since 2000, held the position of Trade Union Side Secretary for Durham Police Staff Group for many years and is now Honorary Life President of the Durham Police branch of UNISON. He is currently Vice President of UNISON.

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CORPORATE GOVERNANCE REPORT (continued)

Mike Hayes Non-Executive Director

Mike was appointed a non-executive Director in 2007. He is a member of the Audit and Risk Committee.

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

Pat Ingram Senior Independent Non-Executive Director

Pat was appointed a non-executive Director in 2001. She is a member of the Audit and Risk and Nominations and Remuneration Committees. Pat was formerly a faculty registrar at the University of Hertfordshire. She was the first President of UNISON.

Bob Newton BSc FIA CDir Non-Executive Director, Independent industry expert

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

He is also a Director of Co-operative Financial Services Ltd, Co-operative Bank plc, CIS General Insurance Ltd, Co-operative Insurance Society Ltd and AI Claims Solutions plc, an advisor to Accenture (UK) and an executive coach. In 2006 he retired from the position of Deputy Chief Executive of NFU Mutual Insurance Society Ltd at the end of a 35 year career in the insurance industry during which he held senior executive positions with major insurers.

Alison Shepherd Non-Executive Director

Alison was appointed a non-executive Director in 2008. She is a member of the Nominations and Remuneration Committee.

She is Compliance Officer at Middlesex University. Alison has been an Executive member of the TUC since 2008, and a member of the National Executive Council for UNISON since 1989. She is a past President of both the TUC and UNISON.

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CORPORATE GOVERNANCE REPORT (continued)

Company Secretary and Registered Office

Andrew Gay
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

Solicitors

Herbert Smith LLP

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CORPORATE GOVERNANCE (continued)

The board supports the general principles of corporate governance and is committed to maintaining a high standard. The Board considers that it has applied the relevant principles and complied with the relevant provisions of the Annotated Combined Code (revised February 2008), published by the Association of Mutual Insurers, unless the contrary is stated.

The Board, which comprises the non-executive chairperson plus nine non-executive and three executive Directors, met on six occasions during the year. Biographies of all the Directors appear on pages 5 to 7 together with details of their experience and qualifications. The Board is satisfied that this is appropriate for the current needs of the company. In addition, meetings of the non-executive Directors took place without any other Directors in attendance.

The roles of Chairperson and Managing Director are distinct and held by different people. The Chairperson is responsible for leading the Board and ensuring that it acts effectively. The Managing Director is responsible for managing the Company's business.

All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that board procedures are complied with.

The Board is responsible for the Company's:

- strategic direction, mission and values;
- key financial objectives including prudential ratios and target rates of return on capital and assets;
- capital and liquidity position;
- reviewing and monitoring risks affecting the Company and the action being taken to manage/mitigate them;
- annual report and accounts;
- considering and approving appointments to the Boards of all Group companies, including Executive Management and approving remuneration arrangements for all Directors; and
- investment policy.

The independence of the Non-Executive Directors has been reviewed and, it was noted that the remaining Non-Executive Directors, with the exception of Bob Newton, held policies with the Company. These policies, which are issued on standard terms are not considered significant and are therefore not relevant to their independence.

The Board evaluates its own overall performance.

All Board members are subject to annual performance appraisals. They participate in an induction process when first appointed to the Board and receive continuing professional development appropriate to their roles.

Senior Management have primary responsibility for the management of operational risks through developing policies, procedures and controls across the different products, activities, processes and systems under their control and for the allocation of responsibilities. Each part of the business is responsible for implementing and maintaining controls and for achieving its business objectives in accordance with the company's operational risk methodology. Details of risks are maintained on a Group Risk Register and this is used as a basis of review.

The Board regards communication with the members as of high importance. We send out questionnaires to encourage feedback from our policyholders.

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CORPORATE GOVERNANCE (continued)

The Board has established Committees, where appropriate, of Board members (with a majority of Non-Executives) as follows:

Audit and Risk Committee

Bob Newton (Chairperson)
Les Bayliss
Veronica Dunn
Mike Hayes
Pat Ingram

The Committee meets four times a year. It assists the Board in meeting its responsibilities in respect of the systems and controls and external financial reporting. All of the members of the Committee are Non-Executive Directors. At least one member of the Committee has recent and relevant financial experience. 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 and takes an independent view of the appropriateness of the Company's accounting policies and practices. The objectives of the Committee also include reviewing the Company's internal financial controls and risk management systems.

Nominations and Remuneration Committee

Gerry Gallagher (Chairperson)
Malcolm Cantello
Mike Folliard
Pat Ingram
Alison Shepherd
Ian Templeton

The Committee meets as required to consider and approve nominations to be submitted to the Board and Annual General Meeting for the office of Director. The Committee also reviews the remuneration policy and determines the remuneration packages of the executive Directors. Ian Templeton, the Managing Director does not participate in discussions on his own remuneration.

The Committee will make recommendations to the Board and members on the appointment, re-appointment or removal of Directors.

The Committee also evaluates the balance of skills, knowledge and experience of the Directors and reviews the succession plans developed by the Executive Directors.

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CORPORATE GOVERNANCE (continued)

Attendance at 2008 Board and Committee Meetings

Director	Board Meetings attended	Audit and Risk Committee Meetings attended	Nominations and Remuneration Committee Meetings attended
C Baker	3 (3)		3 (3)
L Bayliss	1 (2)	- (2)	
M Cantello	6 (6)	2 (2)	1 (1)
I Cracknell	6 (6)		
V Dunn	6 (6)	4 (4)	3 (3)
M Folliard	6 (6)		4 (4)
G Gallagher	5 (6)		3 (4)
A Gay	6 (6)		
M Hayes	5 (6)	3 (4)	
P Ingram	6 (6)	4 (4)	4 (4)
R Newton	6 (6)	3 (4)	
A Shepherd	4 (5)		2 (3)
I Templeton	6 (6)		4 (4)

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

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

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DIRECTORS REMUNERATION REPORT

Nominations and Remuneration Committee

The responsibilities of the Committee include identifying and nominating suitable candidates to fill vacancies or additional appointments to the Board and determining the broad policy for remuneration the executive Directors.

The composition of the Committee is reviewed annually. The Committee's Terms of Reference are available on the Group's website.

Remuneration Policy

The Company remuneration policy is structured to facilitate the recruitment, motivation and retention of good quality Executives.

Remuneration Policy for Non-Executive Directors

Non-Executive Directors are appointed for a period of three years unless they are subject to annual re-election. Their dates of appointment are shown in the biographies on pages 5 to 7.

Fees for the Non-Executive Directors are determined by the Board. The fee for the industry expert is set using external benchmarks. It is the intention of the board to bring the fees progressively to a market rate, bearing in mind the responsibility which goes with being a Director of a regulated financial business. No other remuneration is paid apart from these non-pensionable fees, except for authorised expenses incurred while undertaking company business. Their contracts state that either party can give three months notice of termination of the contract.

Remuneration Policy for Executive Directors

The remuneration of the Executive Directors comprises salary, an annual performance bonus, defined benefit pension and the provision of a company car.

Remuneration reflects individual experience and responsibility. The Company uses external information to validate salary levels.

Salary

The company policy is to have a firm commitment to fair pay, equal pay and to pay reasonable salaries taking into account the business we are in and the location of the offices. The company uses data provided by external remuneration specialists to validate the salary levels. Basic salaries are reviewed annually.

Annual Bonus Scheme

The bonus scheme for Executive Directors is based on achievement of objectives and subject to the Nominations and Remuneration Committee review and agreement.

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DIRECTORS REMUNERATION REPORT (continued)

Directors' Emoluments

These are shown in note 5 to the accounts.

Contracts

The Executive Directors have contracts of employment and are subject to a notice period of three months.

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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 2008 which comprise the consolidated revenue account, consolidated and company balance sheets, the consolidated cash flow statement and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body. 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 opinion we have formed.

Respective responsibilities of Directors and auditors

As described in the Statement of Directors' Responsibilities the company's Directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 1993 (as amended 2005), which modified the Industrial and Provident Societies Acts 1965 to 2002. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding Directors' remuneration and transactions with the group is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

UIA (Insurance) Limited

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

Equalisation reserves

Our evaluation of the presentation of information in the financial statements has had regard to the statutory requirement for insurance companies to maintain equalisation reserves. The nature of equalisation reserves, the amounts set aside at 31 December 2008, 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.

Opinion

In our opinion the financial statements have been properly prepared in accordance with the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 1993 (as amended 2005), which modified the Industrial and Provident Societies Acts 1965 to 2002, and give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and of the group as at 31 December 2008 and of the result of the group for the year then ended.

The information given in the Directors' Report is consistent with the financial statements.

Mazars LLP

Chartered Accountants
and Registered Auditors
Tower Bridge House
St Katharine's Way
London
E1W 1DD

March 2009

UIA (Insurance) Limited

CONSOLIDATED REVENUE ACCOUNT for the year ended 31 December 2008

	Notes	2008 £000	2007 £000
Technical Account			
Earned premiums, net of reinsurance			
Gross premiums written		27,541	28,887
Outwards reinsurance premiums		(5,783)	(6,337)
Change in gross provision for unearned premiums		(168)	419
		21,590	22,969
Earned premiums, net of reinsurance	2	21,590	22,969
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(19,602)	(19,912)
Reinsurers' share		4,657	3,595
Change in provision for claims			
Gross amount		511	(2,831)
Reinsurers' share		630	2,790
Change in equalisation provision	15	138	141
Net operating expenses		(9,844)	(11,119)
		(1,920)	(4,367)
Balance on technical account	2	(1,920)	(4,367)
Non technical account			
Balance from technical account		(1,920)	(4,367)
Investment income	6	1,099	6,762
Unrealised losses on investments		(5,434)	(5,245)
Investment expenses and charges		(189)	(220)
Other income		1,678	1,662
Other charges		(1,690)	(1,742)
		(6,456)	(3,150)
Deficit on ordinary activities before taxation	3	(6,456)	(3,150)
Tax on profit on ordinary activities	7	(242)	(81)
		(6,698)	(3,231)
Deficit for the year after taxation		(6,698)	(3,231)

The Group has no recognised gains and losses other than those included in the revenue account in the current and prior year. All of the income and expenditure relates to continuing operations.

UIA (Insurance) Limited

CONSOLIDATED BALANCE SHEET

as at 31 December 2008

	Notes	2008 €000	2007 €000
ASSETS			
Investments			
Other financial investments	9	32,415	41,399
Reinsurers' share of technical provisions			
Arising from reinsurance operations		13,631	12,971
Debtors			
Arising from direct insurance operations		22,280	22,558
Other debtors	10	7	10
		22,287	22,568
Other assets			
Tangible assets	11	4	46
Cash at bank and in hand		2,412	2,075
		2,416	2,121
Prepayments and accrued income			
Accrued interest		126	131
Other prepayments and accrued income		648	816
		774	947
Total Assets		71,523	80,006
LIABILITIES			
Capital and Reserves			
Share capital	12	1	1
Profit and loss account	13	14,432	21,130
		14,433	21,131
Technical provisions			
Provision for unearned premiums			
Gross amount	14	11,473	11,305
Claims outstanding			
Gross amount	14	23,844	24,355
Equalisation provision	15	4,418	4,556
		39,735	40,216
Provision for other risks and charges	16	-	-
Creditors			
Arising from direct insurance operations		5,010	4,581
Arising from reinsurance operations		10,213	10,750
Other creditors including tax and social security	17	2,132	3,328
		17,355	18,659
Total Liabilities		71,523	80,006

Approved by the Board of Directors on 12 March 2009 and signed on their behalf by:

M Cantello
Chairperson

I Templeton
Managing Director

A Gay
Company Secretary

UIA (Insurance) Limited

COMPANY BALANCE SHEET

as at 31 December 2008

	Notes	2008 £000	2007 £000
ASSETS			
Investments			
Other financial investments	9	32,890	41,584
Reinsurers' share of technical provisions			
Arising from reinsurance operations		13,631	12,971
Debtors			
Arising from direct insurance operations		22,280	22,558
Other debtors	10	175	119
		22,455	22,677
Other assets			
Tangible assets	11	-	31
Cash at bank and in hand		1,872	1,809
		1,872	1,840
Prepayments and accrued income			
Accrued interest		126	131
Other prepayments and accrued income		507	686
		633	817
Total Assets		71,481	79,889
LIABILITIES			
Capital and Reserves			
Share capital	12	1	1
Profit and loss account	13	14,491	21,147
		14,492	21,148
Technical provisions			
Provision for unearned premiums			
Gross amount	14	11,473	11,305
Claims outstanding			
Gross amount	14	23,844	24,355
Equalisation provision	15	4,418	4,556
		39,735	40,216
Provision for other risks and charges	16	-	-
Creditors			
Arising from direct insurance operations		5,010	4,581
Arising from reinsurance operations		10,213	10,750
Other creditors including tax and social security	17	2,031	3,194
		17,254	18,525
Total Liabilities		71,481	79,889

Approved by the Board of Directors on 12 March 2009 and signed on their behalf by:

M Cantello
Chairperson

I Templeton
Managing Director

A Gay
Company Secretary

UIA (Insurance) Limited

CONSOLIDATED CASHFLOW STATEMENT

for the year ended 31 December 2008

	Notes	2008 £000	2007 £000
Net cash (outflow)/inflow from operating activities	18	(2,058)	1,472
Corporation tax paid		(1,155)	(557)
Capital expenditure		-	62
Net cash (outflow)/inflow		<u>(3,213)</u>	<u>977</u>
CASHFLOWS WERE INVESTED AS FOLLOWS:			
Increase in cash holding	19	337	385
Net portfolio investment	19		
Purchase of equities		12,120	36,509
Purchase of fixed income securities		120	7,910
Sale of equities		(11,558)	(39,856)
Sale of fixed income securities		(315)	(13,754)
Deposits with credit institutions		(3,917)	9,783
Net investment of cashflows		<u>(3,213)</u>	<u>977</u>

UIA (Insurance) Limited

NOTES TO THE ACCOUNTS

for the year ended 31 December 2008

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.

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 2008

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 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. Under FRS 17 (Retirement Benefits), the group is accounting for pension costs on the basis of contributions payable, as it is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis.

All available information is disclosed in note 23.

UIA (Insurance) Limited

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 December 2008

2. Segmental analysis

Technical account	Household	Legal Expenses	Total	Household	Legal Expenses	Total
	2008 £000	2008 £000	2008 £000	2007 £000	2007 £000	2007 £000
Earned premiums, net of reinsurance						
Gross premiums written	22,514	5,027	27,541	22,507	6,380	28,887
Outward reinsurance premiums	(1,666)	(4,117)	(5,783)	(1,588)	(4,749)	(6,337)
Change in provision for unearned premiums	(168)	-	(168)	419	-	419
	<u>20,680</u>	<u>910</u>	<u>21,590</u>	<u>21,338</u>	<u>1,631</u>	<u>22,969</u>
Earned premiums, net of reinsurance						
Gross amount	20,680	910	21,590	21,338	1,631	22,969
Reinsurers' share						
Gross amount						
Reinsurers' share						
Claims incurred, net of reinsurance						
Gross amount						
Reinsurers' share						
Gross amount						
Reinsurers' share						
Change in provision for claims						
Gross amount						
Reinsurers' share						
Change in equalisation provision						
Gross amount						
Reinsurers' share						
Net operating expenses	<u>(8,908)</u>	<u>(936)</u>	<u>(9,844)</u>	<u>(9,965)</u>	<u>(1,154)</u>	<u>(11,119)</u>
Balance on technical account	<u>(2,098)</u>	<u>178</u>	<u>(1,920)</u>	<u>(4,654)</u>	<u>287</u>	<u>(4,367)</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 2008

3. Deficit on ordinary activities before taxation

	2008	2007
	£000	£000
Deficit on ordinary activities before taxation is stated after including:		
Acquisition costs	4,745	4,629
Auditors' remuneration		
Audit fees	68	73
Other services	16	18
Operating lease payments		
Hire of plant and machinery	49	51
Loss on sale of fixed assets	-	(1)
	<u> </u>	<u> </u>

4. Staff costs

	2008	2007
	£000	£000
Wages and salaries	3,157	3,579
Social security cost	238	246
Pension cost	651	708
	<u> </u>	<u> </u>
	<u>4,046</u>	<u>4,533</u>
The average number of employees during the year was as follows:		
	<u> </u>	<u> </u>
	139	150

UIA (Insurance) Limited

NOTES TO THE ACCOUNTS (continued) for the year ended 31 December 2008

5. Directors' emoluments

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

	Salary	Bonus	Benefits	Total 2008	Total 2007
	£000	£000	£000	£000	£000
I Cracknell	95	8	9	112	88
A Gay	114	6	6	126	111
I Templeton	134	7	13	154	130
	<u>343</u>	<u>21</u>	<u>28</u>	<u>392</u>	<u>329</u>
				2008	2007
				£000	£000
Pension contributions					
I Cracknell				21	19
A Gay				26	25
I Templeton				31	29
				<u>78</u>	<u>73</u>
Aggregate emoluments				<u>470</u>	<u>402</u>

Retirement benefits are accruing to three Directors (2007: three) under a defined benefit pension scheme.

Six non-executive Directors received remuneration for their services to the Group as detailed below:

	Emoluments	Benefits	Total 2008	Total 2007
	£000	£000	£000	£000
C Baker	7	-	7	6
L Bayliss	4	-	4	-
M Cantello	9	-	9	4
V Dunn	7	-	7	4
M Folliard	7	-	7	4
P Ingram	7	-	7	4
R Newton	22	-	22	12
	<u>63</u>	<u>-</u>	<u>63</u>	<u>34</u>

UIA (Insurance) Limited

NOTES TO THE ACCOUNTS (continued) *for the year ended 31 December 2008*

6. Investment income	2008	2007
	£000	£000
Investment income from other investments		
Listed investments	1,445	1,790
Losses on the realisation of investments	(346)	4,972
	<hr/>	<hr/>
	1,099	6,762
	<hr/> <hr/>	<hr/> <hr/>

UIA (Insurance) Limited

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 December 2008

7. Taxation on profit on ordinary activities	2008 £000	2007 £000
(a) Analysis of the tax charge		
UK corporation tax:		
Current tax	268	1,558
Adjustments in respect of previous periods	(26)	(116)
Changes in deferred tax balances (see (c))	-	(1,361)
	<hr/>	<hr/>
	242	81
Double tax relief	(3)	(9)
	<hr/>	<hr/>
	239	72
Foreign tax:		
Current tax	3	9
	<hr/>	<hr/>
Total	242	81
	<hr/> <hr/>	<hr/> <hr/>

(b) Factors affecting tax charge for the year

The tax assessed for the year is lower than 28% (2007: 30%) of taxable income for the year. The differences are explained below:

	2008 £000	2007 £000
Investment income	1,099	6,762
Unrealised gains on investments	(5,434)	(5,245)
Investment expenses and charges	(189)	(220)
	<hr/>	<hr/>
	(4,524)	1,297
(Loss) of subsidiaries	(12)	(80)
	<hr/>	<hr/>
	(4,536)	1,217
Tax on investment income at 28% (2007: 30%)	(1,270)	365
Effects of:		
Fully franked investment income	(14)	(120)
Adjustments in respect of previous periods	42	55
Utilisation of tax losses	-	(57)
Unrealised gain movement	1,522	1,574
Difference between tax and accounts unrealised gains movement	-	57
Indexation	(12)	(316)
	<hr/>	<hr/>
Current tax charge for the year (see (a))	268	1,558
	<hr/> <hr/>	<hr/> <hr/>
(c) Provision for deferred taxation		
Deferred tax liability at 1 January	-	1,361
Deferred tax (credit)/charge for the year	-	(1,361)
	<hr/>	<hr/>
Deferred tax liability at 31 December	-	-
	<hr/> <hr/>	<hr/> <hr/>

UIA (Insurance) Limited

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 December 2008

8. Deficit/(surplus) for the financial year

Consistent with Section 230 of the Companies Act 1985 the company profit and loss account is not presented as part of these financial statements. The deficit for the financial year of £6,698,000 (2007: £3,231,000 deficit) includes £6,656,000 deficit (2007: £3,146,000 deficit), which is dealt with in the financial statements of the company.

9. Other financial investments

	Market Value 2008 £000	Market Value 2007 £000
Fixed interest redeemable stocks	1,715	1,892
Shares, other variable yield securities and units in unit trusts		
Listed on a recognised stock exchange	2,761	3,955
Unit trusts	11,709	15,405
Deposits with credit institutions	16,230	20,147
	<u>32,415</u>	<u>41,399</u>

The company is the holder of all the group's investments detailed above. It also has a further £475,004 (2007: £185,004) invested in its subsidiaries. Total investments for the company are £32,890,000 (2007: £41,584,000).

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 acts as an insurance agent.

10. Other debtors

	The Group		The Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Amounts owed by other parties	4	7	4	6
Deferred tax asset	3	3	-	-
Intercompany debtors	-	-	171	113
	<u>7</u>	<u>10</u>	<u>175</u>	<u>119</u>

UIA (Insurance) Limited

NOTES TO THE ACCOUNTS (continued) for the year ended 31 December 2008

11. Tangible assets

(a) Tangible assets - Group

	Computer Equipment & Systems £000	Furniture, Fixtures & Fittings £000	Total £000
Cost			
At 1 January	3,678	871	4,549
Additions	-	-	-
Disposals	(1,454)	(30)	(1,484)
At 31 December	<u>2,224</u>	<u>841</u>	<u>3,065</u>
Accumulated depreciation			
At 1 January	(3,635)	(868)	(4,503)
Charge for the year	(41)	(1)	(42)
Disposals	1,454	30	1,484
At 31 December	<u>(2,222)</u>	<u>(839)</u>	<u>(3,061)</u>
Net book value at 31 December 2008	<u>2</u>	<u>2</u>	<u>4</u>
Net book value at 31 December 2007	<u>43</u>	<u>3</u>	<u>46</u>

(b) Tangible assets - Company

	Computer Equipment & Systems £000	Furniture, Fixtures & Fittings £000	Total £000
Cost			
At 1 January	3,630	810	4,440
Additions	-	-	-
Disposals	(1,454)	(30)	(1,484)
At 31 December	<u>2,176</u>	<u>780</u>	<u>2,956</u>
Accumulated depreciation			
At 1 January	(3,600)	(809)	(4,409)
Charge for the year	(30)	(1)	(31)
Disposals	1,454	30	1,484
At 31 December	<u>(2,176)</u>	<u>(780)</u>	<u>(2,956)</u>
Net book value at 31 December 2008	<u>-</u>	<u>-</u>	<u>-</u>
Net book value at 31 December 2007	<u>30</u>	<u>1</u>	<u>31</u>

UIA (Insurance) Limited

NOTES TO THE ACCOUNTS (continued) for the year ended 31 December 2008

12. Share capital	2008 £000	2007 £000
Issued and fully paid up		
122,365 ordinary shares of 1p (2007: 124,710)	<u>1</u>	<u>1</u>

13. Reserves	The Group		The Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Balance at 1 January	21,130	24,361	21,147	24,293
Deficit for the year after taxation	(6,698)	(3,231)	(6,656)	(3,146)
Balance at 31 December	<u>14,432</u>	<u>21,130</u>	<u>14,491</u>	<u>21,147</u>

14. Technical provisions	The Group		The Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Provision for unearned premium – Gross				
Balance at 1 January	11,305	11,724	11,305	11,724
Movement in the provision	168	(419)	168	(419)
Balance at 31 December	<u>11,473</u>	<u>11,305</u>	<u>11,473</u>	<u>11,305</u>

Claims outstanding – Gross	The Group		The Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Balance at 1 January	24,355	21,524	24,355	21,524
Movement in the provision	(511)	2,831	(511)	2,831
Balance at 31 December	<u>23,844</u>	<u>24,355</u>	<u>23,844</u>	<u>24,355</u>

15. Equalisation provision

The provision has reduced accumulated funds at year-end by £4,418,000 (2007: £4,556,000) and for the year increased the balance on the technical account and decreased the deficit on ordinary activities before taxation by £138,000 (2007: £141,000).

UIA (Insurance) Limited

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 December 2008

16. Provision for other risks and charges	The Group		The Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Deferred tax liability (see note 7(c))	-	-	-	-

17. Other creditors	The Group		The Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Other creditors comprises of the following amounts:				
Corporation tax payable	108	1,021	77	1,015
Amounts owed to other parties	2,024	2,307	1,954	2,151
Intercompany creditors	-	-	-	28
Balance at 31 December	2,132	3,328	2,031	3,194

UIA (Insurance) Limited

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 December 2008

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

	2008 £000	2007 £000
Operating (deficit) before taxation	(6,456)	(3,150)
Deficit arising on revaluation of investments	5,434	5,245
Depreciation charge	42	239
Loss on disposal of fixed assets	-	1
(Increase) in reinsurers' share of technical provisions	(660)	(2,885)
Decrease/(increase) in debtors	281	(1,422)
Decrease/(increase) in accrued interest and Prepayments	173	(175)
Increase/(decrease) in unearned premiums	168	(419)
(Decrease)/increase in claims provisions	(511)	2,831
(Decrease) in equalisation provision	(138)	(141)
(Decrease)/increase in creditors	(391)	1,348
Net cash (outflow)/inflow from operating activities	<u>(2,058)</u>	<u>1,472</u>

UIA (Insurance) Limited

NOTES TO THE ACCOUNTS (continued) for the year ended 31 December 2008

19. Movement in cash, portfolio investment and financing

	At 1 Jan 2008	Cashflow	Change to Market value	At 31 Dec 2008
	£000	£000	£000	£000
Cash at bank and in hand	2,075	337	-	2,412
Shares, other variable yield securities and unit trusts	19,360	562	(5,452)	14,470
Fixed income securities	1,892	(195)	18	1,715
Deposits with credit institutions	20,147	(3,917)	-	16,230
Total investments	<u>43,474</u>	<u>(3,213)</u>	<u>(5,434)</u>	<u>34,827</u>

	At 1 Jan 2007	Cashflow	Change to Market value	At 31 Dec 2007
	£000	£000	£000	£000
Cash at bank and in hand	1,690	385	-	2,075
Shares, other variable yield securities and unit trusts	28,093	(3,347)	(5,386)	19,360
Fixed income securities	7,595	(5,844)	141	1,892
Deposits with credit institutions	10,364	9,783	-	20,147
Total Investments	<u>47,742</u>	<u>977</u>	<u>(5,245)</u>	<u>43,474</u>

UIA (Insurance) Limited

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 December 2008

20. Operating lease commitments - Group

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

	Land and buildings 2008 £000	Land and buildings 2007 £000	Other 2008 £000	Other 2007 £000
Operating leases which expire:				
within one year	-	-	-	-
in two to five years	345	353	-	-
after more than five years	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>345</u>	<u>353</u>	<u>-</u>	<u>-</u>

21. Related parties - Directors

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

22. Capital commitments

The Group has no capital commitments contracted for and payable within twelve months (2007: nil).

UIA (Insurance) Limited

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 December 2008

23. Pension costs

The UNISON Staff Pension Scheme is valued every three years by a professionally qualified independent actuary. In the intervening years the actuary provides figures calculated in accordance with FRS 17 for disclosure in the accounts of the principal employer, UNISON. The latest figures show a total deficit in the scheme at 31 December 2008 of £56.3m (2007: £22.0m).

The key FRS 17 assumptions used for the scheme are set out below:

Assumptions	31 December 2008	31 December 2007
Price inflation	2.8%	3.3%
Pension increases	2.8%	3.3%
Salary growth	3.3%	3.8%
Discount rate	6.4%	5.9%

The position of the Scheme as at 31 December 2008 is as follows:

	Expected return	Fair Value £m
Equities	7.4%	139
Bonds	3.5%	78
Currency	7.8%	3
Property	5.6%	17
Cash	2.1%	3
Total fair value of assets		240
FRS 17 value of liabilities		(296)
Net pension scheme (liability)		(56)

The Trustees are currently considering options for funding the deficit.