



Uia (Insurance) Limited

Annual Report and Accounts  
for the year ended 31 December 2009

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

FSA Registered Number 110863

# UIA (Insurance) Limited

## CHAIR'S STATEMENT

### Introduction

I am pleased to be able to report that 2009 was a very successful year for UIA with a return to profitability and excellent progress in the delivery of key elements of our strategic plan.

In order to put this in context it is helpful to look back at where we were and how far we have come. Two years ago, our business faced a number of significant challenges including declining membership, rising costs and capital erosion. The Board put in place a strategic plan to deal with these issues and some hard decisions were taken to protect and enhance the long term interests of members. Although challenges remain, the plan has been successful and the Company is now in a much stronger position. In addition to a significant strengthening of our balance sheet, we have improved cost control, enhanced our product range and achieved substantial new business growth.

### Financial Performance

In 2009, we are reporting a profit for the year of £8.9m, our best on record, with contributions from all our activities - underwriting, broking and investments. In our home insurance business, we are reporting an underwriting surplus of £3.6m, compared to a loss of £2.1m in 2008. The turnaround in this key area has been achieved through maintaining strong underwriting discipline and by taking the necessary corrective action to address profitability wherever the need arises.

One of the measures of how well we are doing is the growth in our new business. In 2009, we provided home insurance policies to 12,600 new members, an increase of 13% on the previous year. This is an excellent performance in the face of stiff competition and I thank our marketing and sales teams for their efforts.

Managing expenses remains a top priority and further good progress has been made in 2009, with total operating expenses of £7.9m being 5% less than the previous year. In 2010, we recognise the need to continue to invest in our staff, systems and processes, but will seek further cost savings, wherever possible.

In 2009, the success of our underwriting activities was supported by an excellent return from our investment funds. The improvement in the global economy following the action taken by central governments in response to the banking crisis, resulted in a significant rise in equity markets during the latter half of the year. Whilst this general rise in markets contributed to the overall return, our funds performed even better than their benchmarks indices, and I thank our fund managers for their contribution to our success.

As a direct consequence of our improved underwriting and investment performance, our capital position has improved during the year and our reserves now stand at more than 150% of the current minimum agreed with our regulators. The profit for the year has strengthened our reserves at a time when all insurers are facing the challenge of meeting new EU-wide solvency regulations to be introduced in 2012. We are at the forefront of these developments and well placed to meet the new requirements.

The Board's medium term strategy is to position the Company to return to premium growth within the next two years, whilst continuing with the action needed to deliver a positive underwriting result over the insurance lifecycle. We are beginning to make real progress towards these targets and it is pleasing to note that 2010 has started well with growth in both policy numbers and premium income.

# UIA (Insurance) Limited

## CHAIR'S STATEMENT (continued)

### Philosophy

UIA is proud to have served the insurance needs of trade union members for over one hundred years. We recognise that insurance is more than just buying a policy; it is about the peace of mind that comes from dealing with a trusted company and knowledgeable staff. Insurers make all kinds of claims about what they offer compared to their competitors, and it is hard to know what to believe. At UIA we don't make promises we can't keep. Our philosophy, called "Insurance with Principles", sets out how we meet these promises through an ethos and culture closely aligned to our trade union heritage and an unwavering commitment to doing the right thing. The reward is stable, long-term relationships with our members and partners.

UIA is a mutual company, which means that you, the members, are the owners of the business. This mutual status provides real benefits as we have no conflict with external shareholders, who would take all our profits. We can focus on the long-term and maintain the strong financial position needed to protect our members from unexpected losses. As I have mentioned in previous annual reports, the Board is committed to maintaining the mutual status of the Company. We recognise that mutuality has served our members well in the past and I have no doubt that it will continue to do so in the future.

I am delighted that, in recognition of our improved financial performance in 2009, the Board has been able to substantially increase the Company's annual donation to the UIA Charitable Foundation. Over the last year donations have been made to more than 30 charities operating in areas of particular concern to trade union members. During 2010, we will make £100,000 available to support the many good causes that apply to the Foundation for financial assistance.

### New Initiatives

During 2009, we successfully introduced several new products and services that were relevant to the changing needs of current and new members. In particular, our new home emergency product provides valuable support and assistance in the event of a domestic emergency, and has been warmly welcomed by members.

The ever increasing use of the internet for more and more insurance transactions continues at pace and this is something we embrace and encourage. We recognise that our members have very busy lives and we need to make it as easy for them as possible to do business with us. Following the introduction of our newly revamped websites in August 2009, we saw the number of policies taken out over the web increase by more than 30%. In 2010, these websites will be further refined with the introduction of the functionality needed to allow members to renew their policies online and the development of the sites as a social point of contact.

In 2010, our programme of operational change will continue as we simplify processes, utilise modern technology, engage our staff more widely and invest in our people. Our reputation is built on the foundation of service excellence and I am mindful that as we expand, we must continue to deliver on our promises.

We regularly survey a sample of our members and ask them how they view the service provided by UIA, and with scores routinely showing over 90% satisfaction, we are achieving success that would make many of our competitors highly envious.

# UIA (Insurance) Limited

## CHAIR'S STATEMENT (continued)

### Staff and Board

I would personally like to take the opportunity to thank Ian Templeton, Andrew Gay and Ian Cracknell and all our staff for their skill and dedication, hard work and enthusiasm. Their tremendous efforts and commitment during 2009 has been the key driver behind the Company's success. I want to thank all my Board colleagues for the valuable support they have given me and for the excellent team spirit that has been fostered between us.

I must also thank three of our long standing board members, Pat Ingram, who retired from the Board in June 2009, Veronica Dunn and Mike Folliard, who are standing down at this year's AGM upon completion of their maximum period of service. I thank them for their contribution to the work of the Board, their support and guidance during many years of dedicated service has been invaluable. I am delighted to welcome Pete Dodd to the Board following his election at last year's AGM. We are already benefiting first hand from his long association with the CWU and his wider business expertise.

### Outlook

As we move into 2010, we are confident of our ability to continue to develop our business and deliver excellent results, despite the ongoing economic uncertainties. Our focus will be on growing our business profitably and improving our operational efficiency so that we can deliver on our promises to our members, staff and trade unions partners. We will continue to operate to high ethical standards in the products we develop, the services we provide and the relationships we build.

Finally, I thank you, our members for your continuing support and loyalty to UIA

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 2009.

### 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 3.

The result for the year is shown in the consolidated revenue account on page 18.

### Directors

The names of the current Directors are listed on pages 6 to 8. All held office throughout the year, with the exception of Pat Ingram (retired 16 June 2009) and Peter Dodd (appointed 05 August 2009).

### Charitable donations

During the year the company made donations to the UIA Charitable Foundation amounting to £25,000 (2008: £12,500) and has set aside £100,000 for 2010.

The company also made other charitable donations of £23,585 (2008: £23,100).

### 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 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

## UIA (Insurance) Limited

### 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 an internal auditor and in 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, after 20 years at national level, and continues to be an active member of the union.

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 both the Audit and Risk and Nominations and Remuneration Committees.

*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.

# UIA (Insurance) Limited

## 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.

*Peter Dodd* Non-Executive Director

Peter was appointed a non-executive Director in 2009. He is a member of the Nominations and Remuneration committee.

Peter worked 23 years for the Post Office 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 Mechanics Centre Ltd, an Employment Tribunal Member, a member of the NHS North West Stroke Research Steering Committee and a governor of the Central Manchester & University Hospitals Foundation Trust.

*Veronica Dunn* Non-Executive Director, Senior Independent Director

Veronica was first appointed a non-executive Director in 1995 and is a past Vice Chairperson of the Board and a previous Chair of the Audit and Risk Committee. Under the transitional arrangements in the new rules, she will retire from the Board at the Annual General Meeting in 2010. 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 Audit and Risk Committee and the Charitable Foundation Committee of which he is Chair. Mike retired in 2008 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 1993 until 2007 serving on its Finance, Services to Members, Policy and Development and International Strategic committees. He chaired the International Committee for two years.

## UIA (Insurance) Limited

### CORPORATE GOVERNANCE REPORT (continued)

*Gerry Gallagher* Non-Executive Director

Gerry was appointed a non-executive Director in 2003. He chairs 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 President of UNISON.

*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.

*Bob Newton BSc FIA CDir* Non-Executive Director, Independent Professional Director

Bob was appointed a non-executive Director in 2007. He chairs 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 the 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 a number of 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.

# UIA (Insurance) Limited

## 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

## UIA (Insurance) Limited

### CORPORATE GOVERNANCE (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 three 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, recruited from within the membership or by recommendation from UIA's trade union partners. In addition, the Board has appointed a non-executive director with extensive financial services and management experience.

During 2009, 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 Managing Director 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. Responsibility for the day to day management of UIA is delegated to the Managing Director, supported by the other Executive Directors. 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, Managing Director 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. Under the current Board structure, and in particular the desire to ensure that this continues to reflect the ethos and values of our members and trade union partners, it has not been possible to identify a Non-Executive Director who fully meets the independence criteria set down in the Code. Veronica Dunn, the current Senior Independent Director, does not meet the independence criteria having served, under the transitional provisions which end in 2010, on the Board for more than nine years. However the Board believes that the appointment was appropriate and that she has been able to fulfil the role without compromise.

A full list of the Directors, together with their biographies, the Committees on which they sit and their attendance records are given on pages 6, 7, 8 and 14.

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.

## UIA (Insurance) Limited

### CORPORATE GOVERNANCE (continued)

During 2009 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.

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 Audit & 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 & Risk Committee of the scope and results of internal audit and compliance work, and of the implementation of recommendations
- Audit & Risk Committee reviews of the scope of work undertaken by the external auditors and any significant issues arising from them
- Audit & Risk 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 & Risk Committee on the Company's operations. During 2009, the information received and considered by the Audit & Risk 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 Managing Director 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 (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 Audit & 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 2009, 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.

## UIA (Insurance) Limited

### 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  
Malcolm Cantello  
Veronica Dunn  
Mike Folliard  
Mike Hayes

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  
Peter Dodd  
Veronica Dunn  
Alison Shepherd  
Ian Templeton

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, bonus arrangements, fees, service contracts and other employment conditions.

# UIA (Insurance) Limited

## CORPORATE GOVERNANCE (continued)

### Attendance at 2009 Board and Committee Meetings

Director	Board	Audit and Risk Committee	Nominations and Remuneration Committee
	Meetings attended	Meetings attended	Meetings attended
L Bayliss	2 (6)	2 (4)	
M Cantello	5 (6)	4 (4)	2 (2)
I Cracknell	6 (6)		
P Dodd	2 (2)		1 (1)
V Dunn	6 (6)	4 (4)	0 (1)
M Folliard	6 (6)	2 (2)	1 (1)
G Gallagher	5 (6)		2 (2)
A Gay	6 (6)		
M Hayes	4 (6)	3 (4)	
P Ingram	3 (3)	2 (2)	1 (1)
R Newton	5 (6)	4 (4)	
A Shepherd	4 (6)		2 (2)
I Templeton	6 (6)		2 (2)

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.

# 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 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 reward scheme. The Committee reviews and agrees performance reward targets and levels of eligibility annually. The performance reward 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 reward is paid. Total awards for exceptional performance will not exceed 10% for the Managing Director and Deputy Managing Director and 20% for the Marketing 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. There is no long-term incentive plan for 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. For 2009, Executive Directors contributed 7% of basic pensionable salary to the scheme. 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 three months 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.

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, with no addition for chairing committees. 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 2009 which comprise the consolidated revenue account, consolidated and company balance sheets, the consolidated cash flow statement and the related notes 1 to 22. 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).

### Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 4 and 5, 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 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 APB's website at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

### 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 2009, 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 on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the company's affairs as at 31 December 2009 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 requirements of the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008.

## UIA (Insurance) Limited

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

#### 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.

#### 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.

Mazars LLP, Chartered Accountants (Statutory auditor)  
Raymond Tidbury (Senior statutory auditor)

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

March 2010

## UIA (Insurance) Limited

### CONSOLIDATED REVENUE ACCOUNT

for the year ended 31 December 2009

	Notes	2009 £000	2008 £000
<b>Technical Account</b>			
Earned premiums, net of reinsurance			
Gross premiums written		27,497	27,541
Outwards reinsurance premiums		(5,781)	(5,783)
Change in gross provision for unearned premiums		257	(168)
		21,973	21,590
Earned premiums, net of reinsurance	2	21,973	21,590
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(15,779)	(19,602)
Reinsurers' share		5,398	4,657
Change in provision for claims			
Gross amount		3,923	511
Reinsurers' share		(1,925)	630
Change in equalisation provision	15	176	138
Net operating expenses		(9,853)	(9,844)
		3,913	(1,920)
Balance on technical account	2	3,913	(1,920)
<b>Non technical account</b>			
Balance from technical account		3,913	(1,920)
Investment income	6	1,750	1,099
Unrealised gains/(losses) on investments		3,783	(5,434)
Investment expenses and charges		(6)	(189)
Other income		1,883	1,678
Other charges		(1,900)	(1,690)
		9,423	(6,456)
Surplus/(deficit) on ordinary activities before taxation	3	9,423	(6,456)
Tax on profit on ordinary activities	7	(474)	(242)
		8,949	(6,698)
Surplus/(deficit) for the year after taxation		8,949	(6,698)

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 2009

	Notes	2009 £000	2008 £000
<b>ASSETS</b>			
<b>Investments</b>			
Other financial investments	9	38,840	32,415
<b>Reinsurers' share of technical provisions</b>			
Arising from reinsurance operations		11,737	13,631
<b>Debtors</b>			
Arising from direct insurance operations		21,705	22,280
Other debtors	10	12	7
		<hr/>	<hr/>
		21,717	22,287
<b>Other assets</b>			
Tangible assets	11	101	4
Cash at bank and in hand		2,222	2,412
		<hr/>	<hr/>
		2,323	2,416
<b>Prepayments and accrued income</b>			
Accrued interest		8	126
Other prepayments and accrued income		741	648
		<hr/>	<hr/>
		749	774
		<hr/>	<hr/>
<b>Total Assets</b>		<u>75,366</u>	<u>71,523</u>
<b>LIABILITIES</b>			
<b>Capital and Reserves</b>			
Share capital	12	1	1
Profit and loss account	13	23,381	14,432
		<hr/>	<hr/>
		23,382	14,433
<b>Technical provisions</b>			
Provision for unearned premiums			
Gross amount	14	11,216	11,473
Claims outstanding			
Gross amount	14	19,921	23,844
Equalisation provision	15	4,242	4,418
		<hr/>	<hr/>
		35,379	39,735
<b>Creditors</b>			
Arising from direct insurance operations		4,730	5,010
Arising from reinsurance operations		9,733	10,213
Other creditors including tax and social security	16	2,142	2,132
		<hr/>	<hr/>
		16,605	17,355
		<hr/>	<hr/>
<b>Total Liabilities</b>		<u>75,366</u>	<u>71,523</u>

Approved by the Board of Directors on 9 March 2010 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 2009

	Notes	2009 £000	2008 £000
<b>ASSETS</b>			
<b>Investments</b>			
Other financial investments	9	39,315	32,890
<b>Reinsurers' share of technical provisions</b>			
Arising from reinsurance operations		11,737	13,631
<b>Debtors</b>			
Arising from direct insurance operations		21,705	22,280
Other debtors	10	78	175
		<hr/>	<hr/>
		21,783	22,455
<b>Other assets</b>			
Tangible assets	11	101	-
Cash at bank and in hand		1,796	1,872
		<hr/>	<hr/>
		1,897	1,872
<b>Prepayments and accrued income</b>			
Accrued interest		8	126
Other prepayments and accrued income		560	507
		<hr/>	<hr/>
		568	633
		<hr/>	<hr/>
<b>Total Assets</b>		<u>75,300</u>	<u>71,481</u>
<b>LIABILITIES</b>			
<b>Capital and Reserves</b>			
Share capital	12	1	1
Profit and loss account	13	23,444	14,491
		<hr/>	<hr/>
		23,445	14,492
<b>Technical provisions</b>			
Provision for unearned premiums			
Gross amount	14	11,216	11,473
Claims outstanding			
Gross amount	14	19,921	23,844
Equalisation provision	15	4,242	4,418
		<hr/>	<hr/>
		35,379	39,735
<b>Creditors</b>			
Arising from direct insurance operations		4,730	5,010
Arising from reinsurance operations		9,733	10,213
Other creditors including tax and social security	16	2,013	2,031
		<hr/>	<hr/>
		16,476	17,254
		<hr/>	<hr/>
<b>Total Liabilities</b>		<u>75,300</u>	<u>71,481</u>

Approved by the Board of Directors on 9 March 2010 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 2009*

	Notes	2009 £000	2008 £000
<b>Net cash inflow/(outflow) from operating activities</b>	17	2,886	(2,058)
Corporation tax paid		(329)	(1,155)
Capital expenditure		(105)	-
<b>Net cash inflow/(outflow)</b>		<u>2,452</u>	<u>(3,213)</u>
<b>CASHFLOWS WERE INVESTED AS FOLLOWS:</b>			
<b>(Decrease)/increase in cash holding</b>	18	(190)	337
<b>Net portfolio investment</b>	18		
Purchase of equities		16,772	12,120
Purchase of fixed income securities		3,703	120
Sale of equities		(14,214)	(11,558)
Sale of fixed income securities		(3,249)	(315)
Deposits with credit institutions		(370)	(3,917)
<b>Net investment of cashflows</b>		<u>2,452</u>	<u>(3,213)</u>

# UIA (Insurance) Limited

## NOTES TO THE ACCOUNTS

*for the year ended 31 December 2009*

### 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 2009

### 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. 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 22.

## UIA (Insurance) Limited

### NOTES TO THE ACCOUNTS (continued)

for the year ended 31 December 2009

#### 2. Segmental analysis

Technical account	Household	Legal Expenses	Total	Household	Legal Expenses	Total
	2009 £000	2009 £000	2009 £000	2008 £000	2008 £000	2008 £000
Earned premiums, net of reinsurance						
Gross premiums written	21,780	5,717	27,497	22,514	5,027	27,541
Outward reinsurance premiums	(1,325)	(4,456)	(5,781)	(1,666)	(4,117)	(5,783)
Change in provision for unearned premiums	257	-	257	(168)	-	(168)
	<u>20,712</u>	<u>1,261</u>	<u>21,973</u>	<u>20,680</u>	<u>910</u>	<u>21,590</u>
Earned premiums, net of reinsurance						
Claims incurred, net of reinsurance						
Claims paid						
Gross amount	(10,814)	(4,965)	(15,779)	(15,997)	(3,605)	(19,602)
Reinsurers' share	433	4,965	5,398	1,052	3,605	4,657
Change in provision for claims						
Gross amount	2,277	1,646	3,923	1,256	(745)	511
Reinsurers' share	(279)	(1,646)	(1,925)	(319)	949	630
Change in equalisation provision	176	-	176	138	-	138
Net operating expenses	<u>(8,869)</u>	<u>(984)</u>	<u>(9,853)</u>	<u>(8,908)</u>	<u>(936)</u>	<u>(9,844)</u>
Balance on technical account	<u>3,636</u>	<u>277</u>	<u>3,913</u>	<u>(2,098)</u>	<u>178</u>	<u>(1,920)</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 2009

#### 3. Surplus/(deficit) on ordinary activities before taxation

Surplus/(deficit) on ordinary activities before taxation is stated after including:	2009 £000	2008 £000
Acquisition costs	4,913	4,745
Auditors' remuneration		
Audit fees	78	84
Operating lease payments		
Hire of plant and machinery	47	49
	<u>4,913</u>	<u>4,745</u>

#### 4. Staff costs

	2009 £000	2008 £000
Wages and salaries	3,373	3,157
Social security cost	257	238
Pension cost	668	651
	<u>4,298</u>	<u>4,046</u>

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

	<u>143</u>	<u>139</u>
--	------------	------------

## UIA (Insurance) Limited

### NOTES TO THE ACCOUNTS (continued)

for the year ended 31 December 2009

#### 5. Directors' emoluments

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

	Salary and fees £	Performance Reward £	Benefits £	Total 2009 £	Total 2008 £
<b>Executive</b>					
I Cracknell	85,735	10,008	8,982	104,725	111,824
A Gay	106,670	4,929	8,009	119,608	126,525
I Templeton	125,930	7,044	14,849	147,823	154,006
<b>Non-Executive</b>					
C Baker	-	-	-	-	6,937
L Bayliss	8,250	-	-	8,250	3,750
M Cantello	13,750	-	-	13,750	9,250
P Dodd	5,125	-	-	5,125	-
V Dunn	8,250	-	-	8,250	7,250
G Gallagher	4,500	-	-	4,500	-
M Folliard	8,250	-	-	8,250	6,750
P Ingram	4,625	-	-	4,625	6,750
R Newton	23,260	-	-	23,260	22,385

Pension Entitlement	Years of service	Accrued pension as at 31 December 2009 £	Increase in accrued pension £
I Cracknell	12	17,147	1,857
A Gay	11	43,966	2,927
I Templeton	11	23,437	2,680

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 2009 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.

## UIA (Insurance) Limited

### NOTES TO THE ACCOUNTS (continued)

*for the year ended 31 December 2009*

<b>6. Investment income</b>	<b>2009</b>	<b>2008</b>
	£000	£000
Investment income from other investments		
Listed investments	754	1,445
Gains/(losses) on the realisation of investments	996	(346)
	<hr/>	<hr/>
	1,750	1,099
	<hr/> <hr/>	<hr/> <hr/>

## UIA (Insurance) Limited

### NOTES TO THE ACCOUNTS (continued)

for the year ended 31 December 2009

7. Taxation on profit on ordinary activities	2009 £000	2008 £000
<b>(a) Analysis of the tax charge</b>		
UK corporation tax:		
Current tax	467	268
Adjustments in respect of previous periods	7	(26)
Changes in deferred tax balances (see (c))	-	-
	<hr/>	<hr/>
	474	242
Double tax relief	(4)	(3)
	<hr/>	<hr/>
	470	239
Foreign tax:		
Current tax	4	3
	<hr/>	<hr/>
Total	474	242
	<hr/> <hr/>	<hr/> <hr/>

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

The tax assessed for the year is lower than 28% (2008: 28%) of taxable income for the year. The differences are explained below:

	2009 £000	2008 £000
Investment income	1,750	1,099
Unrealised gains on investments	3,783	(5,434)
Investment expenses and charges	(6)	(189)
	<hr/>	<hr/>
	5,527	(4,524)
(Loss) of subsidiaries	(17)	(12)
	<hr/>	<hr/>
	5,510	(4,536)
Tax on investment income at 28% (2008: 30%)	1,543	(1,270)
Effects of:		
Fully franked investment income	(15)	(14)
Adjustments in respect of previous periods	22	42
Unrealised gain movement	(1,059)	1,522
Indexation	(24)	(12)
	<hr/>	<hr/>
Current tax charge for the year (see (a))	467	268
	<hr/> <hr/>	<hr/> <hr/>

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

A deferred tax asset of £656,000 (2008: £1,700,000) 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 2009

#### 8. Surplus/(deficit) 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 £8,949,000 (2008: £6,698,000 deficit) includes £8,953,000 surplus (2008: £6,656,000 deficit), which is dealt with in the financial statements of the company.

9. Other financial investments	Market Value		Cost	
	2009 £000	2008 £000	2009 £000	2008 £000
Fixed interest redeemable stocks	2,107	1,715	2,127	1,673
Shares, other variable yield securities and units in unit trusts				
Listed on a recognised stock exchange	9,017	2,761	10,287	6,863
Unit trusts	11,856	11,709	12,625	13,491
Deposits with credit institutions	15,860	16,230	15,860	16,230
	<u>38,840</u>	<u>32,415</u>	<u>40,899</u>	<u>38,257</u>

The company is the holder of all the group's investments detailed above. It also has a further £475,004 (2008: £475,004) invested in its subsidiaries. Total investments for the company are £39,315,000 (2008: £32,890,000).

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	
	2009 £000	2008 £000	2009 £000	2008 £000
Amounts owed by other parties	9	4	9	4
Deferred tax asset	3	3	-	-
Intercompany debtors	-	-	69	171
	<u>12</u>	<u>7</u>	<u>78</u>	<u>175</u>

# UIA (Insurance) Limited

## NOTES TO THE ACCOUNTS (continued) for the year ended 31 December 2009

### 11. Tangible assets

#### (a) Tangible assets - Group

	Computer Equipment & Systems £000	Furniture, Fixtures & Fittings £000	Total £000
Cost			
At 1 January	2,224	841	3,065
Additions	105	-	105
Disposals	-	-	-
At 31 December	<u>2,329</u>	<u>841</u>	<u>3,170</u>
Accumulated depreciation			
At 1 January	(2,222)	(839)	(3,061)
Charge for the year	(6)	(2)	(8)
Disposals	-	-	-
At 31 December	<u>(2,228)</u>	<u>(841)</u>	<u>(3,069)</u>
Net book value at 31 December 2009	<u>101</u>	<u>-</u>	<u>101</u>
Net book value at 31 December 2008	<u>2</u>	<u>2</u>	<u>4</u>

#### (b) Tangible assets – Company

	Computer Equipment & Systems £000	Furniture, Fixtures & Fittings £000	Total £000
Cost			
At 1 January	2,176	780	2,956
Additions	105	-	105
Disposals	-	-	-
At 31 December	<u>2,281</u>	<u>780</u>	<u>3,061</u>
Accumulated depreciation			
At 1 January	(2,176)	(780)	(2,956)
Charge for the year	(4)	-	(4)
Disposals	-	-	-
At 31 December	<u>(2,180)</u>	<u>(780)</u>	<u>(2,960)</u>
Net book value at 31 December 2009	<u>101</u>	<u>-</u>	<u>101</u>
Net book value at 31 December 2008	<u>-</u>	<u>-</u>	<u>-</u>

# UIA (Insurance) Limited

## NOTES TO THE ACCOUNTS (continued) for the year ended 31 December 2009

12. Share capital	2009 £000		2008 £000	
<b>Issued and fully paid up</b>				
119,237 ordinary shares of 1p (2008: 122,365)	1	1		
	<u>1</u>	<u>1</u>		
13. Reserves	The Group		The Company	
	2009 £000	2008 £000	2009 £000	2008 £000
Balance at 1 January	14,432	21,130	14,491	21,147
Surplus/(deficit) for the year after taxation	8,949	(6,698)	8,953	(6,656)
Balance at 31 December	<u>23,381</u>	<u>14,432</u>	<u>23,444</u>	<u>14,491</u>
14. Technical provisions	The Group		The Company	
	2009 £000	2008 £000	2009 £000	2008 £000
Provision for unearned premium – Gross				
Balance at 1 January	11,473	11,305	11,473	11,305
Movement in the provision	(257)	168	(257)	168
Balance at 31 December	<u>11,216</u>	<u>11,473</u>	<u>11,216</u>	<u>11,473</u>
	The Group		The Company	
	2009 £000	2008 £000	2009 £000	2008 £000
Claims outstanding – Gross				
Balance at 1 January	23,844	24,355	23,844	24,355
Movement in the provision	(3,923)	(511)	(3,923)	(511)
Balance at 31 December	<u>19,921</u>	<u>23,844</u>	<u>19,921</u>	<u>23,844</u>

## 15. Equalisation provision

The provision has reduced accumulated funds at year-end by £4,242,000 (2008: £4,418,000) and for the year increased the balance on the technical account and increased the surplus on ordinary activities before taxation by £176,000 (2008: £138,000).

## UIA (Insurance) Limited

### NOTES TO THE ACCOUNTS (continued) for the year ended 31 December 2009

16. Other creditors	The Group		The Company	
	2009 £000	2008 £000	2009 £000	2008 £000
Other creditors comprises of the following amounts:				
Corporation tax payable	253	108	249	77
Amounts owed to other parties	1,889	2,024	1,764	1,954
Intercompany creditors	-	-	-	-
Balance at 31 December	<u>2,142</u>	<u>2,132</u>	<u>2,013</u>	<u>2,031</u>

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

	2009 £000	2008 £000
Operating surplus/(deficit) before taxation	9,423	(6,456)
(Surplus)/deficit arising on revaluation of investments	(3,783)	5,434
Depreciation charge	8	42
Decrease/(increase) in reinsurers' share of technical provisions	1,894	(660)
Decrease in debtors	570	281
Decrease in accrued interest and prepayments	25	173
(Decrease)/increase in unearned premiums	(257)	168
(Decrease)in claims provisions	(3,923)	(511)
(Decrease) in equalisation provision	(176)	(138)
(Decrease)in creditors	(895)	(391)
Net cash inflow/(outflow) from operating activities	<u>2,886</u>	<u>(2,058)</u>

## UIA (Insurance) Limited

### NOTES TO THE ACCOUNTS (continued) for the year ended 31 December 2009

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

	At 1 Jan <b>2009</b>	Cashflow	Change to Market value	At 31 Dec <b>2009</b>
	£000	£000	£000	£000
Cash at bank and in hand	2,412	(190)	-	2,222
Shares, other variable yield securities and unit trusts	14,470	2,558	3,845	20,873
Fixed income securities	1,715	454	(62)	2,107
Deposits with credit institutions	16,230	(370)	-	15,860
Total investments	<u>34,827</u>	<u>2,452</u>	<u>3,783</u>	<u>41,062</u>

	At 1 Jan <b>2008</b>	Cashflow	Change to Market value	At 31 Dec <b>2008</b>
	£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>

## UIA (Insurance) Limited

### NOTES TO THE ACCOUNTS (continued)

for the year ended 31 December 2009

#### 19. Operating lease commitments - Group

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

	Land and buildings <b>2009</b> £000	Land and buildings <b>2008</b> £000	Other <b>2009</b> £000	Other <b>2008</b> £000
Operating leases which expire:				
within one year	262	-	-	-
in two to five years	-	345	-	-
after more than five years	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total	262	345	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

#### 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 (2008: nil).

## UIA (Insurance) Limited

### NOTES TO THE ACCOUNTS (continued)

for the year ended 31 December 2009

#### 22. 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 2009 of £87.4m (2008: £56.3m).

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

Assumptions	31 December 2009	31 December 2008
Price inflation	3.5%	2.8%
Pension increases	3.5%	2.8%
Salary growth		
over the next two years	2.0%	3.3%
thereafter	3.5%	3.3%
Discount rate	5.6%	6.4%

The position of the Scheme as at 31 December 2009 is as follows:

	Expected return	Fair Value £m
Equities	7.9%	171
Bonds	3.9%	88
Currency	8.4%	3
Property	6.1%	23
Cash	2.2%	2
Total fair value of assets		287
FRS 17 value of liabilities		(374)
Net pension scheme (liability)		<u>(87)</u>

The Unison Pension Fund Trustees are currently considering options for funding the deficit.