

Note to readers of PRA return – April 2014

Expense ratio

In 2013 U K Insurance Limited (“UKI”) incurred restructuring and other one-off costs in expenses of £139.7 million (2012: £187.2 million). The PRA return for UKI also includes the run-off of the business underwritten through the relationship with Tesco Personal Finance (TPF).

The following tables adjust the premiums and expenses as reported in the PRA return to calculate the underlying expense ratios excluding run-off, restructuring and other one-off costs.

	2013	2012
Total UKI Expense ratio (per PRA return)	37.5%	39.2%
Adjusted expense ratio (excluding TPF)	37.5%	35.9%
Restructuring and other one-off costs	£139.7m	£187.2m
Underlying expense ratio (excluding TPF and restructuring and other one-off costs)	33.1%	30.3%
Motor (PRA Category 120) Expense ratio (per PRA return)	31.0%	35.9%
Adjusted expense ratio (excluding TPF)	31.0%	29.4%
Restructuring and other one-off costs	£64.2m	£90.0m
Underlying expense ratio (excluding TPF and restructuring and other one-off costs)	26.4%	23.6%
Home (PRA Category 160) Expense ratio (per PRA return)	45.9%	45.7%
Adjusted expense ratio (excluding TPF)	45.9%	45.7%
Restructuring and other one-off costs	£42.6m	£53.5m
Underlying expense ratio (excluding TPF and restructuring and other one-off costs)	40.9%	39.7%

The total UKI expense ratios differ slightly from those indicated in the statutory accounts due to the different classification of investment fees in the PRA return.

Commercial loss ratio

On 1 January 2013 UKI reclassified policies relating to commercial vans from category 120 to category 220. Gross claims incurred in respect of incidents occurring prior to 1 January 2013 of £53.6 million were included in the current period in column 2 as opposed to restating the brought forward balance in column 1.

The derived loss ratio from the 3 commercial categories in the PRA return (220,260,270) is 78.1%. The underlying UKI commercial loss ratio is reflected in the published Group commercial loss ratio of 62.3%.