

# The Chartered Insurance Institute

## Financial Statements 2018

Incorporating a strategic and financial review for the year ended  
31 December 2018



Chartered  
Insurance  
Institute

Standards. Professionalism. Trust.

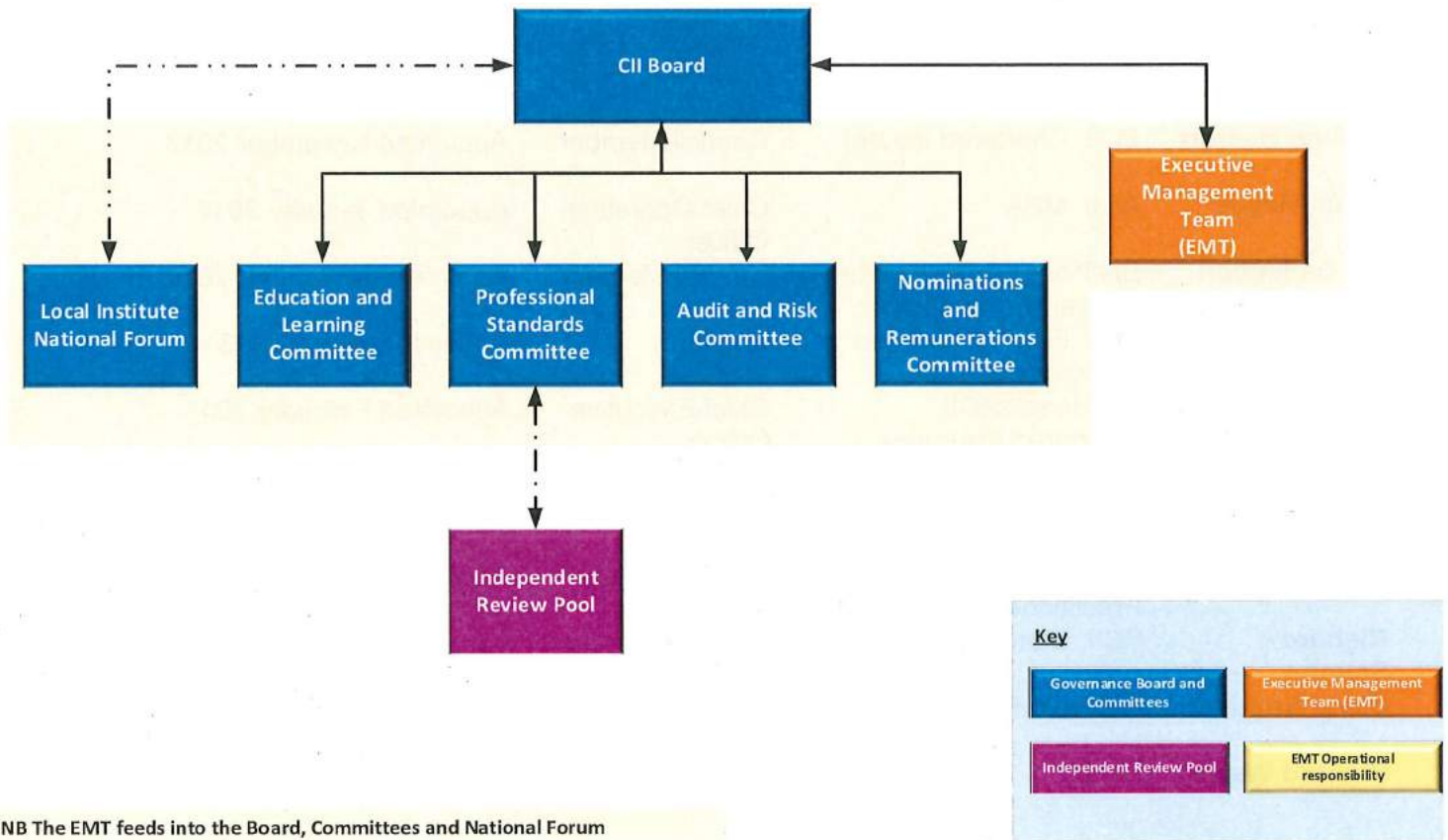
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## Governance Structure For the year ended 31 December 2018

The CII is governed by the CII Charter & Bye-Laws and CII Board Regulations and is overseen by our corporate governance committees.

### Our governance structure



## The Board Composition For the year ended 31 December 2018

The composition of the Board during the year was:

<b>Jonathan Clark</b>	MA, MSc, Dip Eng, ACII, FCILA, Chartered Insurer, Chartered Loss Adjuster	President (2018/19)	Appointed August 2017	
<b>Nick Turner</b>	APFS	Deputy President (2018/2019)	Appointed July 2018	
<b>Dame Inga Beale</b>	ACII, Chartered Insurer	Immediate Past President (2018/19)	Appointed July 2016	
<b>John Moore</b>	MBE, ACII, Chartered Insurance Broker	Immediate Past President (2017/18)	Appointed July 2015	Retired July 2018
<b>Callum Beaton</b>	FCII, Chartered Insurer	Council Member	Appointed November 2017	
<b>John Bissell</b>	ACII, MBA	Chief Operating Officer	Appointed January 2017	
<b>Ian Callaghan</b>	BA(Hons), FCII, Chartered Insurance Practitioner	Council Member	Appointed November 2015	
<b>Sara Fardon</b>	FCII, FCMI, Chartered Insurance Broker	Employer Member	Appointed March 2013	
<b>Sian Fisher</b>	BA(Hons), ACII, Chartered Insurance Practitioner	Chief Executive Officer	Appointed February 2016	
<b>David Hertzell</b>	Solicitor	Lay Member	Appointed July 2017	
<b>David Ross</b>	ACII, Chartered Insurance Practitioner	Council Member	Appointed November 2016	
<b>Richard Salmon</b>	FCII, Chartered Insurer	Council Member	Appointed November 2017	
<b>David Smith</b>	Chartered Engineer	Employer Member	Appointed October 2015	
<b>Richard Webb</b>	FPMI	Lay Member	Appointed December 2013	

During the year the following people were co-opted to the Board. Whilst taking part in Board discussions they do not have any voting rights:

<b>Roger Sanders</b>	OBE, Cert PFS	Co-opted Member	Appointed July 2018
<b>Alan Clamp</b>	Phd, MA, BA, PGCE, MBA	Co-opted Member	Appointed May 2018

Meeting attendance: Seven Board meetings were held during 2018 and the attendance was as follows:

No. of members in attendance including the co-opted members:

January 2018	12/13
March 2018	12/13
May 2018	13/15
July 2018	13/15
September 2018	12/15
October 2018	11/15 – additional meeting held at short notice
November 2018	14/15



## **Board Report** For the year ended 31 December 2018

The Board is the governing body of the Institute and controls its property, affairs and business. It receives standing reports including Financial Performance Report, the Chief Executive's Report, the Business Operations Report (which included during 2018 updates on the relocation to Lombard Street and the sale of Aldermanbury), the Transformation Programme Report, the People, Culture and Diversity Report, the Risk Report and currently the Governance review.

In addition to the scheduled Board meetings in alternate months, the Board had an additional meeting in October 2018 to discuss and approve the business case and expenditure for the commerce project which is a key phase of the Target Operating Model which is in the process of being introduced and has been overseen by the Board. There were also two half day interactive sessions with CII's Executive Management Team in March and September focussed on the CII's strategy and the CII's finances respectively. These were to enable the Board, who are a largely non-executive board, to "get under the skin" of the CII and to provide context to their decision making. The Board found the sessions very helpful and two full day sessions have been arranged for 2019.

The main focus for 2018 has been supervision of the 5-year Transformation project and the progress with the CII's vision: "Working together as a united profession, driving confidence and trust in the power of professional standards". Scoping and discovery of the workstreams within the project were undertaken in 2017 with the focus on deliverables in 2018. Key areas which the Board has been involved with in 2018 were the CII's International strategy and the Target Operating Model.

During 2018, the CII has concentrated on identifying key regions internationally to focus its efforts on, recognising that the products and services developed for UK members are of limited value to overseas markets. The CII has developed an informed strategy to approach each area identified and further work to launch meaningful member propositions will progress in 2019. David Thompson, was appointed as International Director, during the year, to implement these strategies and to ensure that the CII has an integrated approach to delivery. We opened a new contact office in Dubai where he and his colleague Gaenor Jones will be based.

Work on the Target Operating Model, which is a drive to improve productivity and stakeholder experience, has progressed in 2018 resulting in additional expenditure being approved by the Board for the commerce project. The commerce project will replace large sections of the CII's manual management of member products and services with an IT platform which will improve the services in the UK and particularly overseas. Communication with corporate stakeholders will also become possible electronically rather than being a largely manual process.

The CII relocated from 20 Aldermanbury to 21 Lombard Street in September 2018. The move has been welcomed by CII staff who are now working in modern office space with all the advantages of modern technology. The sale of the Aldermanbury building to the Corporation of London ensures that the Aldermanbury premises will be cared for respectfully and in perpetuity. Following extensive renovation, the building is most likely still to function as an event venue.

The proceeds of £21.0m from the sale of Aldermanbury were received in October 2018. The Board, on the recommendation of the Audit and Risk Committee, has approved the placing of these funds in short-term deposits, whilst work is undertaken by the Audit and Risk Committee to ensure that these funds are invested in suitable investment vehicles in the longer term. Following the triennial valuation of the CII's defined benefit pension scheme as at June 2017, the Board has also approved the release of a proportion of the proceeds, to fund the Recovery Plan. The scheme was closed to future accruals from 2006 onwards.

Underpinning the Target Operating Model are proposals to change the structure of the Board so that it aligns with the new FSC UK Corporate Governance Code which was launched in July. The Code states that the Board is responsible for ensuring the right "combination of skills, experience and knowledge" exists and they should undertake "annual evaluation of the Board to consider its composition, diversity and how effectively members work together to achieve objectives". It also requires all appointments to be "subject to a formal, rigorous and transparent procedure" and advises that "appointments and succession plans should be based on merit and objective criteria".

## **Board Report continued** For the year ended 31 December 2018

Members will have the opportunity to vote on the amendments to the CII's Bye-laws as part of the proposals to the 2019 Annual General Meeting which will allow the changes to the Board to take place. Information about the changes are on the CII's website and all members will have been given the opportunity to attend a webinar about the changes or to watch a recording of the webinars.

2018 saw a number of personnel changes to the Board, John Moore retired following the end of his term as Immediate Past President. The CII extends its thanks and best wishes to him. He has given so much of his time and expertise for the benefit of the CII, its members and other stakeholders.

The Institute was pleased to welcome Nick Turner as Deputy President in July and Roger Sanders and Alan Clamp, the Chairs of the Audit and Risk Committee and Education and Learning Committee respectively who were co-opted to the Board in May and July 2018. Jonathan Clark transitioned from Deputy President to President at the close of the AGM in July. Dame Inga Beale became Immediate Past President.

The Board has another interesting year with several significant issues to consider. They are satisfied that the CII's long-term strategic objectives are progressing and are looking forward to the challenges of the year ahead.



## Audit and Risk Committee (ARC)

During 2018 and as a result of the CII's governance review in 2017, the Audit Committee's remit was expanded to include Risk and it became the Audit and Risk Committee.

Roger Sanders OBE, CertPFS, a Director of Workplace Distribution and Allied Industry Affairs at the Lighthouse Group Plc, and President of the Insurance Institute of London in 2017/18, was appointed, by the CII Board, as Chair of the Audit and Risk Committee and co-opted member of the Board in July 2018. Stephen Moore served as interim Chair until May 2018.

The composition of ARC during the year was as follows (all members of the Committee are independent non-executives):

COMMITTEE MEMBERS	EXPERIENCE	DATE OF APPOINTMENT
Roger Sanders OBE CertPFS (Chair)	Financial Services, Pensions and Investments	July 2018
Alan Hind BSc (Hons), DipAcc, CertPFS, CA	Accounting & Auditing	July 2013
Carol Collins ACII, BBS (Hons), Chartered Insurance Practitioner	Risk	July 2013
Richard Webb FPMI	Risk	March 2015
Stephen Moore MSc, BA, CMIIA, CISA (Interim Chair - March)	Internal Audit/IT Audit and Cyber Security	July 2013

Regular attendees at the Committee include the Chief Executive Officer, Chief Operating Officer, the Company Secretary, the Finance Director, the Risk Director and the external auditors (BDO).

The Role of the Committee is to review the integrity of the financial reporting and the audit process and to ensure that the CII group (CII and all its subsidiaries) has a sound and effective system of risk management and internal control. As part of this role ARC receives updates on the CII's finances and top risks at every meeting, as well as reviewing other risk and finance areas such as the pension fund, policies and any risks that could impact the CII's ability to deliver its strategic plans. The committee considers the annual director's report and financial statements and recommends their approval to the Board.

ARC approved the directors' report and consolidated Financial Statements recommending them for adoption by the Board at their meeting on 19 March 2018.

An important matter for the Committee to consider each year is the independence and effectiveness of the external auditor, namely BDO and approving the audit strategy, audit fees and receiving the final audit report at the conclusion of their work. The Audit Partner attended his last meeting in March 2018 following 9 years in this role and the completion of the 2017 audit. This rotation of the audit is a requirement under auditing ethical standards. The Committee was satisfied that the external auditors would continue to be independent and meet the required external standards due to the appointment of Fiona Condron as the new Audit Partner for the 2018 audit.

Part of an Audit Committee's role is to consider the need for an internal audit function. Currently the CII has no internal audit function; this will be given full consideration by the Committee during 2019.

ARC is responsible for monitoring the ongoing effectiveness of the CII's governance regime.

## **Audit and Risk Committee (ARC) continued**

### **Risk assessment/management**

The processes surrounding the identification, mitigation and control of risk form part of the ARC from 2018.

These risks are split into three categories, these being strategic, financial and operational.

The committee proactively considers the changing risks of the CII and seeks to ensure that these are identified, monitored and controlled. A risk register identifies risks and actions and is reviewed at each meeting. There will be a periodic review of risk methodology and appetite.

### **Meeting frequency and topics reviewed**

There were four meetings of the committee during the year, with one additional meeting in October that discussed a proposed major IT project and reviewed the reserves policy to establish if we have funds that can be placed into longer term investments.

The key items that the Committee considered in 2018 were:

- Reviewed and recommended to the Board the sign-off of the 2017 accounts;
- Reappointment of the external auditors; and
- Review of the 2019-2021 business plan, 2019 budget and the key risks to the achievement of the plan

The attendance was as follows:

- 19 March 2018 4/4
- 17 July 2018 5/5
- 12 September 2018 5/5
- 9 October 2018 5/5
- 20 November 2018 4/5



## Education and Learning Committee (ELC)

The Qualifications, Examinations and Assessments Committee (QEAC) was merged with the Accreditation Panel in March 2018 to create the Education and Learning Committee (ELC) which is a committee of the CII Board.

The role of the Committee is to ensure the relevance, accessibility and quality of the CII's learning and assessment products whilst maintaining processes which are transparent, fair to candidates and compliant with our regulators' requirements.

Alan Clamp chaired the predecessor committee (QEAC) and is the Chair of the Education and Learning Committee as well as a co-opted member of the CII Board.

The composition of the ELC during the year was as follows:

COMMITTEE MEMBERS	EXPERIENCE	DATE OF APPOINTMENT
Dr Alan Clamp Phd, MA, BA, PGCE, MBA	Chair	January 2017
Callum Beaton FCII, Chartered Insurer	General Insurance	September 2014
Malcolm Brown, LL.B., A.C.I.I. Chartered Insurer	Accreditation Panel	September 2018
Mark Davies ACII, FPFs, Cert SMP, MSc, BA, Chartered Insurer	Financial Planning	September 2014
Caroline Lumb	Academic	September 2012
Guy Morgan ACII, Chartered Insurer	General Insurance - Claims	September 2015
Paul Raymond FPFs, Chartered Financial Planner	Financial Planning	September 2012
Dawn Teague FCII, DipPFs, CertCII (MP), Chartered Insurance Practitioner	General Insurance	September 2016
Anthony Ward FPFs, BSc, Chartered Financial Planner	Financial Planning	January 2016

### ELC agenda during 2018

The significant issues considered by the committee during 2018 are set out below.

- As part of its wider remit, the Committee received updates on the following:
  - Ethics
  - Apprenticeships
  - Advanced Diploma in Financial Planning
  - Customer Services Operations
  - Compliance
  - Examinations Operations and Assessment
  - Accreditation Services



## Education and Learning Committee (ELC) continued

- As part of the Learning and Assessment report, the Committee was informed that the Accredited Body contract with the FCA had been renewed for 3 years.
- The Committee confirmed the Terms of Reference of the Education and Learning Committee and agreed the recruitment of three new members noting the retirement of two members in September 2018.
- The Committee had presentations on continuing professional development provided by the CII and on accreditation services (involving recognition of external training of an appropriate quality; and in some cases exemptions towards CII qualifications). The accreditation risk register referred to challenges of capacity in the face of increased demand; but flexibility in work flows plus the ability to get in extra resources if required reassured the Committee that this is not likely to become an issue.
- The ELC discussed the compliance processes in terms of the requirements of the qualifications regulators and changes that have been made to further improve these processes.
- The Committee discussed the possible role of expert advisory panels to help the CII to deliver qualifications which are fit for purpose and required by the sector in the future.
- Following a recruitment campaign in July 2018, ELC noted the appointment of two new members namely, Samantha Ridgewell with learning and development experience and Rob Jones with higher education experience. They joined the Committee as full members in 2019.
- The Committee received briefings from the Executive on developments relating to learning and assessment, including content creation, with a move to make content more digital-friendly and reduce costs. An update was also provided on qualification development, some proposals in RPL (Recognition of Prior learning) and progress on Relevant Learning, including remote invigilation, which will be piloted in international settings from early 2019.
- The Committee received a presentation on Expert Advisory Panels and noted the challenges of compiling the advisory panels.
- The Committee received a presentation on the prizes rationale and encouraged more (social) media to publicise the prize awards.
- The Committee was briefed on the ongoing quality assurance and compliance checks associated with the CII Awarding Organisation.
- The Committee received a recognition of prior learning appeal and after deliberation did not uphold the appeal.

### Meeting frequency and attendance

The ELC had its first meeting in May 2018.

There were three meetings during the year. The January meeting was a QEAC, the following two meetings were ELC.

	25 January 2018	23 May 2018	27 September 2018
No. of members in attendance	7/8	8/9	7/9

The Committee would like to record its sincere thanks to Paul Raymond and Caroline Lumb who retired from the Committee in September 2018, for their expertise and contribution to the Committee.

## Professional Standards Committee (PSC)

As part of the CII governance review in 2017 the Professional Standards Committee (PSC) replaced the Professional Standards Board (PSB) in March 2018 to clarify that it is an independent standing committee of the CII Board.

David Hertzell is chair of the Professional Standards Committee and an independent member of the CII Board.

The composition of the PSC during the year was as follows:-

COMMITTEE MEMBERS	EXPERIENCE	DATE OF APPOINTMENT
David Hertzell, Solicitor	Independent Non-Executive Chair	January 2014
Sue Lewis MSc, BSc	Consumer Representative	April 2012
Teresa Hunter MA	Consumer Representative	April 2012
Nick Hankin BA, ACII, MBA, Chartered Insurer	General Insurance	November 2015
Lillian Boyle, LLB, FCII, TEP, Chartered Insurer, Chartered FCSI, FloD	Life and Pensions	January 2016
Gary Bottruell FPFS, Chartered Financial Planner	Financial Planning	January 2016
Julie Robson (Dr) BA(Hons), PhD, SFHEA, ACII, Chartered Insurance Practitioner	Academic and General Insurance	April 2016
Charles Munn (Prof) OBE, BA(Hons), PhD, FCIBS	Education Representative	January 2013

### PSC agenda during 2018

- The PSB/PSC reviewed and agreed its terms of reference in the context of the 2017 CII governance review.
- The PSC considered and advised upon the development of Corporate Chartered Status. The PSC considered the CII's oversight of Corporate Chartered firms generally and the CII's powers to protect the Corporate Chartered kitemark. The PSC also considered the relationship between the CII and the FCA where the FCA had issued notices to or engaged in regulatory activity with Corporate Chartered firms. The PSC views and questions were provided to the CII Board.
- The PSC reviewed the Corporate Chartered consultation response and established a subcommittee to consider and advise on the options following the consultation to maintain and improve professional standards within the Corporate Chartered scheme.
- The PSC considered the findings and development of the Public Trust Index. In this context the PSC received a presentation from an external underwriter regarding differential pricing which the Public Trust Index had highlighted as a cause of significant concern. The PSC encouraged the CII to adopt a higher profile in resolving problems related to differential pricing.
- The PSC received a presentation on embedding ethics in CII qualifications. The PSC discussed the challenges regarding defining and measuring outcomes and the validity of any test. The PSC agreed with the approach recommended by the Professional Standards Director that the CII needs to be seen to be promoting ethics in the profession. It agreed that ethics should form a distinct and



## Professional Standards Committee (PSC) continued

recognisable part of CII's qualifications and designations that professionals should be required to complete. This is in order to give it sufficient prominence and raise awareness and understanding amongst the membership and the sector as a whole and improve outcomes for consumers.

- The PSC considered and supported the initiative to introduce Societies for CII members.
- The PSC received a presentation on the grant assessments for local institutes and agreed that the terms of reference in relation to local institutes needed to be clarified to show that it could provide advice on professional standards issues to local institutes but should not be involved in the grant assessment process.
- As part of its oversight responsibilities, the Committee received an update on the consultation regarding combining disciplinary/appeal hearings, disciplinary review and membership eligibility functions into one pool to be called the Independent Review Pool. The PSC endorsed the suggested approach. The PSC also considered and approved recommendations regarding membership of the Disciplinary Review Panel.

### Meeting frequency and attendance

There were four meetings during the year. The February meeting was a PSB and the other meetings were of PSC:

	27 February 2018	20 June 2018	11 September 2018	8 November 2018
No. of members in attendance	6/8	8/8	7/8	7/8

The PSC would like to record its sincere thanks to Charles Munn who retired from the Committee in 2018 for his expertise and contribution to the Committee's work.

## Nominations and Remuneration Committee

The role of the Nominations and Remuneration Committee (NRC) is to lead the process for appointments to our Board and Committees and to recommend the remuneration policy for these positions and the Executive Management Team to the Board.

### Nominations Report

The Committee is responsible for the following areas in relation to its nominations remit:

- Nominate candidates to fill vacancies on the Board, ensuring that the processes followed for appointments to governance roles are objective and fair and that the most suitable candidates are nominated;
- Consider succession planning for Board members, including the Chairs of Board Committees, and nominate candidates to fill vacancies on the Board; and
- Recommend to the Board the process to be used to identify suitable candidates, and nominate individuals for the key roles of President and Chief Executive; recommend candidates for Honorary Fellowship.

During the year the Committee reviewed several key processes and practices:

- Appointment processes, applying a scoring matrix against the skills identified for the appointment, open advertising, and remuneration (where relevant). Recruitment documentation for appointments for the Education and Learning Committee and Professional Standards Committee. The CII has started to advertise on Women on Boards, Stonewall and Mumsnet to widen the pool of candidates from diverse communities;
- The CII has recently introduced advertising directly to members (subject to GDPR provisions and up to date email addresses being provided) for all member roles which has improved the interest expressed and the number of applications from members significantly; and
- The roles of Deputy President and President are ambassador roles and the CII has recently appointed Heidrick and Struggles Executive Search to support the end to end process with the Committee subsequently shortlisting applicants for Board approval.

No Board evaluation was undertaken in 2018 as the CII is proposing to change the structure of its Board in 2019 subject to member and Privy Council approval.

### Remuneration Report

The Committee has adopted a Remuneration Policy setting out the Chartered Insurance Institute's (CII's) overall approach to remuneration for its UK and international people and the summary below comes directly from this statement.

1. The Committee makes recommendations to the Board in respect of the remuneration and pension arrangements for the executive members of the Board (currently to the CEO and COO) and these arrangements are clearly aligned to delivery of the CII strategic plan whilst respecting the principles of good corporate governance.

In addition, the Committee reviews and makes recommendations on the appropriateness and relevance of the remuneration framework for CII staff in general and approves the design of any bonus schemes and or performance related pay.

2. The overall aim of the Committee is for the agreed remuneration framework to achieve a balance between a justifiable level of attraction or retention and considerations of fairness to individuals, whilst



## Nominations and Remuneration Committee continued

3. Ensuring that frameworks do not result in excessive rewards, lead to a reward for failure and mindful of the potential for a gender pay gap.
4. Consideration of variable pay always reference the need to ensure that any performance measurements based on the financial success of the Institute, do not inappropriately encourage opportunism and short-term behaviours and rewards diversity and inclusion as part of overall performance.
5. Remuneration Principles:

### *Fairness and Equity*

Consideration for justifiable level of attraction or retention and fairness to individuals, whilst ensuring that frameworks do not result in excessive rewards, lead to a reward for failure and mindful of the potential for a gender pay gap and are equitable for all diverse communities;

### *Performance*

Consideration of variable pay always reference the need to ensure that any performance measurements based on the financial success of the Institute, do not inappropriately encourage opportunism and short-term behaviours and rewards diversity and inclusion as part of overall performance. Reward is based on merit and individual's performance as assessed in the end of year performance conversation; and

### *Independent oversight*

Reward frameworks have an independent oversight by the Nominations & Remuneration Committee to reflect market conditions and best practice supported by external benchmarking as appropriate.

## Remuneration of the Executive Management Team

The CII's typical remuneration package includes salary, pension, benefits, bonus and LTIP for members of the EMT. Depending on the nature of the individual's role, the size and balance of the package may differ to ensure that the total package is competitive and encourages the right behaviours – including avoiding any undue risk. The remuneration mix for each role and employee broadly reflects market practice for their role.

CII rewards the EMT on business and individual performance, including what is achieved and how it is achieved. This ensures that EMT act in line with the group values and code of ethics.

CII currently operates an annual bonus to reward attainment of the EMT's objectives in reinforcement of the business strategy. It also operates a long-term incentive for the CEO and Managing Director of Engagement, to reward their sustained performance over a five-year period.

The Committee has responsibility for approving the design of the annual bonus scheme for the CEO, Executive Management Team (EMT) and all other such schemes including the Long-Term Incentive Plan (LTIP). The LTIP is in place to retain and reward long term performance to mitigate opportunism.

The Committee is also responsible for choosing an appropriate balance of performance measures and setting appropriate thresholds, targets and awards for these bonus schemes for the CEO and COO.

The CEO, an executive director on the CII board, is released to serve as a non-executive director on the board of Asta Underwriting Management Ltd, and where applicable, allowed to retain earnings from this source.

No CII employee has a notice period set in excess of one year.



## Nominations and Remuneration Committee continued

The base salaries of the CEO and the direct reports (together the EMT) were benchmarked by Total Rewards Group (TRG)

Further details on the remuneration of the EMT and lay members (non-executive roles) is to be found at Note 15 to the consolidated accounts.

### Gender Pay Gap

We first reported on our gender pay gap in 2017 and again in 2018, despite not being required to do so under the legislation, the CII being under the 250 employee threshold.

The mean hourly rates are currently favouring male employees by 16.64%. This is largely because currently more senior roles are held by men than women. Even when the median is considered, which is less affected by the outlying high earners, there is still a gap of around 5.65% favouring male employees.

Full details may be found in the "Mind the Gap" report copies of which are obtainable from <http://www.cii.co.uk/knowledge/resources/articles/mind-the-gap/47297> and [reducing the gender pay gap](#)

### Work Programme

During 2018 matters addressed by the Nominations and Remuneration Committee included the following:

- Appointment of the Audit and Risk Committee Chair/Board member;
- Re-appointment of the constituency member on the Nominations and Remuneration Committee;
- Selection of Deputy President 2018/2019 and establishing a pool of potential future Presidents;
- Appointment process for Education and Learning Committee and Professional Standards Committee members;
- Appointment process for Chairs of Societies;
- Results of equal opportunities monitoring for governance appointments in 2017;
- President's award criteria and nominations;
- Board/Committee member remuneration for 2019;
- CEO's Salary Review 2018 and Performance Payment 2017 (payable in 2018);
- COO Salary Review and Bonus Performance 2017;
- CEO and EMT Bonus Scheme requirements 2018;
- Salary benchmarking for executives;
- Employee budget and remuneration review 2019;
- Bonus proposals for EMT 2019;
- Corporate Development Managers Bonus Scheme 2019;
- Review of Committee's workplan 2018/2019; and
- Review of the Committee's interim Terms of Reference, underpinning principles for appointments, Board diversity policy, the Remuneration policy and the annual Remuneration Policy statement.

## Nominations and Remuneration Committee continued

Committee membership during the year was as follows:

Committee Member	Position	Appointment	Resignation
<b>David Smith</b> , C.Eng Chartered Engineer	Independent non-executive Chair And CII Board member	Appointed November 2017	
<b>Karen Carlton</b> , MA, D Univ., CFCIPD Chartered Fellow of the CIPD.	Independent member	Appointed January 2014	
<b>Dame Inga Beale</b> ACII Chartered Insurer	President (2017/2018)	Appointed July 2016	Retired July 2018
<b>Jonathan Clark</b> MA, MSc Dip Eng, ACII, FCILA, Chartered Insurer, Chartered Loss Adjuster	President (2018/2019)	Appointed August 2017	
<b>Nick Turner</b> APFS	Deputy President	Appointed July 2018	
<b>Ian Callaghan</b> FCII BA (Hons) Chartered Insurance Practitioner	Constituency Member	Appointed November 2017	

The Committee met four times during the year. The number of Committee Members in attendance at each meeting was:

January 2018	5 out of 5 members attended
May 2018	5 out of 5 members attended
September 2018	4 out of 5 members attended
October 2018	4 out of 5 members attended



## Independent Review Pool

During 2018, the Professional Standards Committee (PSC), following consultation with the Disciplinary Committee, Appeal Pool, Membership Application Sub-Committee (MASC) and Disciplinary Decision Review Panel (DDRP) agreed to merge all the different groups into the Independent Review Pool (IRP) which reports into the PSC. This was to prevent duplication between the groups and to give members the opportunity to be involved in more than one function.

The role of the IRP is to:

- implement the Disciplinary Regulations and Procedure Rules relating to Disciplinary matters;
- convene a panel of IRP members to consider and determine Complaints made against current or former CII students or member and, where upheld, to decide appropriate disciplinary action in relation to the Respondent;
- convene a panel to hear any appeals against the decisions of a panel established to hear a disciplinary Complaint;
- to establish a panel from within the IRP membership, to undertake a periodic review of decisions made by disciplinary panels or Case Examiners. This panel has a consistent membership and is still known as the Disciplinary Decision Review Panel (DDRP)
- to establish a panel from the IRP membership to consider membership eligibility cases where they fall outside of the scope delegated to CII staff to resolve. This panel has a consistent membership and is still known as the Membership Application Sub-Committee (MASC).

The Committee is composed of CII Members, Lay Members, and legally qualified members and both DDRP and MASC have a permanent legally qualified Chair. Committee Members are eligible for re-appointment, subject to a maximum of 6 years' consecutive service. However, as the requirement to serve for a maximum of 6 years was only introduced in 2018, most members will be able to serve out the 9 years maximum service which was in place when they became members of one of the groups which existed before the IRP was established. All the members of the IRP are unremunerated volunteers.

Hearings and appeals are normally held in public, and in normal circumstances are published in accordance with the Panel's direction. However, there were no hearings or appeals in 2018.

In 2018, 122 complaints were initiated; this can be contrasted with 136 complaints registered in 2017. Plagiarism remains the largest single source of complaints, however whilst there was a rise in plagiarism cases in 2017 due to the CII offering additional coursework units, the number of cases began to fall again in 2018.

DDRP continues to meet as a panel and met 3 times in 2018 and reviewed 16 decisions made by Case Examiners.

Meeting attendance is as follows:

	9 May 2018	12 September 2018	29 November 2018
No. of members in attendance	3/4	4/5	4/5

MASC screens membership eligibility cases by forming panels who come to a decision electronically. They made a decision on 13 cases during 2018.

Annual reports will continue to be made to the Professional Standards Committee by the Chairs of DDRP and MASC.

The IRP had their first training day in October 2018 which was run "in-house". It is intended that training for the IRP will take place at least twice a year in 2019 and will focus on disciplinary and appeal hearings practice. Out of 22 members, 13 members attended the 2018 training day.

## Independent Review Pool continued

### Governance

NAME	Function prior to IRP	Function in IRP
Amanda Dean	Appeal Pool	DDRP
Barry Neaves, BA(Hons), FCCA	Disciplinary Committee	
Belinda Schofield, Solicitor	Appeal Pool (Chair)	DDRP (Chair)
Catherine Shewan, BA(Hons), Solicitor	Disciplinary Committee	
Dawn Teague, FCII, DipPFS, CertCII (MP), Chartered Insurance Practitioner		MASC
Gail Mortimer, BA(Hons), PGCE, MA	Disciplinary Committee	
Graham Briscoe		MASC
Hiroo Chothia , FCMI, FIC, MBA, MIOd	Disciplinary Committee	
Jan Staniforth, FCII, Chartered Insurance Broker, FICA Dip (Comp)	Disciplinary Committee	
John Elliott BA (Hons), Barrister	Appeal Pool	MASC
Karen Stokes, Chartered Linguist, FCIL, MITI, MA (Oxon), MA (City), DipTrans IoLET		MASC
Keith Torrance, FCII, DMS, MCMI, Chartered Insurance Practitioner	Appeal Pool	DDRP
Ken Matlin, JP, MSc, BSc(Hons), ACII, ACI Arb, Chartered Insurer and Chartered Mediator	Disciplinary Committee	
Martin Havelock, Barrister (non-practising), MCI Arb	Appeal Pool	MASC
Paul Harris, BA(Hons), ACII, Chartered Insurer	Disciplinary Committee	
Peter Kyle , MBChB, FRCS	Disciplinary Committee	
Peter Taylor, Solicitor (retired)	Disciplinary Committee (Chair)	
Robert Weald, FCII, Chartered Insurance Risk Manager	Appeal Pool	DDRP
Roderic Rennison, , FCII, FPMI, FPFS, Chartered Financial Planner	Disciplinary Committee	DDRP



## Independent Review Pool continued

Stephen Wilkinson, FCII APFS Cert CII (MP & ER) CFP™ Chartered MCSI Chartered Financial Planner		MASC
Tom McGrath, CBE FCII Chartered Insurance Broker		MASC
Trevor Jones, Solicitor	Disciplinary Committee	MASC (Chair)
Les Clark, LLB (Hons), ACII, Dip PFS, Chartered Insurance Practitioner	Appeal Pool/DDRP	
Chris Tilson, ACII, MBA, LLB	Appeal Pool/DDRP	

The IRP would like to record its sincere thanks to Les Clark and Chris Tilson who retired in 2018 for their expertise and contributions to the Appeal Pool and DDRP.

## Representative Council

The Council, as the members' representative body of the Institute, had the objectives of: ensuring that the CII maintains a proper balance between promoting the Charter's objectives and the individual needs of the CII's diverse membership; acting as a forum for the two-way dissemination of information between the Institute and its members and informing and influencing the strategic management of the Institute by contributing the views of the members. The Council could monitor the activities of the Board and could advise it on any matter, whether referred to it by the Board or not.

During 2018, the Representative Council decided that its role in acting as a conduit between the CII and its members was no longer effective as improved communications since the inauguration of Representative Council in 2007 meant that members received information more efficiently from the CII direct. They set up a working group which liaised with the CII during the year to develop the Local Institute National Forum (LINF) which will have its first meeting in June 2019. LINF will be focussed on developing Local Institute initiatives, sharing good practice and resolving Local Institute concerns. Its membership will be appointed from a structure of regional forums which are being set up across the UK which will improve representation and communication between LINF and individual Local Institutes. A link to the Board will continue as the Vice President for Local Institutes, who will chair LINF, will be invited to attend every Board meeting and will have an item to discuss Local Institute matters at two Board meetings a year.

Representative Council had its last meeting and disbanded in December 2018.

The Council was made up of Members elected by their respective Local Institute constituencies. In addition, the CII appoints certain ex officio post holders such as the President, the Deputy President, the Immediate Past President, Vice Presidents (including the Vice President for Local Institutes who chairs the meeting), Past Presidents, the President of the Personal Finance Society and Committee chairs. The composition of the Council during the year is shown below.

In addition to developing the Local Institute National Forum, the Representative Council was updated and provided feedback during 2018 on amongst other things:

The CII's transformation programme (including the governance review, Target Operating Model and member engagement), relocation plans, discover risk and discover fortunes programmes, the society for Insurance brokers talent initiative, Corporate Chartered status and proposals for changing the structure of the CII Board in 2019.



## Representative Council continued

### Governance and Structure

<b>Appointments from the Board</b>			
Appointed August 2017	CII President	<b>J Clark</b> , MA, MSc, Dip Eng, ACII, FCILA, Chartered Insurer, Chartered Loss Adjuster	Deputy President to July 2018
Appointed July 2016	CII Past President	<b>I Beale</b> , ACII, Charter Insurer	President to July 2018
Appointed July 2018	Deputy President	<b>N Turner</b> APFS	
<b>Vice Presidents on Council</b>			
	Vice President	<b>E Grant</b> , BA(hons) FPFS, FRSA, FinstSMM, Chartered MCSI Chartered Financial Planner, Chartered Wealth Manager	Retired July 2018
	Vice President	<b>G Scott</b> , ACII Chartered Insurance Broker	
<b>Past Presidents</b>			
	Past President	<b>C Hanks</b> , ACII, Chartered Insurer	
<b>LI Diversity Champion</b>			
	Chair	<b>C McFarlin</b> ACII, Chartered Insurer	
<b>Elected Institute Representatives</b>			
	Scotland A	<b>D Mitchell</b> , DipPFS	
	Scotland B	<b>A MacMillan</b> , ACII, Chartered Insurer	Resigned June 2018
	Scotland B	<b>G Maxwell</b> ACII, Chartered Insurer	Appointed June 2018
	Anglia A	<b>J Mayhew</b>	Resigned January 2018
	Anglia A	<b>R Heaton</b> Cert CII	Appointed July 2018
	Anglia B	<b>J Callaway</b> , ACII, Chartered Insurance Practitioner	Retired July 2018
	Anglia B	<b>S Hulbert</b> ACII, Chartered Insurance Broker	Appointed 2018
	North East A	<b>D Ross</b> , ACII, Chartered Insurance Practitioner	
	North East B	<b>A Jolly</b> , ACII, Chartered Insurance Practitioner	

## Representative Council continued

	North East C	<b>R Talbot-Jones</b> , BA (Hons), Pg Dip, ACII, Chartered Insurance Broker	
	North West A	<b>D Murphy</b> , BA (Hons), ACII, MCILA, Chartered Insurance Practitioner	
	North West B	<b>S Frost</b> , Dip CII	
	North West C	<b>I Callaghan</b> , BA (Hons), FCII, Chartered Insurance Practitioner	
	South Central A	<b>P Tunnell</b> , ACII, CertPFS, BSc (Hons) Banking and Financial Planning, Chartered Insurer	
	South Central B	<b>C Hargreaves</b> Cert CII	
	South Coast & Channel Islands A	<b>P Bristow</b> , FCII, Chartered Insurance Broker	
	South Coast & Channel Islands B	<b>C Beaton</b> , FCII, Chartered Insurer	
	South Coast & Channel Islands C	<b>R Ratcliff</b> , DLDC (AMS), FCII, CertPFS, Chartered Insurer	Retired July 2018
	South Coast & Channel Islands C	<b>J Lewis</b> , ACII Chartered Insurer	Appointed July 2018
	East Midlands	<b>T Hall</b> , BA (Hons), ACII, Chartered Insurance Broker	
	West Midlands	<b>C Hall</b> , FCILA, FUEDI – ELAE, ACII	
	South West & South Wales A	<b>C Morter</b> , ACII, Chartered Insurer	
	South West & South Wales B	<b>G Vanstone</b> , Dip CII	Retired July 2018
	South West & South Wales B	<b>M Pyke</b>	Appointed July 2018
	South West & South Wales C	<b>S Wilton</b> , Dip CII	
	Northern Ireland	<b>L Gillanders</b> , ACII, Chartered Insurance Practitioner	
	London A	<b>R Salmon</b> , FCII, Chartered Insurer	

## Representative Council continued

	London B	<b>S Clarke</b> , FCII Chartered Insurer	Retired July 2018
	London B	<b>E Johnson</b> , ACII Chartered Insurer	Appointed July 2018
	London C	<b>J Peace</b> , FCII, Chartered Insurance Practitioner	
	Associated	<b>P Hodson</b> CID, Grad MMII, HDipRM, FCII, Chartered Insurer	

The CII would like to express its sincere gratitude to all the Representative Council members from all over the country who have participated in the work of the Representative Council during the past year and previous years and are now standing down to make way for the Local Institute National Forum.

Meeting attendance: Four Council meetings were held during 2018 and the attendance was as follows:

	April 2018	July 2018	September 2018	December 2018
No. of members in attendance	23/32	18/32*	20/31**	26/31

Note:

\* CII Board took place at the same time as the Representative Council meeting. 5 members of the Representative Council were required to attend the CII Board.

\*\* This was an additional Representative Council meeting which was set up to discuss the proposed Local Institute National Forum. Only elected Local Institute members and the Vice President for Local Institutes were required to attend.



## **Strategic and Financial Review** For the year ended 31 December 2018

### **Audited financial statements**

The audited financial statements for the year ended 31 December 2018 are included on pages 29 to 50. The Financial Statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

A list of the organisations that comprise the Chartered Insurance Institute (CII) group, and which are included in these financial statements, are listed in Note 7 to the financial statements on page 42.

### **Financial Performance**

The CII has continued to progress at a steady rate of growth during 2018, whilst investing both financially and operationally in the transformation programme and CII vision.

Operating income of £43.2m increased by 2% due to growth in our member volumes and an increase in the uptake of our exams during 2018 (2017: £42.1m).

Operating expenditure of £43.4m increased by 4% compared to 2017 (£41.8m). This includes the investment in the transformational journey for 2018 of £2.4m (total 2018 investment is £3.0m with £0.6m being capitalised), (2017: £1.0m).

Removing the transformation spend, operating expenditure of £41.0m in 2018 and £40.8m in 2017 remain stable.

The operating deficit before tax is £0.2m (2017: Surplus £0.4m). Excluding the transformation investment, the CII's operating surplus is £2.2m in 2018 (2017: £1.4m).

In September 2018 we also completed our move to the new office in Lombard Street after the sale of our building in Aldermanbury. The move has helped to create a more engaging, modern, collaborative and agile work environment for employees. This created a one off gain on the sale of Aldermanbury of £1.1m and contributed to the overall surplus mentioned below.

For the year ended 31 December 2018, overall, the CII reported a surplus before tax of £1.1m (2017: £0.5m).

In 2018 we progressed on our key priorities and delivered a number of projects successfully linked to the strategic initiatives. A few of these were 'MyCII' for members and customers making their journey simpler, the launch of a Revision Mate application, Society of Insurance Broking, a web refresh for all members and a new expense management tool.

The net movement on reserves/funds is a deficit of £2.1m (2017: surplus of £1.1m) after adjustments for tax, a profit on the sale of the building and pension scheme contributions. The proceeds from the sale of the building were invested in short term deposits and a £3.1m contribution was made to the CII defined benefit pension scheme, with a further £5.0m held in Escrow.

The year end financial position of the CII remains strong with total funds of £37.6m (2017: £39.8m).

### **Membership**

Total membership at 31 December 2018 increased to 127,480 from 124,924 members at the end of 2017.

### **Income**

Revenue from membership services and subscriptions increased by £0.4m (2%) to £18.6m (2017: £18.3m) This is due to the increase in membership subscriptions by 4% from 2017.



## **Strategic and Financial Review continued** For the year ended 31 December 2018

Revenues from qualifications are £13.4m; an increase of £0.9m (7%) compared with £12.5m last year. The increase is attributable to the Certificate Level Insurance qualifications and the Personal Finance qualifications at Advanced Diploma and at Certificate levels.

Revenues from educational activities, comprising textbooks, e-books, e-learning licences and other publications and training courses decreased by 2% from £11.3m in 2017 to £11.1m in 2018. This is predominantly due to a decrease in Face to Face revenues by 49% to £0.6m (2017: £1.3m). A strategic decision was made in 2018 to withdraw from holding public face to face training courses. Face to face income is now generated solely from corporate in-house courses. Partly offsetting this reduction in training revenues was further growth in revenues from learning materials and e-learning licences.

International revenues represented 10% of total revenues (2017:10%). The CII continues to be involved in the promotion of Professional Standards, values and education internationally and appointed an International Director in October 2018 to progress with our international strategic priorities, this included setting up a Dubai entity towards the end of 2018.

### **Expenditure**

Total expenditure increased by £1.6m (4.0%) to £43.4m (2017: £41.8m).

The major contributor to the increase is the investment in the Transformation programme of £2.4m in 2018 (2017: £1.0m) and the move to the new leased offices. Offsetting this increase are reductions in costs related to public face to face courses, mirroring the reduction in income related to this activity and savings in event costs as smaller events were held in 2018 compared to the major Festival of Financial Planning event held in 2017.

In 2018, with the help of the new Risk Director, we have commenced streamlining our processes and aligning our resources in order to underpin our strategic priorities, resulting in the reduction in salary related costs by 1%.

### **Taxation**

The net corporation tax charge for the year was £0.1m (2017: £0.2m). Further details on the tax charge are included in Note 4 to the financial statements on page 39.

### **Pensions**

The CII operated a defined benefit pension scheme that closed to new entrants in 2001 and closed to future accrual in 2006. The scheme is funded in advance by contributions at rates assessed by the scheme actuary in regular funding reviews. The CII and the Trustees of the pension scheme had previously agreed a schedule of future payments following the actuarial valuations as at 30 June 2014 and another one at 30 June 2017, with a contribution of around £96k made in 2018 (2017: £96k). An additional contribution of £3.0m was made in November 2018, with a further £5.0m set aside in an Escrow account for future contributions as agreed with the Pension Trustees.

Further details are given in Note 14 to the financial statements on page 46.

### **Cash flow**

Cash and short term deposit balances at 31 December 2018 were £44.8m (2017: £25.4m). These balances are currently held in the form of deposits distributed between a small number of UK financial institutions to help mitigate concentration risk, all within 95-day notice deposit accounts. The balance also includes an amount of £5.0m deposited in an Escrow account to be utilised for the closed defined benefit pension scheme in accordance with the agreement with the pension trustees and further contributions into the scheme will be considered in the future.

Funds of £3.97m belonging to The Education and Training Trust of the CII are restricted for the benefit of the charity. The future of the charity is under discussion and a decision will be made in 2019, further details in Note 17 to the financial statements on page 50.



## **Strategic and Financial Review continued** For the year ended 31 December 2018

Net cash inflow was £19.4m compared with a £1.0m outflow in 2017 and includes £21.0m proceeds from the sale of the building and £3.1m of contributions to the defined benefit pension scheme as described above (2017: £0.1m). Capital expenditure during the year of £1.5m (2017: £0.8m) included £0.9m equipment purchased for the new office and £0.5m invested in the initial development of a new CRM system and a remote invigilation application.

An investment strategy has been presented to the ARC and the Board with proposals to invest a proportion of funds in longer term investment vehicles in 2019.

### **Reserves**

As at 31 December 2018 total accumulated funds amounted to £37.6m (2017: £39.8m).

In planning and budgeting for its activities, the CII considers the level of reserves held in order to strike a balance between the continuing development of its services and the need for prudent management of our working assets and commitments, as well as providing for contingencies. It is the CII's objective to generate an operating surplus to build and maintain reserves at a sustainable level, taking into account working capital requirements and key risks. The CII Board and management monitor the necessary level of reserves in view of the changing environment and strive to ensure it remains relevant to the market.

Reserves amounting to not less than six month's budgeted consolidated expenditure will be maintained by the CII. The assets representing these reserves may be held in bank deposits and/or longer term investment accounts managed by competent professionals.

### **Going concern**

The CII have set out above a review of the financial performance and the CII's reserves position. The CII has adequate financial resources and is well placed to manage the business risks. The planning process, including financial projections and business continuity planning, has taken into consideration the current economic climate and its potential impact on the various sources of income and planned expenditure. There is a reasonable expectation that adequate resources are available to continue in operational existence for the foreseeable future. It is the CII's belief that there are no material uncertainties that call into doubt the CII's ability to continue. The financial statements have, therefore, been prepared on the basis that the CII is a going concern.

### **Risk management and internal controls**

The CII Board has overall responsibility for risk, delegating risk management activities to the Audit and Risk Committee and Management, also every CII employee has a responsibility for managing risk within their respective area. In 2017, the duties of the Audit Committee were expanded to incorporate risk and in June 2018, a Risk Director was recruited, reporting to the Professional Standards Director.

The leadership team directly controls day-to-day operations and has responsibility for designing, implementing and maintaining adequate systems and controls.

In 2018 the Audit and Risk Committee, supported by the Risk Director and Business Risk Group, have developed the CII's risk framework. Enhancing their review of the CII's top risks, ensuring risk is an integrated part of the business planning process including undertaking stress and scenario assessments and introducing an Enterprise Risk Management policy, that includes a risk appetite framework and the processes used to identify, assess, manage, monitor and report on risks.

The risk management framework will continue to be enhanced in 2019 which will be a year of implementing and embedding risk standards.

## **Strategic and Financial Review continued** For the year ended 31 December 2018

As a body accredited by the Financial Conduct Authority ("FCA") the CII is also specifically required to design, implement and operate control procedures over the issuing of Statements of Professional Standing, the verification of advisers and the provision of information to the FCA as required under their rules. These control procedures are subject to an independent audit carried out in line with FCA requirements, and they are sent to the FCA and reviewed by the Audit and Risk Committee and Professional Standards Committee on behalf of the Board.

### **Principal risks and uncertainties**

The CII is affected by a number of both financial and operational risks inherent in the services, sectors and regions we operate in. We prudently manage our financial risks (mainly credit counterparty and liquidity risk) and annually review our reserves policy (see page 24). As part of our business planning process we identified the top risks to the achievement of our business plan, these being:

1. The level and pace of organisational change;
2. Current qualification levels are not maintained, or learners do not progress up the qualifications pathways as expected;
3. Failure to attract and retain members;
4. Failure to retain UK business; and
5. Failure to meet international growth targets by not providing relevant affordable products and a quality customer experience.

We also monitor and manage (where possible) the impact of the following factors on our risks and opportunities:

- Technological changes;
- The health of the UK economy; and
- Regulatory changes.

More information on risk management can be found in the strategic report that will be published in June 2019.

### **Budgets and financial reporting**

Detailed budgets are prepared as part of the annual planning process for the Board to approve. Management accounts are prepared every month and reviewed by the leadership team and a report on financial performance is presented to the Board and the Audit and Risk Committee at every meeting, comparing actual results with the approved budget. The annual budget is re-forecast three times during the year to ensure early action can be taken against any emerging financial risks. The financial results of the group are presented and reviewed on a monthly basis.

### **Our colleagues**

The CII aims to be an organisation where its colleagues enjoy working and where they feel supported and developed. Colleagues are kept fully informed of the organisation's strategy and objectives, and individual performance is formally reviewed at least twice a year. Learning and development is considered as an integral part of this approach as it ensures that the right skills are developed, at the right time through appropriate learning tools, so as to meet the CII's strategic objectives and contribute to employee engagement.



## Strategic and Financial Review continued For the year ended 31 December 2018

The CII remains committed to people engagement and the CII continues to consult and discuss with colleagues through varied forums and holds business updates throughout the year which seek to achieve a common awareness on the part of all colleagues, including financial, economic and market factors impacting the CII's performance.

The CII's recruitment and selection policy is designed to ensure that it selects the best possible candidate for the job, on the basis of their relevant merits and abilities as measured against the requirements of the job whilst following best practice of inclusive recruitment.

The CII's commitment to diversity and inclusion is embedded in its policies, procedures and practice. We continue to report on our gender pay gap and now on our ethnicity pay gap.

Investors in People (IiP) is a national standard for achieving business goals through employee learning, development, involvement and engagement. We went through our IiP re-accreditation in late 2018 and we are proud to have achieved IiP GOLD.

### Future plans

As a Royal Charter Body the CII's over-arching purpose is to secure and justify the confidence of the public. In September 2016 the Board approved the "Your CII Strategic Manifesto: 2021 Roadmap" which was subsequently launched in November to the public. 2017 focussed on the 'Discovery' phase by researching and identifying projects for development and change. In 2018, we progressed on key stages of our journey to the delivery phase, achieving much of what we set out to deliver, becoming more modern, relevant and diverse. Our new organisational design will be strengthened in 2019, with the introduction of our Target Operating Model, to drive innovation and performance throughout the organisation.

The Transformation Programme provided the foundations for a stronger and more resilient organisation. A period of low growth occurred during the early inception period of what has been significant organisational change and reinvestment.


The Business Plan identified key elements of a value chain to deliver our strategy. The business planning process involved informed discussion with the Executive Management Team, the Senior Management Team and employees across the CII Board and wider stakeholders to capture the activities planned by all areas of the business for 2019. Members of the Executive Team are responsible for each element of the value chain.

### Auditor


BDO LLP was reappointed as the Institute's auditor during the year and has expressed its willingness to continue in that capacity.

The strategic and financial review was approved by the board on 2 April 2019.

J Clark  
President  
Date

  
2nd APRIL 2019

I Beale  
Past President  
Date

  
2 April 2019

## **Independent Auditor's Report**

### **To the Members of The Chartered Insurance Institute**

#### **Opinion**

We have audited the financial statements of the Chartered Insurance Institute ("the Institute") for the year ended 31 December 2018 which comprise the consolidated statement of financial activities, the consolidated and Institute statement of financial position, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and the Institute's affairs as at 31 December 2018 and of its income and expenditure 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 Chartered Insurance Institute's governing charter.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Institute in accordance with the ethical requirements relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions related to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group and Institute's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### **Other information**

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information which includes the Strategic and Financial Review. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.



## Independent Auditor's Report continued

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Responsibilities of the Board

The Board's responsibilities for preparing the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out below.

The Charter and Bye Laws of the Institute require the Board to prepare the financial statements for each financial period which give a true and fair view of the state of affairs of the group and Institute and of the surplus or deficit for that period. In preparing those financial statements, the Board has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that are reasonable and prudent; and
- stated whether applicable accounting standards have been followed.

In preparing the financial statements, the Board are responsible for assessing the group and Institute's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the Institute or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Use of our report

This report is made solely to the Institute's board, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Institute's Board 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 Institute and the Institute's Board as a body, for our audit work, for this report, or for the opinions we have formed.

*BDO LLP*

BDO LLP  
Chartered Accountants  
Gatwick

Date: *4 April 2019*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

## Consolidated statement of comprehensive income

For the year ended 31 December 2018

	Note	<u>2018</u> £000	<u>2017</u> £000
<b>Operating Income</b>			
Membership services and subscriptions		18,647	18,296
Qualifications		13,404	12,474
Educational activities		11,112	11,274
Other activities		14	102
	2	<b>43,177</b>	<b>42,146</b>
<b>Operating Expenditure</b>			
Membership services and support		(13,228)	(13,683)
Qualifications and learning		(14,873)	(16,470)
Central services		(15,265)	(11,618)
		<b>(43,366)</b>	<b>(41,771)</b>
<b>Operating (Loss)/Surplus</b>	<b>3</b>	<b>(189)</b>	<b>375</b>
<b>Non operating income and costs</b>			
Dividends and interest		177	107
Gain/(Loss) on disposal of assets	5	1,096	(6)
Unrealised (loss)/gain on listed investments	7	(8)	9
Other		32	48
		<b>1,297</b>	<b>158</b>
<b>Surplus before taxation</b>		<b>1,108</b>	<b>533</b>
Taxation charge	4	(115)	(213)
<b>Net Surplus</b>		<b>993</b>	<b>320</b>
<b>Other comprehensive income</b>			
Unrealised gain on freehold property		-	900
Net defined benefit pension cost	14	(3,096)	(96)
Foreign exchange (loss)		(44)	(62)
Total other comprehensive (loss)/ income		<b>(3,140)</b>	<b>742</b>
<b>Total comprehensive (loss)/income for the year</b>		<b>(2,147)</b>	<b>1,062</b>



## Statement of financial position

As at 31 December 2018

	Note	Group		Institute	
		2018 £000	2017 £000	2018 £000	2017 £000
<b>Fixed assets</b>					
Tangible fixed assets	5	1,333	20,934	1,327	20,927
Intangible fixed assets	6	627	615	627	615
Investments	7	97	105	192	192
		<b>2,057</b>	<b>21,654</b>	<b>2,146</b>	<b>21,734</b>
<b>Current assets</b>					
Stocks – Course books		96	75	-	-
Debtors	9	6,306	6,013	8,109	7,071
Cash at bank and short term deposits	8	44,787	25,402	43,881	24,570
		<b>51,189</b>	<b>31,490</b>	<b>51,990</b>	<b>31,641</b>
<b>Current liabilities</b>					
Creditors:					
Amounts falling due within one year	10	(14,949)	(13,175)	(29,089)	(25,149)
<b>Net current assets</b>		<b>36,240</b>	<b>18,315</b>	<b>22,901</b>	<b>6,492</b>
Provisions for liabilities and charges	12	(674)	(199)	(674)	(199)
<b>Net assets</b>		<b>37,623</b>	<b>39,770</b>	<b>24,373</b>	<b>28,027</b>
<b>Accumulated funds</b>					
General	13	33,427	35,417	24,373	28,027
Charitable	13	4,196	4,353	-	-
<b>Total funds</b>		<b>37,623</b>	<b>39,770</b>	<b>24,373</b>	<b>28,027</b>

The financial statements on pages 29 to 50 were approved by the Board on 2 April 2019.

J Clark  
President  
Date

*Anthony M. Clark*  
2nd April 2019

I Beale  
Past President  
Date

*Ingrid Beale*  
2 April 2019

The notes on pages 33 to 50 form part of these financial statements.

## Consolidated statement of changes in funds

For the year ended 31 December 2018

	Revaluation Reserve £'000	Profit and loss account £'000	Total Funds £'000
1 January 2017	10,245	28,463	38,708
Surplus for the year	-	320	320
Movement on revaluation reserve	900	-	900
Employer contribution to pension fund	-	(96)	(96)
Foreign exchange (loss)	-	(62)	(62)
<b>At 31 December 2017</b>	<b>11,145</b>	<b>28,625</b>	<b>39,770</b>

	Revaluation Reserve £'000	Profit and loss account £'000	Total Funds £'000
1 January 2018	11,145	28,625	39,770
Surplus for the year	-	993	993
Movement on revaluation reserve	(11,145)	11,145	-
Employer contribution to pension fund	-	(3,096)	(3,096)
Foreign exchange loss	-	(44)	(44)
<b>At 31 December 2018</b>	<b>-</b>	<b>37,623</b>	<b>37,623</b>



## Consolidated statement of cash flows

For the year ended 31 December 2018

	<u>2018</u> £000	<u>2017</u> £000
<b>Cash flows from operating activities</b>		
Surplus before taxation	1,108	533
Adjustments for:		
Depreciation and amortisation charges	1,183	981
Unrealised investment loss/(gain)	8	(9)
(Gain)/loss on disposal of tangible fixed assets	(1,096)	6
Employer contributions to defined benefit pension fund	(3,096)	(96)
Interest receivable	(177)	(107)
(Increase) in trade and other debtors	(266)	(1,382)
(Increase) in stocks	(21)	(3)
Increase/(Decrease) in trade creditors	162	(33)
Increase/(Decrease) in deferred income	1,128	(29)
Increase/(Decrease) in other creditors	273	(281)
Increase/(Decrease) in provisions	475	(16)
Exchange (losses) on translation	(44)	(62)
<b>Cash from operations</b>	<b>(363)</b>	<b>(498)</b>
Taxation paid	(177)	(11)
<b>Net cash generated from operating activities</b>	<b>(540)</b>	<b>(509)</b>
<b>Cash flows from investment activities</b>		
Purchases of fixed assets	(1,249)	(659)
Proceeds from the sale of tangible fixed assets	21,000	7
Interest received	174	108
<b>Net cash from investing activities</b>	<b>19,925</b>	<b>(544)</b>
<b>Net increase in cash and cash equivalents</b>	<b>19,385</b>	<b>(1,053)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>25,402</b>	<b>26,455</b>
<b>Cash and cash equivalents at end of year</b>	<b>44,787</b>	<b>25,402</b>

# Notes to the Financial Statements

## 1. Accounting policies

### a) Basis of preparation

The CII is a body incorporated by Royal Charter. The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, in accordance with applicable United Kingdom Accounting Standards, including Financial Reporting Standard 102 applicable in the United Kingdom and the Republic of Ireland.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies.

#### *Parent company disclosure exemptions*

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No cash flow statement has been presented for the parent company; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

The following principal accounting policies have been applied:

### b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the CII and all of the entities considered by the CII to be subsidiary undertakings (see note 7). All have been prepared to 31 December 2018. In preparing consolidated financial statements, the financial statements of the parent and its subsidiaries are combined on a line by line basis, eliminating any intragroup balances and transactions in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

### c) Revenue recognition

#### **Membership services and subscriptions**

##### **Subscriptions**

Membership subscriptions are credited in the financial statements of the period in which they are received to the extent of the proportion of the subscription year remaining, and the remainder in the financial statements of the following period.

##### **Examinations**

##### **Examinations & Accreditation**

Examination and accreditation fees are credited in the financial statements of the period in which the examinations and accreditations take place.



## Notes to the Financial Statements continued

### c) Revenue recognition (continued)

#### Educational activities

##### Coursework & Continuous Assessment

Income from study options involving coursework submission or continuous assessment is credited to the financial statements on a straight line basis over the length of the study period taken.

##### Publications and learning materials

Sales of hard and soft copy publications and learning materials are recognised in the month of purchase.

##### E-learning/Licence Fees

Sales of e-learning licences are recognised as a sale at the beginning of the licence period.

##### Training courses, events and conferences

Income from sales of training courses, events or conferences is recognised in the period when the course, event or conference takes place. Amounts received in advance are carried forward as deferred income.

#### Other Income

##### Dividends and interest receivable

Dividends and interest receivable are included in the financial statements of the period in which they are receivable. Interest is receivable from short term, fixed rate deposits.

### d) Expenditure Recognition

Expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Any irrecoverable VAT is included within expenditure with the cost that it relates to.

### e) Tangible fixed assets

Freehold properties are stated at market value plus subsequent additions at cost.

Other fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Purchases of other fixed assets are capitalised and depreciated over their estimated useful lives as follows:

Computer equipment	3-5 years
Equipment	5 years
Fixtures and fittings	10 years
Furniture	8 years

### f) Intangible fixed assets

Intangible fixed assets are stated at historical cost less accumulated amortisation and any accumulated impairment.

Intangible fixed assets are capitalised and amortised over their estimated useful lives as follows:

Computer software	3-5 years
-------------------	-----------

#### Impairment of fixed assets

At each balance sheet date, the carrying amounts of fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated and the carrying amount of the asset reduced to the recoverable amount. Impairment losses are recognised in the income and expenditure account.

### g) Investments

Listed investments are stated at current bid price. Gains and losses on remeasurement are recognised in surplus or deficit for the period.

## Notes to the Financial Statements continued

### h) Current trade debtors and trade creditors

Trade debtor and trade creditor balances included within current assets and current liabilities respectively comprise items recognised at their transaction price and measured at the balance sheet date at the undiscounted amount of cash or other consideration expected to be received or paid.

### i) Foreign currencies

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'sterling', which is the company's functional and the group's presentation currency.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

### j) Tax

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the entity's taxable operating surplus and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse; based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

### k) Operating leases

Operating lease rentals are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

### l) Employee benefits

The Group provides a range of benefits to employees, including quarterly and annual bonus arrangements, paid holiday arrangements and defined benefit and defined contribution pension plans.

#### (i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

#### (ii) Quarterly and Annual bonus plans

The Group operates quarterly and annual bonus plans for employees. An expense is recognised in the statement of comprehensive income when the Group has a legal or constructive obligation to make payments under the plans as a result of past events and a reliable estimate of the obligation can be made.

### m) Retirement benefits

The CII operates two types of pension scheme; a defined contribution plan and a defined benefit plan, both of which require contributions to be made to separately administered funds.

#### Defined contribution scheme

For the defined contribution scheme the amount charged to the statement of comprehensive income in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.



## Notes to the Financial Statements continued

### m) Retirement benefits (continued)

#### Defined benefit plan

The Chartered Insurance Institute Pension Scheme (1993), a defined benefit scheme for staff was closed to new members in 2001 and to further service accrual in 2006. Contributions are made to the scheme at rates set by the scheme actuary and as advised by the scheme administrator. Interest costs, return on assets and actuarial gains or losses are recognised as part of non operating activities.

For defined benefit schemes the amounts charged in operating expenditure are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the income and expenditure account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of comprehensive account.

Defined benefit schemes are funded with the assets of the scheme. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax asset or liability, is presented separately after other net assets on the face of the balance sheet.

### n) Stocks

Stocks are valued on a 'first in first out' basis at the lower of cost and net realisable value.

### o) Fund accounting

General funds are funds which are available for use at the discretion of Council for the activities of the Institute. Charitable funds comprise unrestricted funds, available for the use of The Education and Training Trust of the Chartered Insurance Institute in furtherance of its charitable objectives, and restricted funds, available for the use of The Chartered Insurance Institute Prize and Educational Funds in furtherance of its charitable objectives.

### p) Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and assumptions which have the most significant risk of causing material adjustment to the carrying amount of assets and liabilities are:

#### 1) Retirement benefits

The CII accounts for retirement benefits in accordance with Financial Reporting Standard 102 Section 28.9 to 28.28, "Post-employment benefits". In determining the pension cost and obligation of the defined benefit pension scheme a number of assumptions are used including: discount rate, inflation, salary increases, mortality rates and expected returns on investments. Further details are provided in note 14 to the financial statements.

#### 2) Provisions for liabilities and charges

In accordance with Financial Reporting Standard 102 section 21, "Provisions and Contingencies", provision is made where the CII believes that, at the balance sheet date, it has an obligation that may require settlement at a future date. The CII is required to estimate the likely future settlement amount based on management's best view of the most likely outcome. Further details are provided in note 12 to the financial statements.

## Notes to the Financial Statements continued

### 2. Operating income

	<u>2018</u>	<u>2017</u>
	<u>£000</u>	<u>£000</u>
a) Membership services and subscriptions		
Membership subscriptions	16,352	15,653
Conferences and event income	2,239	2,576
Other services	56	67
	<b>18,647</b>	<b>18,296</b>
b) Qualifications		
Examinations income	13,404	12,474
	<b>13,404</b>	<b>12,474</b>
c) Educational activities		
Publications	4,998	4,846
Other learning materials	4,612	4,306
Training courses	654	1,292
Other educational activities	848	830
	<b>11,112</b>	<b>11,274</b>
Other income	14	102
<b>Total operating income</b>	<b>43,177</b>	<b>42,146</b>



## Notes to the Financial Statements continued

### 3. Operating result

The operating result is stated after charging

	2018	2017
	£000	£000
a) Auditor's remuneration		
Audit fees:		
Audit of the Group Financial Statements	81	77
Audit of the Group subsidiaries due to Associates of BDO LLP	26	25
Taxation and other fees	45	70
	<b>152</b>	<b>172</b>
b) Salaries and related costs		
Wages and salaries	<b>10,929</b>	11,219
Employer's social security costs	<b>1,110</b>	1,138
Employer's pension costs	<b>1,098</b>	948
	<b>13,137</b>	<b>13,305</b>
c) Average number of staff employed during the year		
Total employees	<b>230</b>	230
Full-time equivalents	<b>226</b>	225
d) Depreciation and Amortisation		
Depreciation and amortisation of fixed assets	<b>1,183</b>	981
e) Amounts payable under operating leases		
Building	<b>1,035</b>	261
Equipment	<b>87</b>	138
Cars	<b>6</b>	24
	<b>1,112</b>	<b>423</b>

## Notes to the Financial Statements continued

### 4. Taxation

The CII bears tax on its rental, investment and non-mutual income

	<u>2018</u>	<u>2017</u>
	£000	£000
<b>Taxation charge on ordinary activities</b>		
Corporation Tax at 19% (2017: 19.25%)	129	174
Adjustment in respect of previous periods	(14)	39
<b>Tax charge/(credit) for period</b>	<b>115</b>	<b>213</b>

The tax assessed for the year is lower than the standard rate of corporation tax in the UK at 19% (2017: 19.25%).

The differences are explained below:

Surplus on ordinary activities before tax	<u>1,108</u>	<u>533</u>
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	210	103
Effects of:		
Permanent differences	(186)	1,166
Tax relief for items not taken to profit and loss account	(162)	-
Mutual trading activities	(348)	(1,474)
Unrelieved tax losses	(7)	-
Charitable exemptions	30	196
Deferred tax not recognised	521	150
Double tax relief	13	(4)
Adjustment in respect of previous periods	(14)	39
Effect of other tax rates/credits	58	37
<b>Tax charge for period</b>	<b>115</b>	<b>213</b>



## Notes to the Financial Statements continued

### 5. Tangible fixed assets

	Freehold land and buildings	Fixtures and Fittings	Computer equipment	Total CII only	Subsidiary furniture and equipment	Total CII Group
	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>						
<b>01 Jan 18</b>	19,900	1,767	1,534	23,201	32	23,233
Additions	-	699	220	919	-	919
Disposals	(19,900)	(1,583)	(374)	(21,857)	(25)	(21,882)
Revaluation	-	-	-	-	-	-
<b>31 Dec 18</b>	-	883	1,380	2,263	7	2,270
<b>Depreciation</b>						
<b>01 Jan 18</b>	-	1,426	848	2,274	25	2,299
Charge for year	-	336	265	601	1	602
Disposals	-	(1,584)	(355)	(1,939)	(25)	(1,964)
<b>31 Dec 18</b>	-	178	758	936	1	937
<b>Net book value</b>						
<b>31 Dec 18</b>	-	705	622	1,327	6	1,333
31 Dec 17	19,900	341	686	20,927	7	20,934

The sale of 20 and 21 Aldermanbury was completed on the 12 October 2018 for £21,000,000, valued at market value of £19,900,000 as at December 2017.

## Notes to the Financial Statements continued

### 6. Intangible fixed assets

	Computer software	Total CII and Group
	£000	£000
<b>Cost or Valuation</b>		
<b>01 Jan 18</b>	3,846	3,846
Additions	593	593
<b>31 Dec 18</b>	<b>4,439</b>	<b>4,439</b>
<b>Amortisation</b>		
<b>01 Jan 18</b>	3,231	3,231
Charge for year	581	581
<b>31 Dec 18</b>	<b>3,812</b>	<b>3,812</b>
<b>Net book value</b>		
<b>31 Dec 18</b>	<b>627</b>	<b>627</b>
31 Dec 17	615	615

Additions to intangible assets in 2018 relates almost entirely to the initial development of our e-commerce platform and a new remote invigilation application. The development of the e-commerce platform is part of our wider Transformation programme.



## Notes to the Financial Statements continued

### 7. Investments

Group	UK fixed interest	UK equities	Total
	£000	£000	£000
Investments at market value at 1 January 2018	5	100	105
Revaluation to fair value	-	(8)	(8)
<b>Investments at market value at 31 December 2018</b>	<b>5</b>	<b>92</b>	<b>97</b>

Institute Only	Investments in subsidiaries	Total
	£000	£000
Investments at cost at 1 January 2018	192	192
<b>Investments at cost at 31 December 2018</b>	<b>192</b>	<b>192</b>

### Investments in subsidiaries

	2018
	£000
Institute only - Shares in group undertakings	192
<b>Cost and net book value at 31 December 2017 and 31 December 2018</b>	<b>192</b>

Name of company	Principal activity	Country of incorporation	Beneficial holding
C.I.I Enterprises Limited	E-learning and commercial activities	United Kingdom	Ordinary shares
The Education and Training Trust of the Chartered Insurance Institute	Education and training	United Kingdom	Charitable trust
The Chartered Insurance Institute Prize and Educational Funds	Award prizes	United Kingdom	Charitable trust
The Personal Finance Society	Professional body for financial advisors and related roles	United Kingdom	Limited by guarantee
Chartered Institute of Insurance and Financial Services Private Limited	Sales and promotion of the Chartered Insurance Institute products	India	Ordinary shares
Vertical Rainbow Sdn. Bhd	Sales and promotion of the Chartered Insurance Institute products	Malaysia	Ordinary shares
The Chartered Insurance Institute Hong Kong Limited	Sales and promotion of the Chartered Insurance Institute products	Hong Kong	Ordinary shares
Chartered Insurance Ins DMCC	Sales and promotion of the Chartered Insurance Institute products	Dubai	Ordinary shares

The Society of Financial Advisers and The Society of Technicians in Insurance were both considered dormant throughout 2018. The Chartered Insurance Ins DMCC, registered in Dubai on the 25 September 2018 is a fully owned subsidiary of the C.I.I Enterprises Limited. All of the above subsidiaries are 100% controlled by CII.

## Notes to the Financial Statements continued

### 8. Movement in cash and short term deposits

	Group		Institute	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Cash	£000	£000	£000	£000
1 January	4,169	10,314	3,337	9,544
Increase/(Decrease) in cash	5,716	(6,145)	5,642	(6,207)
<b>31 December</b>	<b>9,885</b>	<b>4,169</b>	<b>8,979</b>	<b>3,337</b>

Cash balances include £273,909 (2017: £278,764) of cash held by The Chartered Insurance Institute Prize and Educational Funds, the use of which is restricted.

	Group		Institute	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Short term deposits	£000	£000	£000	£000
1 January	21,233	16,141	21,233	16,141
Withdrawals	-	(14,038)	-	(14,038)
New deposits placed	13,669	19,130	13,669	19,130
<b>31 December</b>	<b>34,902</b>	<b>21,233</b>	<b>34,902</b>	<b>21,233</b>

	Group		Institute	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Total cash at bank and short term deposits	£000	£000	£000	£000
Cash	9,885	4,169	8,979	3,337
Short term deposits	34,902	21,233	34,902	21,233
<b>Total cash at bank and short term deposits</b>	<b>44,787</b>	<b>25,402</b>	<b>43,881</b>	<b>24,570</b>

The cash balance includes an amount of £5.0m deposited in an Escrow account, held by Stephenson Harwood LLP as the escrow agents. The amount is restricted for the purposes of the CII Pension Scheme 1993 and will be transferred in tranches over a 2-year period to the scheme, according to terms specified in the Escrow agreement.



## Notes to the Financial Statements continued

### 9. Debtors

	Group		Institute	
	<u>2018</u> £000	<u>2017</u> £000	<u>2018</u> £000	<u>2017</u> £000
Amounts owed by subsidiary undertakings	-	-	2,563	2,403
Trade debtors	3,965	3,967	3,934	3,401
Corporation tax	27	-	27	-
Prepayments	1,066	1,183	829	773
Other debtors	782	500	729	469
Accrued income	466	363	27	25
	<b>6,306</b>	<b>6,013</b>	<b>8,109</b>	<b>7,071</b>

### 10. Creditors

	Group		Institute	
	<u>2018</u> £000	<u>2017</u> £000	<u>2018</u> £000	<u>2017</u> £000
Trade creditors	1,355	1,193	1,355	1,145
Corporation tax	138	174	-	20
Amounts owed to subsidiary undertakings	-	-	16,932	15,237
Other creditors	622	595	601	583
Accruals	2,702	2,209	2,313	1,360
Deferred income (note 11)	10,132	9,004	7,888	6,804
	<b>14,949</b>	<b>13,175</b>	<b>29,089</b>	<b>25,149</b>

### 11. Deferred income

	Group		Institute	
	<u>2018</u> £000	<u>2017</u> £000	<u>2018</u> £000	<u>2017</u> £000
Member subscriptions	6,258	6,092	4,081	4,085
Examination fees	2,399	1,493	2,399	1,493
Other	1,475	1,419	1,408	1,226
	<b>10,132</b>	<b>9,004</b>	<b>7,888</b>	<b>6,804</b>

## Notes to the Financial Statements continued

### 12. Provision for liabilities

Group and Institute	Legal and Compliance	Property	LTIP	Total
	£000	£000	£000	£000
At 1 January 2018	10	95	94	199
Provided during the year	-	367	118	485
Utilised during the year	-	-	-	-
Released during the year	(10)	-	-	(10)
<b>At 31 December 2018</b>	<b>-</b>	<b>462</b>	<b>212</b>	<b>674</b>

Provision for legal and compliance costs related to amounts set aside to cover legal and other related costs that the CII may be liable for in connection with operations both in the UK and Internationally. This is released in 2018 due to the lapse of time.

Provision for property costs represents the dilapidation costs on the CII's leased property, including the new office building leased in 2018. Costs are based on best estimates of restoration costs for the property.

The provision for the Long Term Incentive Plan (LTIP) bonus award payable to two members of the executive team for their achievements over a five-year period, the first vesting period award will be payable in 2019, on approval by the Nominations and Remuneration Committee.

### 13. Accumulated funds Group and Institute

Group	General		Charitable		2018	2017
	Revaluation	Revenue	Unrestricted	Restricted	Total	Total
	£000	£000	£000	£000	£000	£000
At 1 January	11,145	24,272	3,977	376	39,770	38,708
Surplus/(deficit) for the year	(11,145)	9,155	(140)	(17)	(2,147)	1,062
<b>At 31 December</b>	<b>-</b>	<b>33,427</b>	<b>3,837</b>	<b>359</b>	<b>37,623</b>	<b>39,770</b>

General funds include those of the CII, CII Enterprises Limited and The Personal Finance Society, Chartered Insurance Institute Hong Kong Limited, Chartered Institute of Insurance and Financial Services Pvt Limited and Chartered Insurance Ins DMCC. Unrestricted charitable funds are those of The Education and Training Trust of the Chartered Insurance Institute. Restricted funds are those of The Chartered Insurance Institute Prize and Educational Funds.

Institute Only	General		2018	2017
	Revaluation	Revenue	Total	Total
	£000	£000	£000	£000
At 1 January	11,145	16,882	28,027	25,832
Surplus for the year	(11,145)	7,491	(3,654)	2,195
<b>At 31 December</b>	<b>-</b>	<b>24,373</b>	<b>24,373</b>	<b>28,027</b>



## Notes to the Financial Statements continued

### 14. Pension fund

The Institute operated a defined benefit pension scheme which was closed on 30 June 2001. This is a multi-employer defined benefit scheme. The CII is the majority employer of the scheme with the Insurance Institute of London, the Institute of Manchester and The Insurance Charities being the other participating members of the scheme. The scheme is funded in advance by contributions at rates assessed by the scheme actuary in regular funding reviews. The scheme assets are held separately from the CII in trustee-administered funds. Following the actuarial valuation at 30 June 2005, the CII agreed with the Trustees to cease accruing for future service with effect from 30 June 2006 and transfer all active members into the CII's stakeholder defined contribution scheme. The CII makes contributions into the stakeholder scheme at rates between 10% and 20% of basic salary. In addition, a capital contribution of £3.0m was paid into the defined benefit scheme on 19 December 2005. Following the actuarial valuation at 30 June 2008 the CII agreed with the Trustees to transfer the full outstanding balance in the Escrow account into the scheme and to fund the remaining deficit by equal payments over four years, starting in July 2010. A further £0.5m of contribution was paid in December 2014.

Following the actuarial valuation at 30 June 2014, the CII agreed to make annual contributions of £0.1m into the scheme until June 2023.

The actuarial valuation at 30 June 2017 showed a shortfall of £3.0m, a funding level of 93%. To correct the shortfall, the CII and the Trustees agreed to pay a further contribution of £3.0m into the scheme which was settled at the end of November 2018, in addition to the £0.1m agreed at the previous valuation.

The CII has also set aside a further £5.0m, deposited into an Escrow account, managed by Stephenson Harwood LLP, for future contributions to the pension scheme.

The pension costs charged in these financial statements have been assessed in accordance with the advice of a qualified actuary based on an actuarial valuation at 30 June 2017 using the attained age method. The principal valuation assumptions were an investment return pre-retirement of 2.07% per annum and investment return post retirement of 2.07%. The market value of the scheme assets at the valuation date was £39,700,000 and this represented 93% of the actuarial value of the benefits that had accrued to members.

The actuarial valuation described above has been updated at 31 December 2018 by a qualified actuary using revised assumptions that are consistent with the requirements of FRS 102. Investments have been valued for this purpose at fair value.

The major assumptions used for the FRS 102 actuarial valuation were:

	<u>2018</u>	<u>2017</u>
Discount rate	2.90%	2.60%
Inflation assumption (RPI)	3.15%	3.10%
Rate of increase in salaries	N/A	N/A
Rate of increase of pensions in payment	3.00%	2.90%
Rate of increase of pensions in deferment	3.15%	3.10%
	<u>2018</u>	<u>2017</u>
	£000	£000
<b>Change in benefit obligation</b>		
Benefit obligation at beginning of year	35,757	36,895
Interest cost	919	981
Amendments	204	-
Actuarial (gains) - effects of changes in assumptions	(1,102)	(1,097)
Actuarial (gains) - effect of experience adjustments	(2,967)	-
Benefits paid	(869)	(1,022)
<b>Benefit obligation at end of year</b>	<b>31,942</b>	<b>35,757</b>
<b>Analysis of defined benefit obligation</b>		
Plans that are wholly or partly funded	31,942	35,757
<b>Total</b>	<b>31,942</b>	<b>35,757</b>

## Notes to the Financial Statements continued

### 14. Pension fund – continued

	<u>2018</u>	<u>2017</u>
	£000	£000
<b>Change in plan assets</b>		
Fair value of plan assets at beginning of year	39,670	37,657
Expected return on plan assets	1,033	1,004
Actuarial (losses)/gains	(2,480)	1,935
Employer contributions	3,096	96
Benefits paid	(869)	(1,022)
<b>Fair value of plan assets at end of year</b>	<b>40,450</b>	<b>39,670</b>
Funded status	8,508	3,913
Effect of surplus cap	(8,508)	(3,913)
<b>Net amount recognised</b>	<b>-</b>	<b>-</b>
	<u>2018</u>	<u>2017</u>
	£000	£000
<b>Components of pension cost</b>		
Interest cost	919	981
Expected return on plan assets	(1,033)	(1,004)
Interest expense on effect of asset ceiling	114	23
<b>Total pension cost recognised in the income and expenditure account</b>	<b>-</b>	<b>-</b>
Actuarial (gains) immediately recognised	(1,380)	(3,033)
Effect of surplus cap	4,476	3,129
<b>Total pension cost recognised in other comprehensive income</b>	<b>3,096</b>	<b>96</b>
<b>Cumulative amount of actuarial gains immediately recognised</b>	<b>6,530</b>	<b>5,150</b>



## Notes to the Financial Statements continued

### 14. Pension fund – continued

<b>Plan Assets</b>	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Cash & cash equivalents	4,542	444
Equity instruments	9,324	9,444
Debt instruments	21,314	22,751
Real estate	-	990
Alternative strategy funds	5,270	6,041
<b>Total</b>	<b>40,450</b>	<b>39,670</b>

<b>Five year history</b>	<b>Financial year ended 31 December</b>				
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Benefit obligation at end of year	31,942	35,757	36,895	28,660	27,287
Fair value of plan assets at end of year	40,450	39,670	37,657	31,728	30,457
<b>Surplus</b>	<b>8,508</b>	<b>3,913</b>	<b>762</b>	<b>3,068</b>	<b>3,170</b>

Difference between expected and actual return on scheme assets:

Amount	2,480	(1,935)	(5,623)	465	(1,198)
Percentage of scheme assets	6%	(5%)	(15%)	2%	(4%)

Experience gains and (losses) on scheme liabilities:

Amount	-	-	-	-	-
Percentage of scheme liabilities	0%	0%	0%	0%	0%

## Notes to the Financial Statements continued

### 15. Related party transactions

The CII has taken advantage of the exemption under Financial Reporting Standard 102 section 33, Related Party Disclosures, not to disclose transactions between group entities that have been eliminated on consolidation in these financial statements. There are no other related party transactions.

#### *Key management personnel*

Key management personnel are defined as the board and the direct reports of the CEO who have authority and responsibility for planning, directing and controlling the activities of the Group. Total remuneration in respect of these individuals is £1,839,088 (2017: £2,011,972).

<b>Key management compensation</b>	<b><u>2018</u></b>	<b><u>2017</u></b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	1,499	1,596
Termination costs	-	92
Employer's social security costs	190	184
Employer's pension costs	150	140
	<b>1,839</b>	<b>2,012</b>

All the Executive Directors are members of the defined contribution pension scheme in the UK, except the CEO and COO who have reached their lifetime allowances and are receiving cash allowances in lieu of employer pension contributions. Included above are honorarium payments to lay and non-lay members totalling £41,800 (2017: £27,200).

There are seven lay members (i.e. non-members of the CII) and one non-lay member who participate on the CII Board and its Committees. They are paid in accordance with the following scale, which includes preparation for the meetings attended and any outputs required as a result:

Committee chairs	£2,000 per meeting
Board members	£1,000
Committee members	£800

Payments to lay members has been reviewed by the Nomination and Remuneration Committee, with expert external input in 2018.

The Institute provides the following benefits to all the members of the Executive Team:

- Private Healthcare (single cover)
- Critical Illness cover
- Life Insurance
- Dependants' pension scheme (only those who joined the CII prior to 01/01/2014)

The annual base salaries (including allowances but excluding any benefits and bonuses) of the CEO and the direct reports of the CEO at 31 December 2018 are shown below on a banded basis.

	<b><u>2018</u></b>	<b><u>2017</u></b>
£220,000 - £249,999	1	1
£190,000 - £219,999	1	1
£160,000 - £189,999	3	1
£130,000 - £159,999	-	2
£100,000 - £129,999	4	4



## Notes to the Financial Statements continued

For 2018, the Executive Directors included in the table above are:

	<u>2018</u>
£220,000 - £249,999	S Fisher
£190,000 - £219,999	K Richards
£160,000 - £189,999	J Bissell, S Jenkins, D Thompson
£100,000 - £129,999	M Collett, S Graham, R Paterson, I Simons

(also see pages 13 and 14)

### 16. Operating Leases

At 31 December the Group and the CII had total commitments under non-cancellable operating leases of:

	<u>2018</u>	<u>2017</u>
	£000	£000
<b>Buildings</b>		
Less than 1 year	1,169	184
2 - 5 years	4,567	736
Over 5 years	2,571	644
	<b>8,307</b>	<b>1,564</b>
<b>Equipment</b>		
Less than 1 year	60	38
2 - 5 years	107	10
	<b>167</b>	<b>48</b>
<b>Cars</b>		
Less than 1 year	6	8
2 - 5 years	1	7
	<b>7</b>	<b>15</b>

### 17. Post Balance Sheet Event

At the date of signing, a decision is pending regarding the future of The Education and Training Trust of the CII (EATT). A proposal will be presented to the ARC, CII board and the EATT board for approval in 2019. The proposal considers the possibility of a restructuring of the activities of EATT for 2019 for which a formal agreement would be signed.

# Reference and administrative details

## Company number

Incorporated by Royal Charter: RC000104

## Auditor

BDO LLP  
2 City Place  
Beehive Ring Road  
Gatwick  
West Sussex  
RH6 0PA

## Principal bankers

HSBC  
62-76 Park Street  
London  
SE1 9DZ

## Principal office

21 Lombard Street  
London  
EC3V 9AH

## Legal advisers

Cannings Connolly  
16 St. Martin's Le-Grande  
London  
EC1A 4EE

## Company Secretary

Caroline Lace

## Executive Management Team

Chief Executive  
Chief Operating Officer  
Managing Director of Engagement/  
Chief Executive, Personal Finance Society  
Professional Standards Director  
Learning and Assessment Director  
Development Director  
Governance Director  
Marketing Director  
International Director

Sian Fisher  
John Bissell

Keith Richards  
Melissa Collett  
Simon Graham  
Steve Jenkins  
Rowan Paterson  
Ian Simons  
David Thompson



# REAR COVER

