ecclesiastical

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# Annual Report and Accounts 2024

Ecclesiastical Insurance Office plc

# Ecclesiastical Insurance Office public limited company

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# Ecclesiastical Insurance Office public limited company

## Directors and Company Information

| | |
|---|---|
| **Directors** | *R. D. C. Henderson FCA *Chair*<br>M. C. J. Hews BSc (Hons), FIA *Group Chief Executive*<br>M. E. H. Bennett BSc (Hons), FIA *Group Chief Financial Officer*<br>S. J. Whyte MC Inst. M, ACII *Deputy Group Chief Executive*<br>*F. X. Boisseau MSc<br>*J. Coyle B Acc, CA, FCIBS<br>*Sir S. M. J. Lamport GCVO, DL<br>*The Venerable K. B. Best BA<br>*M. E. Darby-Walker BA<br>*A. C. Winther BA |
| **Company Secretary** | R. J. Hall FCG |
| **Independent Auditors** | PricewaterhouseCoopers LLP<br>2 Glass Wharf<br>Temple Quay<br>Bristol<br>BS2 0FR<br>United Kingdom |
| **Registered and Head Office** | Benefact House<br>2000 Pioneer Avenue<br>Gloucester Business Park<br>Brockworth<br>Gloucester<br>GL3 4AW<br>United Kingdom |
| **Company Registration Number** | 00024869 |
| **Registrar** | Computershare Investor Services plc<br>The Pavilions<br>Bristol<br>BS13 8AE |

**Non-Executive Director*

# Ecclesiastical Insurance Office public limited company

# Strategic Report

The directors present their strategic report for the year ended 31 December 2024 for the Ecclesiastical Insurance Office public limited company ('Ecclesiastical Insurance Office plc' or 'EIO'), together with its subsidiaries the Ecclesiastical Group, also the Group.

**Group Chief Executive's Review**

***A record-breaking year***

2024 was a record-breaking year for the Ecclesiastical Group as we exceeded our profit targets, won more awards than ever before, and – most importantly – it enabled us to reach the fantastic milestone of donating £250m to good causes since 2014.

Through our giving, volunteering and charity support programmes, we helped change millions of lives for the better in communities across the UK, Ireland, Canada and Australia, providing vital support to those that need it most.

***Who we are***

The Ecclesiastical Group is part of the Benefact Group, which is owned by the charity Benefact Trust. The Group is an international group of financial services businesses with a purpose to contribute to the greater good of society.

Unlike many other companies, we're motivated and inspired to grow our business so that we can give more to the host of incredible charities and organisations that work tirelessly and selflessly day in, day out to improve the lives of those most in need.

Charities like Emily's Gift, a remarkable project supporting children with cancer in Gloucestershire. I recently joined founder and CEO Julie Kent to learn more about their impactful work, and how our donations have a made a difference to the charity – potentially saving lives, protecting more dreams, and holding more families together.

I also had the privilege of hosting our first ever Benefact Group Charity Heroes Awards at the iconic Tower of London. This was a humbling, energising and inspiring event where we recognised unsung heroes in the charity sector, and we heard how they are changing the world in which we live.

***Grow more to give more***

Our giving wouldn't be possible without the continued success of our businesses, and I'm pleased to report the Group delivered an excellent result, posting a pre-tax profit of £82.5m.

In General Insurance, we reported an underwriting profit[1] of £47.6m, up 94.3% on the previous year. 2024 was an exceptionally low year for claims, with no major losses and more benign weather experience in the UK compared to other territories. This is in stark contrast to 2023 when we suffered our largest ever UK loss with the devastating fire at St Mark's Church in London. As the insurer of many iconic and irreplaceable buildings, a major loss or weather event can be a significant driver of our underwriting result. Australia reported a small underwriting loss impacted by several factors, including an adverse development in prior year liability claims. Canada's strong underwriting result highlighted the resilience of the portfolio and quality of underwriting action taken in recent years.

Gross written premiums[1] rose by 4.1% thanks to strong retention across our territories and excellent growth in the UK and Ireland, supported by good growth in existing customer segments and expansion into new sectors, including Leisure and Office Professions.

***Building a movement for good***

During the year we were able to give a record £36.5m to good causes. This includes amounts to our ultimate charitable owner, Benefact Trust Limited, of which £25.0m is in respect of 2024 performance and £8.0m in respect of 2023 performance.

This means we have achieved our ambition to give £250m to good causes since 2014. This is a remarkable achievement only made possible by the support of our customers, colleagues, brokers and partners. Thank you to everyone who has helped us to reach this giving milestone. Whether you realise it or not, you are supporting children with cancer, assisting the homeless, aiding those with mental health challenges, helping Ukrainian refugees, providing medical relief in Gaza, helping those suffering from climate change disasters, and so much more. In short, you are truly changing lives by doing business with us.

***Delivering for our customers***

Underpinning our charitable ethos is our unrelenting drive to do the right thing for our customers, and I'm incredibly proud that our specialist insurance businesses are recognised as leaders in their fields and are trusted by our customers.

In General Insurance, our UK claims team was awarded Outstanding Service Quality Marque for the fourth consecutive year by Gracechurch, demonstrating our commitment to excellent service. Ecclesiastical UK also retained top spot in the Fairer Finance rankings for an incredible 20th consecutive time and remains the most trusted insurer in the UK, with the happiest customers. The home insurance business was also awarded a 'Which? Best Buy' for both buildings and contents insurance. Our UK Risk Management team was also named Risk Management Team of the Year at the CIR Risk Management Awards. Ecclesiastical Canada received the Excellence in Philanthropy & Community Service and P&C Insurer of the Year awards at Insurance Business Canada's Excellence Awards 2023.

We wouldn't achieve this recognition without the hard work of all our teams across our Group. There's no doubt it's been a demanding 12 months, but our colleagues have risen to the challenges head-on, and I want to extend my heartfelt thanks for all that they have accomplished.

***Our Planet, Our Part***

The threat from climate change is becoming ever greater. Last year was the hottest on record, surpassing the internationally agreed 1.5°C limit for the first time. Extreme weather is now commonplace and last year saw wildfires, hurricanes, flooding, hailstorms across all the territories we insure. Despite the extreme events, there has been relatively benign claims experience, particularly in the UK. I was in Canada last July and witnessed first-hand the devastation caused by climate change, when deadly fires ripped through Jasper National Park in Alberta, destroying hundreds of buildings (including many that we insured) and forcing the evacuation of the town of Jasper. I'm pleased we have received very positive feedback on the support we provided to all those customers affected, and that Benefact Trust Limited made a substantial donation to the communities affected by this disaster.

As a responsible insurer, we know we have an important part to play in protecting our planet. We are seeking to respond to climate change by addressing our carbon impact, while supporting customers and communities to tackle their climate challenges too.

To achieve this, we're decarbonising where we can, challenging and influencing who we invest in, supporting the customers we insure to become more climate resilient, and giving to charities making a big difference in all aspects of climate from biodiversity restoration to education in schools.

The Group's Responsible & Sustainable investment policy not only avoids investment in businesses that we believe cause social harm, such as fossil fuels, but also proactively seeks to invest in markets that have positive impacts, as well as considering environmental, social and governance factors in every investment case. Through our Climate Stewardship Plan we're also engaging with our highest emitters and holding companies to account by setting science-based targets.

Alongside this, we don't underwrite businesses that are involved in the extraction, production or investment of fossil fuels, heavy industry or commercial aviation, and we don't invest our premiums in businesses that we believe cause social harm.

We're reducing the impact of our operations and investing in highly assured charitable offset projects to enable us to be 'net negative' for our direct impact. With focus and innovation, we'll continue to find ways to reduce our carbon emissions and support our customers on our journey to net zero by 2040.

***Destination employer***

Our ambition is to build a world-class team, and I'm delighted that we once again achieved market-leading employee engagement scores in our independently run B-Heard surveys.

Our parent company, Benefact Group plc, maintained a two-star 'outstanding' rating and a three-star 'World Class' UK accreditation. It was also named among the Top 50 large companies to work for in the UK by Best Companies, moving from 47 to 41 in the rankings.

Ecclesiastical Canada was also named a Greater Toronto Top Employer for the seventh consecutive year, while Ansvar Australia was named among the Top 50 workplaces for fathers in the Insurance Business Awards. Ecclesiastical Ireland received the Investors in Diversity Bronze Award.

As an ultimately charity-owned business with a unique and singular purpose to contribute to the greater good, we want to be a destination employer for people who want to make a difference in the world. A place where talented people work together in a collaborative and inclusive environment, helping to grow our business so that we can give more to good causes. A place where every colleague feels valued, respected and treated fairly. In short, we aim to provide life-changing careers that change lives.

***Looking ahead***

We delivered so much in 2024, and go into 2025 refreshed, with momentum, confidence and optimism. We have a real clarity of purpose as we push forward towards our strategic goals.

Inspired by the impact that our giving has on our beneficiaries, we are set to grow the business even further in 2025, with the aim of growing our giving. We've got a strong sales pipeline across our businesses providing opportunity for profitable growth, and we're ambitious and hungry to win new business.

This will see us continue our drive for profitable growth with stretching targets for our sales teams. In Ecclesiastical UK we will develop our new sectors, Leisure and Office Professions, and it will be another exciting year for Ansvar UK following its brand refresh.

While we drive up sales, we'll also maintain our focus on efficiency and effectiveness, making continuous improvements to our processes, products and services for the benefit of our customers.

***Join our movement***
As we celebrate the incredible milestone of giving £250m to good causes and set our ambitions for the future even higher, I want to say a heartfelt, sincere "thank you" to all our customers, business partners and dedicated colleagues for their exceptional support.

By doing business with our Group, you're helping us to grow so that we can give even more to good causes. I invite anyone reading this, whether as a potential colleague, customer or business partner, to come and join us and experience a different way of doing business. Together, with your support, we can build a Movement for Good and transform lives for the better.

Mark Hews
*Group Chief Executive*
20 March 2025

[1] The Group uses Alternative Performance Measures (APMs) to help explain performance. More information on APMs is included in note 37.

**Principal risks and uncertainties**

The Group undertakes a continual risk assessment process. Set out below are the principal risks encompassing the different types of risks which are relevant to the Group's business model and achievement of its strategic objectives.

| ***Insurance risk***<br>The risk that arises from the fluctuation in the timing, frequency and severity of insured events relative to the expectations of the firm at the time of underwriting. | | |
|---|---|---|
| ***Risk detail*** | ***Key mitigants*** | ***Change from last year*** |
| ***Underwriting risk***<br>The risk of failure to price insurance products adequately and failure to establish appropriate underwriting disciplines. The premium charged must be appropriate for the nature of the cover provided and the risk presented. Disciplined underwriting is vital to ensure that only business within the risk appetite and desired niches is written. | • A robust pricing process is in place<br>• The underwriting licensing process has been refreshed<br>• A documented underwriting strategy and risk appetite is in place together with standards and guidance and monitored by the strategic business units (SBUs)<br>• This is supported by formally documented authority levels for all underwriters which must be adhered to. Local checking procedures ensure compliance<br>• Monitoring of rate strength compared with technical rate is undertaken on a regular basis within SBUs<br>• There are ongoing targeted underwriting training programmes in place<br>• A portfolio management framework is in place to ensure clear understanding and allow targeted actions to be taken<br>• Group Underwriting audits are carried out across General Insurance Businesses | There have not been material changes to this risk during the year. |
| ***Latent Claims***<br>The risk of financial loss arising from the deterioration of reserves held for causes of claim that typically have long latent periods prior to reporting. | • Full review of physical and sexual abuse (PSA) claims utilising the stochastic reserving model for all territories<br>• Actuarial Function Holder review of Technical Provisions with an opinion report provided to the Board | During 2024 there has been a material strengthening of reserves within EIO to reflect the emerging experience relating to latent claims. Oversight of PSA claims continues across all territories. |

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| | • Robust management of claims including investigation and justification<br>• Reserving Team training and understanding of the risk to ensure recommendation of appropriate reserves | |
| ***Catastrophe risk***<br>The risk of large scale extreme events giving rise to significant insured losses. Through our General Insurance business we are exposed to significant natural catastrophes in the territories in which we do business. | • Modelling and exposure monitoring is undertaken to understand the risk profile and inform the purchase of reinsurance<br>• Local risk appetite limits have been established to manage concentrations of risk and these are monitored by SBUs<br>• There is a comprehensive reinsurance programme in place to protect against extreme events. All placements are reviewed and approved by the Group Reinsurance Board<br>• Processes in place to provide oversight and sign off of reinsurance modelling and exposure management across the company<br>• The Risk Appetite specifies the reinsurance purchase levels and retention levels for such events | There have not been material changes to this risk during the year. |
| ***Reinsurance risk***<br>The risk of failing to access and manage reinsurance capacity at a reasonable price. Reinsurance is a central component of our business model, enabling us to insure a portfolio of large risks in proportion to our capital base. | • We take a long-term view of reinsurance relationships to deliver sustainable capacity<br>• A well-diversified panel of reinsurers is maintained for each element of the programme<br>• A General Insurance Reinsurance Executive Meeting approves all strategic general reinsurance decisions | The level of this risk has remained broadly similar since last year. We continue to take a long-term approach to our reinsurance relationships. |
| ***Operational risk***<br>The risk of loss arising from inadequate or failed internal processes, people and systems, or from external events | | |
| ***Risk detail*** | ***Key mitigants*** | ***Change from last year*** |
| ***Cyber risk***<br>The risk of criminal or unauthorised use of electronic information, either belonging to the Company or its stakeholders for example customers, employees etc. Cyber security threats from malicious parties continue to increase in both number and sophistication across all industries and remains the Company's highest rated risk. | • A number of security measures are deployed to ensure protected system access<br>• Security reviews and assessments are performed on an ongoing basis<br>• There is ongoing maintenance and monitoring of our systems and infrastructure in order to prevent and detect cyber security attacks<br>• There is an ongoing information security training and awareness programme | Cyber risk remains a constantly evolving threat, with malicious threat actors continuing to seek to exploit businesses. Ongoing investment in technology and employee awareness and vigilance is therefore highly important at this time, which is continuing to be proactively managed. |
| ***Data governance (inc. management and protection)***<br>The risk that the confidentiality, integrity and/or availability of data held across the Group is compromised, or data is misused. The Group holds significant amounts of customer and financial data and there could be significant implications, including if this is compromised or is found to be inaccurate. | • A Group Data Committee is in place<br>• Group data governance and Group data management and information security policies are in place<br>• Data is managed by Data Owners and Stewards, and supported by Data teams for technical support and oversight | Enhancements continue to be made to the governance, management, use and control of data, in order to meet the evolving requirements, and remains a key focus. |
| ***Critical Supplier risk***<br>Poor customer service or disruption to the business caused by supplier failure (including data or regulatory breach) or inadequate contractual arrangements, due diligence, and ongoing supplier management. | • Pre-defined contingency/exit plans in place with business-critical services<br>• Regular credit checking and financial monitoring of suppliers' financial status<br>• Ongoing and specialist due diligence and ongoing monitoring, including cyber security and | The risk remains unchanged, with action underway to continue to enhance oversight of the high risk suppliers. |

| | | |
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| | business continuity, prioritising tier 1 and 2 suppliers | |
| ***Other risks***<br>Other significant risks faced by the Group. | | |
| ***Risk detail*** | ***Key mitigants*** | ***Change from last year*** |
| ***Market and investment risk***<br>The risk of financial loss due to changes in economic conditions. This includes a fall in the value of investments held, as well as the impact of movements in exchange rates and discount rates on insurance and pension liabilities. | • An investment strategy is in place which is reviewed at least annually and recommended by the Market and Investment Risk Executive Meeting to the EIO Risk Committee. This includes consideration of the Group's liabilities and capital requirements<br>• There are risk appetite metrics in place which are agreed by the Board and include limits on asset / liability matching and the management of investment assets<br>• Derivative instruments are used to hedge elements of market risk, notably currency. Their use is monitored to ensure effective management of risk<br>• There is tracking of risk metrics to provide early warning indicators of changes in the market environment as well as performance of investment funds is monitored against their respective benchmarks<br><br>Further information on this risk is given in note 4 to the financial statements on page 72. | Overall market risk has increased, and we remain invested for the long term. We continue to monitor market conditions and the geopolitical and sociopolitical environment. |
| ***Regulatory risk***<br>Failure to develop and embed a risk focussed culture to comply with obligations under the regulatory system, enable a competent authority to exercise its powers effectively under the regulatory system, or counter the risk that the business may be used to further financial crime.<br>We operate in a highly regulated environment which is experiencing a period of significant change. | • Close monitoring of regulatory developments and use of dedicated project teams supported by in-house and external experts to ensure appropriate actions to achieve compliance<br>• Specialist compliance monitoring programmes are in place across SBUs<br>• Regular reporting to the Board of regulatory compliance issues and key developments is undertaken<br>• An ongoing programme to enhance documentation for ease of comprehension in line with the Consumer Duty<br>• Continued activity to ensure ongoing compliance and enhancement against regulatory change such as operational resilience | There continues to be a significant volume of regulatory change and therefore the risk remains unchanged. |
| ***Conduct risk***<br>The risk of unfair outcomes arising from the Group's conduct in the relationship with customers, or in performing our duties and obligations to our customers. Customers are placed at the centre of the business, ensuring good customer outcomes, in line with the regulatory Consumer Duty, while safeguarding the interests of all other key stakeholders. | • There is ongoing colleague training to ensure customer outcomes are fully considered in all business decisions<br>• Customer charters have been implemented in all SBUs<br>• Conduct risk reporting to relevant governing bodies is undertaken on a regular basis<br>• An ongoing Consumer Duty Day 2 programme to enhance our compliance with the regulation<br>• Customer and conduct measures are used to assess remuneration | The Group remains committed to placing customers at the centre of our practices and decision making, demonstrated by our wide-ranging industry awards and customer satisfaction scores. Overall the level of this risk is unchanged from the prior year. |
| ***Brand and reputation risk***<br>The Group aims to be the most trusted specialist insurer and as a consequence this brings with it high expectations from all of our stakeholders, be they consumers, regulators or the wider industry. | • There is ongoing training of core customer facing colleagues to ensure high skill levels in handling sensitive claims<br>• Adopts a values led approach to ensure customer-centric outcomes | Maintaining a positive reputation is critical to the company's vision of being the most trusted and ethical specialist financial services group, and the risk remains unchanged to last year.<br>Risks to our brand and reputation are inherently high in an increasingly interconnected environment, with the risks of external threats such as cyber security |

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| Whilst we aim to consistently meet and where possible exceed these expectations, increasing consumer awareness and increased regulatory scrutiny across the sector exposes the Group to an increased risk of reputational damage should we fail to meet them, for example as a consequence of poor business practices and behaviours. | • There is a dedicated marketing and PR function responsible for the implementation of the marketing and communication strategy<br>• Ongoing monitoring of various media is in place to ensure appropriate responses | attacks, and viral campaigns through social media always present. |
| ***Climate change***<br>The financial and reputational risks arising through climate change.<br><br>The key impacts for the Company are physical risks (event driven or longer term shifts), the transition risks of moving towards a lower carbon economy and liability risks associated with the potential for litigation arising from an inadequate response. | • Catastrophe risk is managed through reinsurance models<br>• The Group considers flood risk and other weather-related risk factors in insurance risk selection<br>• There is an ESG overlay on the investment strategy<br>• The Group actively manages exposures and is up to date on market development | Whilst there is now more awareness of the challenges faced as a result of climate change, there have been no material changes to this risk since last year. A programme of work continues to fully analyse the impact on the Group and to develop appropriate risk management responses. |

**Our business model and strategy**

Ecclesiastical Insurance is part of the Benefact Group, a family of specialist financial services businesses united by a singular purpose: to donate all available profits to charity and good causes. Our ambition to do right by our customers, clients and business partners and our commitment to philanthropy enables Ecclesiastical Insurance Office plc to stand out in the financial services sector.

Benefact Group's purpose is to contribute to the greater good of society, by managing a successful, ethically run portfolio of businesses. All available profits generated by Ecclesiastical Group and the other businesses within the Benefact Group are used to support good causes through independent grants from our ultimate charitable owner (Benefact Trust Limited) or our own considerable donations. We're committed to doing the right thing for our customers, business partners and colleagues, and to delivering growing donations to our ultimate charitable owner, enabling Benefact Trust Limited to continue its work in transforming people's lives.

The Benefact Group's overarching strategy fosters alignment and strategic focus across all its businesses, including investment in systems and people to target further growth and drive increased charitable donations. In fields such as Specialist Insurance, Asset Management, Broking and Advisory, each business within the Benefact family is a specialist in its respective field, built on genuine insight and ethics. Together, businesses within the Benefact Group offer products and services designed to protect in the present, anticipate possibilities, and invest in a healthier financial future.

**Responsible business**

The Ecclesiastical Group is part of the wider Benefact Group. A Responsible Business Report containing a summary of social and environmental impact is in the Benefact Group Annual Report and Accounts which is published on www.benefactgroup.com. It covers social impact including approach to diversity, equality and inclusion, colleague wellbeing and charitable giving. It also summarises climate impact and is supported by a separate report featuring disclosures in line with the Taskforce on Climate-related Financial Disclosures (TCFD), which is published on the Company's website. A separate report enables the Benefact Group to explain climate-related disclosures in much more detail for the benefit of an increasing range of interested stakeholders.

The following table provides details of the carbon associated with the direct operation of businesses that are part of the wider Benefact Group, in line with the Streamlined Energy and Carbon Reporting (SECR) requirements. This table does not include the emissions relating to our investment portfolio or our underwriting activity. The Group offsets its Scope 1 and 2 emissions through highly assured charitable projects to achieve 'net negative' for its direct impact.

| ***Emissions source*** | ***2024*** | | | | ***2023*** | | | |
|---|---|---|---|---|---|---|---|---|
| | ***UK $tCO_2e$*** | ***Non-Uk $tCO_2e$*** | ***Total $tCO_2e$*** | ***Scope 1 & 2 $tCO_2e$/ employee*** | ***UK $tCO_2e$*** | ***Non-UK $tCO_2e$*** | ***Total $tCO_2e$*** | ***Scope 1 & 2 $tCO_2e$/ employee*** |
| Scope 1: fuel, fluorinated gas losses and fuel combustion in offices and company fleet | 116 | 15 | 131 | | 142 | 7 | 149 | |
| Scope 2: electricity and cooling in premises (location based)[1] | 591 | 149 | 740 | | 696 | 84 | 780 | |
| Scope 2: Scope 2: electricity and cooling in premises (market based)[2] | 109 | 146 | 255 | | 97 | 75 | 172 | |
| Scope 3: business travel[3], waste, water use | 538 | 269 | 807 | | 439 | 568 | 1,007 | |
| **Total $tCO_2e$ (market based electricity)*** | 763 | 430 | 1,193 | 0.51* | 678 | 650 | 1,328 | 0.56* |

$tCO_2e$ is tonnes of $CO_2$ and equivalent gases.
[1] The average emissions intensity of grids on which energy consumption occurs (using mostly grid-average emission factor data)
[2] Emissions based on how an organization buys its energy
[3] Air, rail, bus, taxi, ferry, car rental and vehicles owned and driven by an employee, driven for business purposes (grey fleet)
* Scopes 1, 2 (market based) and scope 3

In 2024, total energy use is 4,570,001 kWh of which 3,841,221 is UK and 728,780 kWh is non-UK based. In 2023, total energy use was 4,153,784 kWh of which 3,962,931 kWh was UK and 190,853 kWh was non-UK based. Scope 3 emissions reported as part of SECR mostly comprise business travel. A data discrepancy in 2023 contributed to an overstatement in reported emissions.

***Methodology***
The wider Benefact Group has reported on all emission sources required under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

The reporting year runs from 1 September 2023 to 31 August 2024. The emissions reporting boundary is defined as all entities and facilities either owned by or under operational control of the Benefact Group of companies, that is, emissions relating to our premises and associated travel by staff in the UK, Ireland, Australia, and Canada.

The reporting comprises:
- Scope 1: emissions from fluorinated gas losses, oil and gas used to heat our offices, and fuel used in company vehicles
- Scope 2: emissions from electricity, cooling, heat and steam used in our offices
- Scope 3: emissions from business travel, waste and water use in our offices

Calculating emissions from electricity scope 2 emissions is done in two ways:
- Location based reporting calculates emissions based on the average emission intensity of the local power grid, regardless of what electricity contracts are in place
- Market based reporting reflects emissions from the specific electricity contract/s purchased

Location based electricity use shows emissions from physical consumption while market-based reporting reflects decisions made to purchase electricity on a zero carbon tariff.

The above emissions are displayed in tonnes of carbon dioxide and equivalent gases ($tCO_2e$), have all been calculated using UK Government Greenhouse Gas reporting emission factors 2021 (Department for Environment, Food and Rural Affairs), and independently verified according to ISO – 14064-1 Specifications with Guidance for the Validation and Verification of Greenhouse Gas Statements.

***Colleagues***
Colleagues across the Benefact Group are united by our purpose to give to good causes. Each business within the Benefact Group is specialist and expert in its field, with an engaged global team of colleagues driving growth and success.

***Health and wellbeing***
Employee health and wellbeing continued to be a key focus for the Group in 2024. Learning resources and communications were expanded including virtual sessions on understanding the menopause and a menopause conversation guide for people leaders. Men's mental health was spotlighted in

November, with personal stories and resources shared. A range of tools provided across the Group bring physical, mental and financial wellbeing support together for employees and their families.

Investment in great workplaces continued in 2024. This included Ansvar UK moving to modern premises in the heart of Brighton. Integral to the move was the new Community Hub, providing a free flexible workspace for local charities. The building is also built to a BREEAM Excellent sustainability standard, putting it in the top 10% of UK new non-domestic buildings for sustainability.

***Engagement***

An independent assessment of engagement levels was benchmarked through the B-Heard survey provided by Best Companies. With almost 2,000 responses the survey is now a well-established way to listen and celebrate. The Benefact Group overall maintains a two-star 'outstanding' rating, a three-star 'World Class' UK accreditation and is ranked as one of the UK's Top 50 best large companies to work for.

A new communication, The Link, was launched to keep colleagues connected across all three continents the Group operates in. Colleagues were also brought together at 'Make It Happen' events in the UK, where they collaborated to find solutions to real business problems.

***Diversity, equity and inclusion***

The Group continued its strong commitment to diversity, equity and inclusion. Group-wide inclusion networks grew, including the LGBTQ+ and Women's Network.

Over 200 leaders attended Leading Inclusively training, now a core element of the People Leader's Journey programme. The Group's attraction and recruitment processes were reviewed and updated to ensure inclusivity, and inclusive hiring training will be rolled out to all recruiting managers in the UK and Ireland in 2025. A new Women in Leadership programme was launched, targeted at developing senior female leaders from businesses across the Group. The first cohort of 13 leaders completed the programme in 2024, with plans for global rollout in 2025.

A number of events brought people together, notably a Women in Leadership panel discussion which welcomed over 80 attendees from businesses and the community and raised several thousand pounds for charity. Colleagues celebrated Pride month in June, including the LGBTQ+ network and allies who represented Benefact Group at Gloucester Pride.

**Non-Financial and sustainability information statement**

The Non-Financial Reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006 are addressed below. Non-financial and Environmental, Social and Governance (ESG) information is integrated across the Strategic Report, in particular in the responsible business section starting on page 7.

| ***Non-financial and sustainability information*** | ***Disclosure*** | ***Section*** | ***Pages*** |
|---|---|---|---|
| Business model | Our business model and information on how we do business differently | Strategic Report – Our business model and strategy | 7 |
| Key performance indicators (KPIs) | Our KPIs set out how we are doing against our strategic goal | Strategic Report – Key performance indicators | 19 |
| Principal risks | Our key risks and their management | Strategic Report – Principal risks and uncertainties | 4 |
| Environmental, social matters, colleagues, human rights, financial crime and corruption | Statements of our policy and practice in these areas | Strategic Report - Primarily within the responsible business section and below. | 7 |

***Our key policies / statements of intent***

We have a range of policies and guidance in place to support the key outcomes for our stakeholders. These also ensure consistent governance on environmental matters, our employees, social matters, human rights and anti-bribery and corruption.

***Climate and environmental matters***

The Ecclesiastical Group is part of the Benefact Group and as a diverse financial services business, the Benefact Group is exposed to climate risk primarily through investments and insurance. It also has a responsibility to reduce its operational impact and can achieve positive impact through its charitable giving. The majority of the Benefact Group's climate and environmental matters are relevant to the Ecclesiastical Group.

A separate Task Force on Climate-Related Financial Disclosures ('TCFD') report is published on the Group's website at www.ecclesiastical.com, but the following provides a summary of key considerations.

***Governance***
The Benefact Group Board has overarching responsibility for overseeing the response to climate change. Ecclesiastical as part of the Benefact Group has adopted the Benefact Group plc's Governance Framework. Accordingly, the Ecclesiastical Risk Committee (and prior to that the Group Risk Committee) has sight of climate related risk matters on behalf of the Ecclesiastical Board. Across the business various committees, management functions and a core climate strategy function lead, develop and deliver the Group's response.

***Strategy***
- The Benefact Group has a robust strategy review and evaluation process. In particular scenario analysis is used as a key tool for assessing and understanding climate risk.

| ***Testing risks through scenarios*** | |
|---|---|
| ***Insurance*** | ***Investment*** |
| • Focusing on worst case scenario: the assessment of insurance underwriting risk has focused on the worst-case scenario of the Bank of England's three Climate Biennial Exploratory Scenario (CBES) scenarios (the No Additional Action scenario) because this enables identification of the most extreme outcomes, therefore the greatest risks to the business, particularly over the medium to long-term. The scenarios have been used primarily in a qualitative nature to identify the types of perils that are most likely to affect the current insured portfolio. We have also looked at other, less harmful scenarios to understand a range of feasible outcomes and so the difference in expected impact that would result from positive climate mitigation actions.<br><br>• Considering socioeconomic impacts: besides considering the direct impact of weather events, the economic and social impact on key customers were also considered, in this case also using the scenarios whereby Paris-aligned targets are met, to identify some of the issues they likely face in the various circumstances. This analysis is being used to inform customer propositions and how the Benefact Group might work with and support customers to manage and mitigate climate risk.<br><br>The process has been used to assess the Benefact Group's insurance footprint in various geographies, for example assessing wildfires in Canada, temperature rises in Australia and windstorm and flood in the UK. For example, in the UK a tool for flood and storm mapping, Mapview, is used to manage individual and accumulated local exposures. | • Property investments continue to be assed for climate impact using a Real Estate Environmental Benchmark (REEB) benchmark, Energy Performance Certificate (EPC) schedule priority, physical and climate risk assessments and scope 1, 2 and 3 data completion, it also included emissions reduction targets and a decarbonisation plan.<br><br>• Footprinting: tools used by EdenTree, which is part of the Asset Management division of the Benefact Group, enable the Benefact Group to view its investments from various perspectives. These include the portfolio emission pathway vs climate scenario budgets (and whether it is overshooting) and the associated temperature increase.<br><br>Based on current targets, equity investments are expected to be aligned with the Sustainable Development Scenario by 2050, representing a potential temperature increase of 1.5°C by 2050 compared to 2.9°C for the benchmark.<br><br>• This figure is tracked annually to ensure continued alignment. This temperature alignment score is based on the ISS-ESG methodology and shows the estimated temperature increase which the portfolio is associated with by 2050.<br><br>• The current proportion of holdings that have adopted a Science Based Target (SBT) are also tracked. Increasing this is a key part of our engagement work to support the decarbonisation of our portfolio. |

- The Benefact Group is a member of voluntary climate action initiative ClimateWise which drives best practice and provides independent assessment.

***Risk management***
- The Enterprise Risk Management process provides the tools, guidance, policies, standards and defined responsibilities to enable the Benefact Group to achieve its strategy and objectives whilst ensuring that risks to objectives are identified and managed.
- The Benefact Group's risk management process is a structured and iterative method for identifying, assessing, responding and monitoring risk on an ongoing basis.
- Risk management is integrated into the way the Benefact Group works with each business unit and significant business areas using this process, producing risk registers and feeding into reporting shared with the Group Risk function and ultimately the Benefact Group Audit and Risk Committee.

- The principal climate risks faced by the Benefact Group are:

| ***Risk*** | ***Nature of risk*** | ***Time horizon*** | ***Actions being taken to understand and mitigate impact on business, strategy and planning*** |
|---|---|---|---|
| Physical | Direct damage to assets both owned and insured and indirect impacts from supply chain disruption.<br>The main physical risk exposures stem from its property underwriting portfolio and from its investment assets. | There are acute, event-driven risks which can occur over all time horizons, and chronic risks, which are typically longer-term. | • We have partnered with a third-party expert to quantify exposures on our insured portfolio across territories where we operate using models based on a range of scenarios. This will be used to inform capital, pricing and underwriting strategy.<br>• Mapping technology has also been used in the UK to identify concentration of risks in the most flood-prone areas.<br>• We continue to work with our reinsurance partners to ensure that our risk mitigation remains appropriate for our current risk exposures and to learn from their expertise.<br>• The Benefact Group is a member of the Partnership for Carbon Accounting Financials (PCAF) and has completed an initial assessment of the carbon impact of its underwriting portfolios in the UK, Ireland, Australia and Canada. This will inform strategy for engagement and decarbonisation.<br>• As part of its investment process, EdenTree assesses a company's exposure to climate risk (including physical risk). Where this is deemed to be material or poorly managed, a company will not be included in the portfolio. |
| Transition | Relates to financial risks resulting from transitioning to a low carbon economy. They arise from policy, technology and market disruption. Additional implications include the subsequent changes to consumer expectations, demand and behaviour.<br>The Benefact Group's main exposure to transition risks is on the value of its investment assets through the impact of changes to a low carbon economy on investee companies. | Short to medium term | • Funds are invested with a responsible and sustainable policy which excludes fossil fuel exploration and production, thermal coal extraction and eschews investment in high carbon emitters (automotive, aviation and heavy industry).<br>• Across EdenTree's Funds, we also invest in companies providing solutions that will enable the low-carbon transition alongside providing a compelling investment case<br>• The Benefact Group's asset manager EdenTree has established a Climate Stewardship Plan which engages investee companies and targets improvement.<br>• Climate change is also a permanent pillar of EdenTree's engagement strategy, and they have supported various initiatives over the years. They have contributed for seven consecutive years to the CDP's non-disclosure campaign. They supported the Paris Pledge for Action in 2015 and are a signatory to the TCFD Framework. EdenTree also maintain memberships including the UK Sustainable Investment and Finance Association, UN Principles for Responsible Investment and the Institutional Investors Group on Climate Change.<br>• The Benefact Group also footprints its property portfolio annually, to understand both physical and transition risks, inform investment strategies and understand energy performance. |
| Liability | Stems from the potential for litigation if entities and boards do not adequately consider or respond to the impacts of climate change. | Short term | • Each territory have assessed exposure to the potential for receiving future liability claims relating to climate related litigation arising from customers' activities. Each territory will also continue to track potential for insured customers to be exposed to liability risks and the evolving legal environment. |

- A full overview of actions taken to understand and mitigate impact on business, strategy and planning is included in the full TCFD report. Actions include mapping technology to identify concentration of insurance risks and a responsible and sustainable investment policy.

***Metrics and targets***

- The Benefact Group has committed to Net Zero targets over the short and long-term. Net Zero progress and ClimateWise performance are integrated into our long-term incentive plan for senior leaders.
- A wide range of metrics and targets are used across the Benefact Group's climate programme (fully outlined in the TCFD report). They include fund alignment with a 1.5-degree pathway, underwriting footprint calculated to the Partnership on Carbon Accounting Financials methodology, amount of giving to climate charities and carbon intensity per employee.
- The Benefact Group does not have a suite of key performance indicators specifically in relation to measuring climate change, but this is monitored through investment performance.

***Taskforce on Climate-related Financial Disclosures (TCFD) compliance summary***

Climate reporting is included in the Strategic report (in particular in the Responsible Business section) and a separate TCFD report published on www.ecclesiastical.com. The following table is produced to highlight the TCFD pillars, recommended disclosures and where this information can be found across the Strategic report and separate TCFD report.

| ***TCFD pillars*** | ***TCFD recommended disclosures*** | ***Section of the Strategic report, that disclosures are included in, in compliance with the Companies Act*** | ***Section of the TCFD Disclosure report with further details, in compliance with the Listing Rules*** |
|---|---|---|---|
| ***Governance***<br>Disclose the organisation's governance around climate-related issues and opportunities | - Describe the Board's oversight of climate-related risks and opportunities<br>- Describe management's role in assessing and managing climate-related risks and opportunities | - Non-financial and sustainability information statement (page 9).<br>- Section 172 statement (page 14) | - Governance structure overview (page 4).<br>- Examples of climate topics discussed/decisions made at various governance forums including Board Committees and management groups (page 5). |
| ***Strategy***<br>Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's business, strategy and financial planning where such information is material. | - Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long-term<br>- Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.<br>- Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2 degree or lower scenario. | - Climate strategy overview in the Group Chief Executive's Review (page 2).<br>- Non-financial and sustainability information statement (page 9).<br>- Principal risks (page 4). | - Strategy overview (page 6).<br>- How climate is embedded in how the Group operates (page 6).<br>- Climate risk and opportunity consideration (page 7).<br>- Physical, transition and liability risks outlined, time horizons considered and actions being taken to understand and mitigate impact outlined (page 8).<br>- Using scenario analysis to understand and test climate risk (page 9). |
| ***Risk management***<br>Disclose how the organisation identifies, assesses and manages climate-related risks | - Describe the organisation's processes for identifying and assessing climate-related risks.<br>- Describe the organisations processes for managing climate-related risks.<br>- Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management. | - Non-financial and sustainability information statement (page 9). | - Risk management framework and process overview (page 10).<br>- Overview of how the risk management process and risk management tools are used to capture, assess and respond to risk, but also to monitor and report (page 10). |

| | | | |
|---|---|---|---|
| ***Metrics and Targets*** Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material. | - Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.<br>- Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas emissions (GHG), and the related risks.<br>- Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets. | - Climate strategy overview in the Group Chief Executive's Review (page 2).<br>- Non-financial and sustainability information statement (page 9).<br>- Direct footprint reporting in line with SECR requirements (page 8). | - Overview of Net Zero targets set over the short- and long-term (page 11).<br>- Overview of approach to key metrics against each pillar of climate strategy (page 12). |

***Colleagues***

- The Benefact Group's Code of Conduct policy is centred on 'Doing the right thing' and sets the standards of conduct and behaviour expected from employees.
- The Board aims to ensure it is comprised of persons who are fit and proper to direct the business. The Board's diversity policy sets out the approach to diversity in the leadership population.
- Other information on our commitments to supporting diversity and development is included in the Responsible Business section on page 7. Also included within the Corporate Governance report on page 26 is information about the composition and diversity of the Board.

***Social matters***

- The Benefact Group was founded with a charitable purpose and this remains what motivates us today. We believe business has a social responsibility and should give more to support charities and communities. The Group does not make political donations.
- The Group's tax strategy supports our group strategy and the ethical way we do business. We are committed to managing all aspects of tax transparently and in accordance with current legislation. We work to achieve the spirit of legislation and not just the letter of the law in each tax jurisdiction. Our tax strategy is available on www.ecclesiastical.com

***Human rights, anti-bribery and anti-corruption***

- The Benefact Group Board is committed to operating with honesty and integrity in all of our business activities and promoting an anti-bribery and corruption culture across the Group.
- The Benefact Group has established and upholds good practices regarding human rights, anti-corruption and anti-bribery through a range of measures including robust risk management, employee Code of Conduct and employee training on topics such as data protection and vulnerable customers.
- The Benefact Group complies with relevant legislation concerning supply chain – the Modern Slavery Act 2015 and the Payment Practices and Performance regulations – to drive good practice and transparency.

**Section 172 Statement**

The directors confirm that during 2024 and to the date of this Report, they have acted to promote the success of the Company for the benefit of its members as a whole and considered the matters as set out in section 172(1)(a) to (f) of the Companies Act 2006. This section describes how the directors have had regard to those matters when performing their duties.

***Our approach to the long term success of the Company***

The directors recognise that the long-term success of the Company, and therefore our ability to continue to help people, charities and good causes is dependent on having regard to the interests of its stakeholders at its heart. In order to achieve our strategic ambitions, the Board understands how important it is to listen and respond to the needs of our stakeholders.

As a global financial services group driven by the ambition of transforming lives and communities, we are continually striving to do the right thing at all times. However, there are occasions where the needs of different stakeholder groups may not always be aligned. On these occasions, the Board attempts to balance the conflicting interests and impacts on our stakeholders in their decision-making.

***Our stakeholders***

| | |
|---|---|
| ***Customers***<br>*The Board considers that customers should be at the heart of everything we do, putting their needs first, treating them fairly and ethically and ensuring any actions or decisions demonstrate our passion for customers and make us first choice for customers both today and in the future.*<br><br>*What matters to them?*<br>- Customer experience<br>- Fair pricing<br>- Specialist expertise and guidance<br>- Products which represent fair value and are clear and easy to understand | ***Colleagues***<br>*The Board recognises that colleagues are the Company's greatest asset given their specialist skills and knowledge and propensity to go above and beyond.*<br><br>*What matters to them?*<br>- Culture and purpose<br>- Fair pay and reward<br>- Flexible working practices<br>- Making a positive impact on society<br>- Health and wellbeing<br>- A diverse, equitable and inclusive workplace<br>- Training, development and progression<br>- Being part of an ambitious, commercial and successful business |
| ***Communities***<br>*The Board is committed to doing business differently and building a movement for good across society, transforming lives and communities.*<br><br>*What matters to them?*<br>- Charitable giving<br>- Health and safety<br>- Employment, economic and societal contribution<br>- Environmental impact of operations | ***Shareholder and investors***<br>*The Board understands the need to maintain a close and open relationship with shareholders and investors characterised by transparency and mutual understanding.*<br><br>*What matters to them?*<br>- Financial performance and returns<br>- Strategy and business model<br>- Environmental, social and governance (ESG) performance<br>- Reputation<br>- Strong leadership |
| ***Suppliers (including brokers)***<br>*The Board recognises the importance of the role that suppliers play in ensuring a reliable service is delivered to customers and the need to have a strong working relationship.*<br><br>*What matters to them?*<br>- Collaborative approach<br>- Open terms of business<br>- Fair payment terms<br>- Responsible supply chain<br>- Communication | ***Regulators***<br>*The Board recognises the importance of open and honest dialogue with regulators (including those in the UK, Australia, Canada and the Republic of Ireland) and is committed to complying with applicable legislation and regulation in order to maintain standards of business conduct.*<br><br>*What matters to them?*<br>- Outcomes for customers<br>- Operational and financial resilience<br>- Openness and transparency<br>- Compliance with legislation and regulation |

***Stakeholder Engagement***

*Below is an overview of our approach to stakeholder engagement and outcomes.*

<table>
<tr><th>Key stakeholders</th><th>Methods of engagement and outcomes</th></tr>
<tr><td>Customers</td><td>At Ecclesiastical, we focus upon always providing first class service to our customers. To do so, we understand that anticipating the needs of our customers is fundamental to achieve this.<br><br>Throughout the year, the Board has paid regard to the progression on the Group's digital strategy. At its Away Day in October, the Board received a presentation on Artificial Intelligence (AI), primarily the impacts that AI is having upon the insurance industry and the ways in which the Group's digital strategy will need to evolve to further improve the customer journey and enhance the ways in which customers interact with us in the future.<br><br>Additionally, the Board received updates on customer matters via the Group Chief Executive's Report and business updates. The Board and the Group Remuneration Committee takes account of customer experience through regular reviews of key measures such as Net Promoter scores and customer satisfaction.<br><br>We understand how important it is to be there for our customers when they need us the most. Therefore, Operational Resilience continued to be a key area of focus for the Board throughout 2024 ahead of the regulatory deadline in March 2025.<br><br>The Board continued to oversee Consumer Duty compliance and reviewed and approved the Consumer Duty Annual Attestation to ensure that the Group's business strategy remained consistent with delivering good customer outcomes in accordance with the Consumer Duty.<br><br>The Group also has regular engagement with customers including conducting listening exercises, surveys, holding focus or consultative groups, monitoring customer complaints and satisfaction data. Key outcomes are shared with the Board. Our commitment to customers and clients is demonstrated by the tailored Customer Promises that have been developed for our businesses, the awards that we have won and independent research.</td></tr>
<tr><td>Colleagues</td><td>Members of the management team and subject matter experts are invited to Board and Committee meetings to present on items and input into discussion. During the year, the Group Chief People Officer provided an update on the Group People Strategy. Directors visit subsidiaries, businesses and project teams to gain a good understanding of colleagues' views.<br><br>In order to engage, involve and inform colleagues, a range of methods as set out below are used:<br><br>- Sir Stephen Lamport as the designated non-executive director for employee engagement is briefed on associated survey results and findings are reported to the Board.<br>- A variety of communication channels including intranet, all colleague emails (including weekly news, results, achievements and changes), briefings, conferences and publishing of financial reports and feedback and discussion is adopted (including to make colleagues aware of financial and economic factors affecting the performance of the Company);<br>- Colleague engagement surveys adopting the B-Heard Survey provided by an external partner, Best Companies.<br>- During the year colleagues undertake training to support the accessibility and understanding of our whistleblowing policy, procedure and approach to ensure they feel safe to speak up and challenge when needed;<br>- Direct engagement and consultation through colleague representative forums including the Group's recognised Union (Unite) and Employee Networks such as the DEI working Group, Women's Network and Neurodiversity Network;<br>- 'Town Hall' meetings are hosted virtually by senior management where colleagues can ask questions and provide feedback.<br>- A performance-related bonus scheme is operated, which directly links individual objectives and business performance to encourage employees to participate in the overall financial success of the Company and the Benefact Group; and<br>- A range of training, development and volunteering activities are available to colleagues, including technical courses, mentoring, coaching and community opportunities.</td></tr>
<tr><td>Communities</td><td>We are ultimately owned by a charity with a unique purpose to contribute to the greater good of society. All of our available profits are donated to good causes and as part of the Benefact Group we are the third largest UK corporate donor over a decade.<br><br>During the year, the Board has received regular updates on our charitable giving and areas of focus. In addition, directors have also had the opportunity to visit beneficiaries to see first-hand their work which has enabled a better understanding of needs. The Board approved a donation of £25m to Benefact Trust Limited (BTL) to support its funding of charities in respect of the Group's 2024 performance, as well as an £8m donation is respect of 2023 performance.</td></tr>
</table>

| *Key stakeholders* | *Methods of engagement and outcomes* |
|---|---|
| ***Shareholder and investors*** | Benefact Group plc owns the entire issued Ordinary share capital of Ecclesiastical Insurance Office plc. Benefact Group plc in turn is wholly owned by Benefact Trust Limited with whom the Board has an open and constructive relationship.<br><br>Protocols for the exchange of information between Benefact Trust Limited and Benefact Group plc and its subsidiaries (including Ecclesiastical Insurance Office plc) are in place and cover performance, operations and financial position. There is at least one 'Common Director' (a director who is a member of the Boards of Benefact Trust Limited, and Ecclesiastical Insurance Office plc) who is expected to attend every Board meeting.<br><br>The common directors present a summary of highlights from Benefact Trust Limited Board meetings to the directors. There is also engagement between respective Board and Committee Chairs and the Group Chief Executive Officer. Regular dialogue takes place on Benefact Trust Limited's expectations of the Group, strategy for the development of the business and grants from the Group. This ensures the views of Benefact Trust Limited are communicated to the Board as a whole. In turn, the Common directors are able to support the Directors of Benefact Trust Limited to understand the performance and strategic issues faced by the Company.<br><br>A conflict of interest policy which sets out how actual and perceived conflicts of interest between the two companies are managed is in place. |
| ***Suppliers (including brokers)*** | Ecclesiastical operates in conjunction with a range of suppliers, who are essential to the high standard of service we provide to our customers. We understand the importance of maintaining solid relationships with our suppliers.<br><br>Directors do not usually directly interact with our suppliers; this responsibility is delegated to management who are responsible for the day to day management of supplier relationships within the remit of the Supplier Relationship Management Framework. The Board, via reporting from the Risk Committee (previously Group Risk Committee) are kept up to date on the development of any actual or potential supplier risks.<br><br>During the year, the Board (via the Group Risk Committee) received an update on outsourcing and the Supplier Relationship Management Framework. They also received reports and updates from management allowing them to oversee associated relationships and to keep up to date on developments.<br><br>Awareness refresher sessions were also provided to colleagues managing suppliers' relationships on their responsibilities under the Outsourcing Policy including consideration of associated regulatory requirements throughout the year. |
| ***Regulators*** | As an insurance group, we are subject to the financial services approvals and regulations. We maintain an open and constructive relationship with the regulators. Members of Senior Management and Directors meet with our UK Regulators throughout the year, as appropriate.<br><br>Regulators engaged with us to discuss their objectives and priorities. The Board actively engaged with the Regulators in relation to the separation of the Board and that of Benefact Group plc. Constructive feedback was also sought in relation to the refreshed governance framework, which was a key area of focus for the Board this year.<br><br>The Board (via its Committees) continues to receive regular reports detailing the Group's regulatory interactions. Regular reports are also received on the evolving legal and regulatory landscape incorporating a detailed impact and progress assessment. |

***Consideration of environmental and climate change matters.***

As part of the Benefact Group, we are committed to playing our part in making our planet a better place for future generations. Therefore, we have developed a roadmap to become a Net Zero company by 2040. The Board received an update on the Group's climate positioning during the year. The presentation included input from internal subject matter experts and insights from the Benefact Leadership Development Programme.

***Stakeholder engagement in decision making***

The Board adopts a range of approaches to engage with stakeholders and recognises that the importance of a stakeholder group may differ depending on the matter being considered. Given the nature of the business, the Board sometimes engages directly with stakeholders and also understands that it may be more appropriate for engagement to be undertaken at an operational level.

The Board considers a variety of information to understand the impact of the Company's operations and the interests and views of key stakeholders. A one-year rolling plan of business for discussion is agreed annually to ensure that the Board is focused on the right issues at the right time and sufficient time is allowed for appropriate consideration and debate. Information is provided to directors in papers in advance of each meeting. Colleagues from the business are invited to attend meetings to provide insight into key matters and developments. At each Board meeting, the directors discuss strategic and business matters, financial, operational and governance issues and other relevant issues that arise. In addition, the Chair of each Committee provides a verbal report to the Board on proceedings of those meetings including areas of discussion and any recommendations. Because of this, the Board has an appreciation of engagement with stakeholders and other relevant matters, which enables the directors to comply with their legal duties. Below is an example of a decision made by the Board:

***Refreshed approach to governance***

Ecclesiastical is proudly part of the part of the Benefact Group, a financial services group with a charitable owner, Benefact Trust Limited. In 2023, the Benefact Group plc Board restructured its business repositioning itself as a holding company, overseeing the three distinct businesses which it owns being Insurance (Ecclesiastical), Asset Management (EdenTree) and Broking and Advisory (Benefact Broking & Advisory). In 2024 and, as a consequence of this the Board focused on increasing independence between the Boards of Benefact Group plc and Ecclesiastical. The intention was to move away from the common directorship model. This was agreed in Q1 2024, following which a working group was established comprising the Group Company Secretary and a number of Non-Executive Directors from both Benefact Group plc and Ecclesiastical (the Working Group). The objective of the Working Group was to progress development of a refreshed governance framework, that would reflect the new approach.

A consequence of the decision to separate the boards was the need to refresh the composition of the Ecclesiastical Board of Directors, to ensure independence from that of its parent board. For a more detailed overview of the appointment process please see the Nominations Committee Report.

As detailed within the Corporate Governance Report, it was agreed that Ecclesiastical should have an independent Audit Committee and a separate Risk Committee which had historically been joint committees with Benefact Group plc. These were established during the year and the existing Group Audit Committee, Group Risk Committee and Group Finance & Investment Committees (which were joint with Benefact Group plc) were all disbanded and their duties allocated between the Board and its new Committees.

The revised Governance Framework, including the Audit Committee and Risk Committee's Terms of Reference were approved by the Board in September 2024. Additionally, the composition of the Audit Committee and Risk Committee respectively were also agreed.

During its decision-making process throughout the year, the Board had regular contact with the Regulator and incorporated any feedback received as necessary. Additionally, the Board held open dialogue with the Benefact Trust Limited to ensure that the revised Governance Framework reflected its strategic ambitions for the Group. As an insurance company that is committed to helping to transform lives, the Board are confident that this refreshed approach is in the best interest of Ecclesiastical and has positioned the Group to continue building our movement for good, for the benefit of our customers and communities.

**Group Chief Financial Officer review**

I am pleased to present my first financial review since becoming Group Chief Financial Officer and am delighted to be able to outline an outstanding set of results. The Group is reporting a profit before tax of £82.5m (2023: £44.8m) which represents a stronger performance than expected and continued progress in the delivery of the Group's strategy. Critically, these results support our ambition to give more to good causes and we've now surpassed our target of giving £250m since 2014.

Overall profit was driven by both a strong net investment result of £71.9m (2023: £57.5m) and excellent trading performance with an insurance service result of £83.5m (2023: £70.7m). Gross written premium[1] increased by 4.1% to £640.3m (2023: £615.0m) as a result of new business and rate improvements. The Group recognised a net insurance financial loss of £6.9m (2023: £19.5m) due to the impact of discount rate unwinding, partly offset by gains as a result of increased discount rates.

The Group's strong credit ratings with both Moody's (A2 with stable outlook) and AM Best (A with stable outlook) were reaffirmed during the year and our Solvency II regulatory capital position remains well above both regulatory requirements and our risk appetite.

***General Insurance***

Overall, the Group's underwriting businesses achieved particularly strong results in the year. We have continued to deliver growth in insurance revenue, building on the strength of our position in core segments and recent product launches in the UK. The increase in gross written premium[1] of 4.1% to £640.6m (2023: £615.0m) reflected excellent new business wins and rate strengthening. Underwriting experience has benefited from particularly benign weather claims and a more stable claims environment, resulting in an insurance service result of £72.7m (2023: £56.2m) and a Group Combined Operating Ratio (COR)[1] of 86.9% (2023: 92.6%).

Our ongoing investment program, with a strong emphasis on advancing our technology platforms and supporting our colleagues, remains a key focus. These technological investments are crucial for driving our business growth and meeting our customers' long-term needs.

***United Kingdom and Ireland***

In the United Kingdom and Ireland, underwriting profits[1] rose to £53.6m (2023: £16.4m), driven by an unusually benign year for weather claims, large losses and higher associated profit commission. Gross written premium[1] grew by 9.3% (2023: 15.9%) to £436.9m (2023: £399.7m) driven by record new business wins and excellent retention levels, reinforcing the strength of our proposition.

Many of our core segments experienced double digit growth, with Art & Private Client and Schemes being particularly strong growth areas in 2024. In addition to the new Leisure product launch in 2023, which continues to be a success, 2024 saw a further launch of the Office Professions product.

Our strategy over the medium term is to continue to grow, while maintaining our strong underwriting discipline to increase the profit contribution to the Group. Our specialisms will continue to deepen through investment in people, technology and innovation together with the propositions, specialism and excellent service that our customers and broker partners value.

***Australia***

Our Australian business reported an underwriting loss[1] of AUD $6.3m (2023: AUD $9.6m loss). Gross written premium[1] fell by 3.9% in local currency to AUD $184.7m (2023: AUD $192.2m) primarily driven by robust portfolio management, with lapses to exit poor-performing accounts, lower retention in SME and mid-market portfolios and $2.7m of debt write-off. New business wins have been encouraging and aligned to core growth areas, with a positive outlook supported by significant investment in people during the course of 2024.

The underwriting loss[1] for the year has been impacted by several factors, including an adverse development in prior year liability claims and higher than expected historical physical and sexual abuse (PSA) claims. Current year performance has been encouraging, supported by favourable catastrophe experience and underwriting action over recent years. This has been partly offset by increased expenses, and a higher level of large losses in 2024.

***Canada***

Canada reported an underwriting profit[1] of CAD$23.9m (2023: CAD$25.0m). This slight reduction in profit was due to the impact of several significant events, such as the Jasper Wildfire in July and the 'Western Deep Freeze' weather event in January. Additionally, historic PSA reserves have been strengthened due to higher-than-expected development in prior-year claims. However, the strength of the result compared to the industry highlighted the resilience of the portfolio and quality of underwriting action taken in recent years, despite these large losses.

The size of our Canadian business has remained relatively consistent with the prior year, reporting gross written premium[1] of CAD$177.6m (2023: CAD$179.4m). This performance was driven by an enhanced distribution strategy, a strong focus on strategic accounts, and effective broker engagement. This was accomplished despite increased competition, softening market conditions, and active non-renewal of certain accounts.

***Investments***
The Group's net investment result for the year was £71.9m (2023: £57.5m), as markets were generally more positive compared to 2023. The Group remains committed to its long-term investment philosophy, with a well-diversified and appropriately matched portfolio.

Investment income of £50.1m (2023: £42.9m) remained strong while fair value gains on financial instruments of £21.4m (2023: £19.6m) benefited from gains on an unlisted equity instrument and fair value gains on listed equities, partly offset by fair value losses on government bonds as interest rates increased.

The Group's investment approach is a key part of our climate strategy, and you can find out more in our Responsible Business report.

***Long-term business***
Our life business, Ecclesiastical Life Limited, provides a product backing policies sold by the wider Group's pre-paid funeral plan business as well as a legacy book of life insurance business, which remains closed to new business. Profit before tax was £1.4m for the year (2023: £1.2m), driven by lower claims and higher long term yields. Assets and liabilities in relation to the life insurance business remain well matched.

***Outlook***
Given ongoing geopolitical tensions and global uncertainty, market volatility is expected to continue. However, moderate growth and reducing inflation seem likely to improve market conditions over time, with a steady decline in interest rates also expected. In this context, the Group is committed to sustainable growth, supported by the inherent resilience of our businesses and well-established strategies in place. Our commitment to a resilient and long-term strategy underscores our dedication to delivering consistent value to our customers, even amidst market uncertainties.

***Balance sheet and capital position***
In the year, total shareholders' equity decreased by £1.9m to £627.0m. Underwriting profits[1] and investment returns were offset in part by £33.0m of charitable donations paid to the Company's ultimate shareholder, Benefact Trust Limited, of which £8.0m was in relation to 2023 performance. The Benefact Group has now achieved its ambition of giving £250m, which is a remarkable milestone in the Group's charitable objectives.

Our capital position remains robust with Solvency II capital ratio cover for Ecclesiastical solo decreasing slightly to 252% from 254%.

Mark Bennett
Group Chief Financial Officer

[1] The Group uses Alternative Performance Measures (APMs) to help explain performance. More information on APMs is included in note 37.

**Key performance indicators**

The Group considers its key performance indicators to be profit or loss before tax, regulatory capital, gross written premiums, and combined operating ratio. In addition to information included within this Strategic Report, details about the Group's regulatory capital, gross written premiums, and combined operating ratio can be found in notes 4 and 37 to the financial statements. The Group no longer considers net earned premiums to be a key performance indicator.

**Strategic Report**

Approved and authorised for issue by the Board of Directors and signed on its behalf by

Mark Hews
*Group Chief Executive*
20 March 2025

**Board of Directors**

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

**David Henderson**
***Chair***
David Henderson was appointed to the Board in April 2016. David began his career specialising in personal tax and UK trusts. He spent ten years as a banker with Morgan Grenfell and, following that, 11 years in financial services executive recruitment with Russell Reynolds Associates. He joined the Board of Kleinwort Benson Group plc as Personnel Director in 1995. He was appointed Chief Executive of Kleinwort Benson Private Bank Ltd (now Kleinwort Benson) in June 1997. He was Chairman of Kleinwort Benson from 2004 to 2008 and a Senior Adviser to the Bank until 2019. He holds several external Non-Executive Directorships.

**Mark Hews**
***Group Chief Executive***
Mark Hews was appointed Group Chief Executive in May 2013 and was previously Group Chief Financial Officer. He was appointed to the Board in June 2009 and appointed to the Board of MAPFRE RE in December 2013. He also became a Trustee of The Windsor Leadership Trust in November 2017. He was formerly a Director of HSBC Life and Chief Executive of M&S Life. Prior to this he was Finance Director at Norwich Union Healthcare. He started his financial career at Deloitte (formerly Bacon and Woodrow) as a consultant and actuary.

**Mark Bennett**
***Group Chief Financial Officer***
Mark Bennett was appointed Group Chief Financial Officer in January 2025, having progressed his career within the organisation since 2007. He is a member of the Group Management Board, reporting directly to the Group CEO, and is a member of the Ansvar Australia Board. After working at an actuarial consultancy firm in London, Mark began his career at Benefact Group and qualified as an Actuary in 2009. Mark was appointed Group Chief Actuary in 2018 and became Acting CFO in July 2024, before taking on the role permanently in January 2025.

**S. Jacinta Whyte**
***Deputy Group Chief Executive***
Jacinta Whyte was appointed Deputy Group Chief Executive and joined the Board in July 2013 with responsibility for the Group's General Insurance business globally. She was also appointed to the Ansvar Australia Board during 2013. Jacinta joined Ecclesiastical in 2003 as the General Manager and Chief Agent of the Group's Canadian business, a role that she continues to hold. Having commenced her career as an underwriter for RSA in Dublin in 1974, she moved with them to Canada in 1988, holding a number of senior executive positions in both Ireland and Canada.

**Francois- Xavier Boisseau**
***Senior Independent Non-Executive Director***
Francois-Xavier Boisseau was appointed to the Board in March 2019. In addition Francois-Xavier is a Non-Executive Director of the Company's ultimate parent Benefact Trust Limited. He is the Chair of IQUW Syndicate Managing Agency Ltd.

Francois-Xavier has more than 30 years' experience working in the insurance industry, 25 years in the UK. He was CEO of Insurance Ageas (UK) until December 2018. Prior to that Francois-Xavier was CEO of Groupama and CEO of GUK Broking Services as well as being Non-Executive Chairman of Lark, Bollington and Carole Nash.

**James Coyle**
***Independent Non-Executive Director***
James was appointed to the Board in May 2024. He is also a Non- Executive Director and Chair of the Risk Committee at HSBC Bank (Singapore) Limited and Chair of HSBC Global Services Limited. He is also Senior Independent Director and Chair of the Audit and Risk Committee at Pollen Street Capital and Deputy Chair of the Oversight Board and member of the Audit Governance Board of Deloitte LLP.

He was previously Chair of the Audit Committee, member of the Risk Committee and member of the Chair's Nomination and Remuneration Committee at HSBC UK Bank plc, Chair of HSBC Trust Company (UK) Ltd, Chair of Marks & Spencer Unit Trust Management Limited. Also Chair of the Board of Worldfirst UK Limited, Chair of the Audit and Risk Committee of Scottish Water and member of Committees of the Financial Reporting Council.

After 25 years in Financial Services, James retired as Deputy Group Finance Director at Lloyds Banking Group in May 2015 and, prior to that, he was Group Chief Accountant at the Bank of Scotland. Before joining Lloyds, James held senior Finance positions at BP for 10 years.

# Governance

**Sir Stephen Lamport**

***Independent Non-Executive Director***

Sir Stephen was appointed to the Board in March 2020. He is A Deputy Lieutenant of Surrey and a Senior Adviser at Sanctuary Counsel. He was a Director of Benefact Trust Limited until 5 March 2024 and is Vice-President of the Community Foundation for Surrey; Painshill Park Trust Chair; and is the Deputy High Bailiff of Westminster Abbey. He co-authored with Douglas Hurd a political novel, 'The Palace of Enchantments'.

He has now retired as a Court member of the St Katharine's Foundation. Sir Stephen was the Receiver General of Westminster Abbey from 2008 to 2018, and previously a Group Director of the Royal Bank of Scotland for five years. He was Deputy Private Secretary to The Prince of Wales from 1993, and Private Secretary and Treasurer from 1996 to 2002. From 1994 to 2002 he was a member of HM Diplomatic Service, with overseas postings in New York, Tehran and Rome.

He was appointed KCVO in 2002, and GCVO in 2018.

**The Venerable Karen Best**

***Independent Non-Executive Director***

The Venerable Karen Best was appointed to the Board in August 2024, having been a member of the Benefact Trust Limited Board prior to this. Karen is Archdeacon of Manchester. Having been ordained in 1994, Karen carried out her curacy in the Diocese of London where she served as a Prison Chaplain before becoming an Associate Vicar in 2000. She then went on to serve in Rochester, Chelmsford, and Bolton, before taking on the role of Archdeacon of Manchester in 2017.

**Maria Darby-Walker**

***Independent Non-Executive Director***

Maria Darby-Walker was appointed to the Board in July 2024 and is passionate about working for organisations with a focus on corporate purpose, good culture, and sustainability. An expert in stakeholder engagement - whether with investors, employees, customers, media, or regulators - her executive career was in marketing, corporate reputation and investor relations covering financial services, banking, and other sectors.

Maria is currently Senior NED and Chair of the Remuneration Committee of Personal Group Holdings plc, an insurance and technology enabled employee benefits provider in the UK. She is also Senior Independent Director and Chair of the Remuneration Committee at SME Challenger Bank Redwood Bank Ltd.

**Angus Winther**

***Independent Non-Executive Director***

Angus Winther was appointed to the Board in March 2019. Angus co-founded Lexicon Partners, a London-based investment banking advisory firm, where he specialised in advising clients in the insurance and financial services sectors. He was closely involved in Lexicon Partners' leadership until it was acquired by Evercore in 2011 and served as a Senior Adviser at Evercore until October 2016. He is currently Chair of Apollo Syndicate Management Limited, a Lloyd's managing agent and was previously a Non-Executive Director of Hiscox Syndicates Limited and Trinity Exploration & Production plc. Angus is also Churchwarden of Holy Trinity Brompton, Vice Chair of the Church Revitalisation Trust and a trustee of St Mellitus College Trust, St Paul's Theological Centre, and the Church Renewal Trust.

Denise Cockrem retired from the Board on 30 June 2024. Additionally, Rita Bajaj and Chris Moulder retired from the Board on 24 September 2024. Neil Maidment stepped down from the Board on 31 December 2024.


**David Henderson**


**Mark Hews**


**Mark Bennett**


**S. Jacinta Whyte**


**Francois-Xavier Boisseau**


**James Coyle**


**Sir Stephen Lamport**


**The Venerable Karen Best**


**Maria Darby-Walker**


**Angus Winther**

**Directors' Report**

The directors present their report and the audited consolidated financial statements for the year ending 31 December 2024.

***Information incorporated by reference***

The Directors' Report required under Companies Act 2006 comprises this report and other disclosures contained in the Strategic Report, Governance section and Notes to the consolidated financial statements is incorporated by reference and includes the following information:

| *Information* | *Reported in* | *Page(s)* |
|---|---|---|
| Business model | Strategic Report | Page 7 |
| Corporate Governance Statement | Corporate Governance Report | Page 26 |
| Financial instruments | Note 4<br>Financial instruments accounting policy | Page 72<br>Page 62 |
| Important events since 31 December 2024 | Strategic Report | Page 24 |
| Future developments | Strategic Report | Page 3 |
| Research and development | Strategic Report | Page 3 |
| Employee engagement and involvement | Strategic Report | Page 15 |
| Stakeholder engagement | Strategic Report | Page 15 |
| Greenhouse gas emissions and energy consumption | Strategic Report | Page 8 |
| Going Concern and Viability Statement | Directors' Report | Page 23 |
| Diversity and inclusion | Strategic Report | Page 9 |
| The Section 172 Statement | Strategic Report | Page 14 |
| Principal risks and uncertainties | Strategic Report<br>Note 3 | Page 4<br>Page 69 |

***Company status and branches***

Ecclesiastical Insurance Office plc is incorporated and domiciled in England and Wales (registration number 00024869). The registered office of the Company is Benefact House, 2000 Pioneer Avenue, Gloucester Business Park, Brockworth, Gloucester, GL3 4AW, United Kingdom. The Company has branches in Canada and Ireland.

***Principal activities***

The Company operates principally as a provider of general insurance. Details of the subsidiary undertakings of the Company are shown in note 35 to the financial statements.

***Ownership and share capital***

At the date of this report, the entire issued Ordinary share capital of the Company was owned by Benefact Group plc. In addition, 4.35% of the issued 8.625% non-cumulative irredeemable preference shares of £1 each ('Preference shares') are owned by Benefact Group plc. In turn, the entire issued ordinary share capital of Benefact Group plc was owned by Benefact Trust Limited, the ultimate parent of the Group.

***Directors and their interests***

The directors of the Company who served during the year and up to the date of this report were David Henderson, Mark Hews, Mark Bennett (appointed 1 January 2025), Jacinta Whyte, Francois Xavier-Boisseau, James Coyle (appointed 21 May 2024), Sir Stephen Lamport, Karen Best (appointed 19 August 2024), Maria Darby-Walker (appointed 31 July 2024) and Angus Winther. Denise Cockrem, Rita Bajaj, Chris Moulder, and Neil Maidment stepped down from the Board during the year. Biographies of those directors who are currently serving on the Board are set out on page 20.

As set out in the Notice of Meeting, all current directors who have served since the last AGM will be proposed for re-election. Mark Bennett, James Coyle, Karen Best and Maria Darby-Walker will also be proposed for election, following the recommendation of the Nominations Committee. All directors seeking re-election were subject to a formal and rigorous performance evaluation, further details of which can be found in the Group Nominations Committee Report. Details of directors' service contracts are set out in the Directors' Remuneration Report of Benefact Group plc.

Neither the directors nor their connected persons held any beneficial interest in any ordinary shares of the Company during the year ended 31 December 2024 and to the date of this report.

The interests of the directors and their connected persons in the preference shares in the capital of the Company as at 31 December 2024 and to the date of this report are shown below:

| *Director* | *Nature of interest* | *Number of Non-Cumulative Irredeemable Preference Shares held* |
|---|---|---|
| Mark Hews | Connected person | 75,342 |

The Board has a documented process in place in respect of conflicts.

No contract of significance existed during or at the end of the financial year in which a director was or is materially interested.

***Indemnities and insurance***

In accordance with the Company's Articles and qualifying third party indemnity provisions (as defined by Section 234 of the Companies Act 2006) the Company indemnifies each of its directors and directors of any associated company against certain liabilities that may be incurred because of their positions were in force during the course of the financial year ended 31 December 2024 for the benefit of the directors of the Company and that of any associated company. In addition, the Company maintains directors' and officers' liability insurance. Neither our indemnity nor the insurance provides cover in the event that a director is proven to have acted dishonestly or fraudulently.

***Employees***

The Group is dedicated to nurturing a culture and work environment where all colleagues can reach their potential. Our Diversity, Equity and Inclusion Standard and Guidance sets our commitment to creating and sustaining an open and inclusive workplace where we all belong, and we place the care and wellbeing of all our colleagues at the heart of our employment policies. Throughout the colleague lifecycle, from recruitment onwards, we consider adjustments to our processes and practices to remove barriers for colleagues with disabilities.

We engage with third-party and occupational health specialists to provide expert advice and ensure we offer the best support possible. Our adjusted work approach creates an environment where colleagues with additional needs can fully participate in all opportunities provided by the Group, including continued employment, training, job moves, and promotions. We offer various support options to help colleagues maintain a healthy work-life balance, including flexible working practices, a virtual GP service, an employee assistance program, flu vaccinations, eye tests, and a wide range of flexible benefits such as dental care and critical illness insurance and inclusive colleague networks.

Information on employee engagement and well-being is provided in the responsible business section.

***Dividends***

Dividends paid on the preference shares were £9,181,000 (2023: £9,181,000). The Directors do not recommend a final dividend on the Ordinary shares (2023: £nil).

An interim dividend of £30m on the Ordinary Shares of 4p each was paid to Benefact Group plc. In 2023, the Company approved a dividend in specie of £5.2m, as detailed in note 15 to the financial statements.

***Going concern***

The financial performance and principal risks and uncertainties section of the Strategic Report starting on page 2 provide a review of the Group's business activities and disclose the Group's principal risks and uncertainties, including exposures to insurance, financial, operational and strategic risk.

The Group has considerable financial resources: financial investments of £982.0m, 78% of which are liquid (2023: financial investments of £941.8m, 82% liquid) and cash and cash equivalents of £105.8m (2023: £112.1m) to withstand economic pressures. Liquid financial investments consist of listed equities and open-ended investment companies, government bonds and listed debt.

The Group has a strong risk management framework and solvency position, is well placed to withstand significant market disruption and has proved resilient to stress testing. The Group has considered its capital position, liquidity and expected performance. The Group and its businesses have sufficient levels of cash and other liquid resources and has expectations it can meet its cash commitments over its planning horizon. The Group and its businesses expect to continue to meet regulatory requirements.

Despite economic pressures and challenges, given the Group's operations, robust capital strength, liquidity and in conjunction with forecast projections and stress testing, the directors have a reasonable expectation that the Group has adequate resources and is well placed to manage its risks successfully and continue in operational existence for at least 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

**Longer-term viability statement**

The directors have assessed the prospects of the Group in accordance with Provision 31 of the 2018 UK Corporate Governance Code. Although the prospects and business plans of the Group are considered over a longer period, the assessment by the directors covers three years. In making its assessment the directors considered:

- The Group's current position and prospects, risk appetite, and the potential impact of the principal risks and how these are managed;
- The Group's long-term business plans and strategy, and the costs associated with its delivery;
- The Group's current and projected capital, liquidity and solvency positions;
- The political, economic and regulatory environment, including uncertainties on the geopolitical outlook.

While the directors have no reason to believe the Group will not be viable over a longer period, a three-year outlook period has been selected. In determining this assessment period, consideration has been given to the nature of the Group and its businesses, its stage of development, strategy and business model. Given the rate of change in the markets in which the Group operates, three years provides an appropriate balance between the period of outlook and degree of clarity over specific, foreseeable risk events that could impact on the viability of the Group. The directors will continue to monitor and consider the suitability of this period.

The Group uses various stress scenarios with reference to the principal risks, which are documented on pages 4 to 7. Scenarios are designed to be severe, but plausible, and assess the impact of certain events on the Group's profitability and capital strength. Reverse stress testing is also used to assess what could make the Group's business model unviable. The outcome of testing was discussed by the Board during the year and consideration was given to the current environment on the Group's viability.

Among the considerations and scenarios were further investment market volatility, claims experience and business deterioration.

The solvency position of the Group has been projected as part of the Own Risk and Solvency Assessment (ORSA), which is a private, internal, forward-looking assessment of own risk, required as part of the Solvency II regime. The forward looking emphasis of the ORSA ensures that business strategy and plans are formulated with full recognition of the risk profile and future capital needs.

Analysis confirms that the Group has sufficient capital resources to cover its capital requirements and is operationally resilient.

The directors have also considered the Group's ability to service its preference shares, subordinated liabilities and the expectations of its ultimate charitable owner, Benefact Trust Limited. The Group has fixed annual dividend payments in respect of its non-cumulative irredeemable preference shares and payments in respect of its subordinated liabilities. The Group makes regular grants to its ultimate charitable owner, Benefact Trust Limited. There is a regular cycle of discussion with Benefact Trust Limited to determine the appropriate level of grants, in which the Group's capital position and future business needs are taken into account.

***Confirmation of viability***

Based on the Group's strong capital position, the strong risk management framework in place and the Group's resilience to the variety of adverse circumstances as demonstrated in the results of the stress testing and potential mitigating actions, the directors confirm that they have a reasonable expectation that the Group will continue in operation and be able to meet its liabilities over the three year period of the viability assessment.

***Political donations***

No political donations were made in the year (2023: £nil). The Group policy is that no political donations may be made or expenditure incurred.

***Important events since 31 December 2024***

There have been no significant events or transactions since 31 December 2024.

***External auditor***

During the year, prior to its disbandment, the Group Audit Committee reviewed the effectiveness of the External Auditor.

In accordance with Section 489 of the Companies Act 2006, a resolution proposing that PricewaterhouseCoopers LLP be re-appointed as External Auditor will be presented to the forthcoming AGM for consideration.

***Disclosure of information to the auditor***

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information that the auditor is unaware, that could be needed by the auditor in order to prepare their report.

Having made enquiries of fellow directors and the Group's auditor, each director has taken all the steps that they ought to have taken as a director, in order to make themselves aware of any relevant audit information, and to establish that the auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

***Annual General Meeting***
A copy of the Notice for the 2025 AGM is available on Ecclesiastical's website.

***Directors' responsibilities statement***
The directors are responsible for preparing the 2024 Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK-Adopted International Accounting Standards (UKIAS). Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UKIAS have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

***Directors' confirmations***
The directors consider that the 2024 Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Company's position and performance, business model and strategy. Each of the directors, whose names and functions are listed on pages 20 and 21 confirm that, to the best of their knowledge:

- the Group and Company financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities and financial position of the Group and Company, and of the profit of the Group; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

Approved and authorised for issue by the Board of Directors and signed on its behalf by

| | |
|---|---|
| David Henderson | Mark Hews |
| *Chair* | *Group Chief Executive* |
| 20 March 2025 | 20 March 2025 |

# Governance

**Corporate Governance**

***Introduction from the Chair***

*Dear Stakeholder*

I am delighted to introduce the Corporate Governance Report. I firmly believe that good corporate governance is essential in assisting us to deliver our ambitions and to continue supporting our stakeholders.

Ecclesiastical is proudly part of the part of the Benefact Group, a financial services group owned by a charity, Benefact Trust Limited. In 2023, the Benefact Group plc Board restructured its business repositioning itself as a holding company, overseeing the three distinct businesses which it owns being Insurance (Ecclesiastical), Asset Management (EdenTree) and Broking and Advisory (Benefact Broking & Advisory).

In 2024 and, as a consequence of the restructure, the Ecclesiastical Board focused on making the Boards of Benefact Group plc and Ecclesiastical more independent and have moved away from a common directorship model. The Board refresh has enabled the Ecclesiastical Board to comprise a majority of independent Non-Executive directors, overseeing an Insurance Group of companies and the Benefact Group Board has become smaller and more focused on overseeing its subsidiaries. The refresh of the Benefact Group plc and Ecclesiastical Boards, to reduce commonality of membership, was agreed at the September meeting of the Boards.

In addition, it was agreed that Ecclesiastical should have an independent Audit Committee and a separate Risk Committee which had historically been joint committees with Benefact Group plc. These were established during the year and the existing Group Audit Committee, Group Risk Committee and Group Finance & Investment Committees (which were joint with Benefact Group plc) were all disbanded and their duties allocated between the Board and its new Committees. More detail on the composition of the Board can be found on page 20. Any references to the Audit Committee shall also include the Group Audit Committee. Any references to the Risk Committee shall also include the Group Risk Committee.

The decision has also been taken to maintain the Group Nominations Committee and Group Remuneration Committee, which are joint Committees with the Benefact Group plc board.

We have taken the opportunity to review and strengthen our governance structure to ensure that we have a governance framework in place that empowers and supports the Benefact Group's strategic ambitions. An overview of the refreshed governance structure is detailed further within this report.

***Areas of Board and Committee focus***

2024 was another challenging year given the backdrop of uncertain economic conditions. We looked to demonstrate our resilience and commitment to our stakeholders as detailed below. The Board's main focus during the year has been the review of the Board and the implementation of the new governance structure. More information of the Board's activities and key decisions can be found on page 14.

***Our approach to governance***

As a Board, we are committed to applying the highest standards of corporate governance and believe that the affairs of the Company should be conducted in accordance with best business practice. Consequently, although the Company does not have shares with a main market listing on the London Stock Exchange we have chosen to voluntarily comply with the Principles and Provisions of the 2018 UK Corporate Governance Code (the Code) where possible. A copy of the Code can be found on the FRC's website. I am pleased to report that, we are fully compliant with the principles and provisions of good governance contained in the Code with the following exceptions:

| ***Provision*** | ***Current Status / Explanation*** |
|---|---|
| 4: *When 20 per cent or more of votes have been cast against the board recommendation for a resolution, the company should explain, when announcing voting results, what actions it intends to take to consult shareholders in order to understand the reasons behind the result.* | Given Benefact Group plc owns the entire issued Ordinary share capital of the Company, there is no need to comply with the provisions relating to outcomes from shareholder votes |
| 10. *The board should identify in the annual report each Non-Executive director it considers to be independent. Circumstances which are likely to impair, or could appear to impair, a non-executive director's independence include, but are not limited to, whether a director:*<br>– *holds cross-directorships or has significant links with other directors through involvement in other companies or bodies;*<br>*Where any of these or other relevant circumstances apply, and the board nonetheless considers that the non-executive director is independent, a clear explanation should be provided.* | The Board has considered the circumstances and relationships of all Non-Executive Directors and is satisfied that a majority (75%) of the Non-Executive Directors remained independent in character and judgement. Francois Boisseau is also a Non-Executive Director of the Company's ultimate parent, Benefact Trust Limited, a registered charity, and this common directorship is regarded as good practice with a charity that owns trading subsidiaries. Karen Best and Sir Stephen Lamport were previously Non-Executive Directors of Benefact Trust Limited. |

| | |
|---|---|
| 36: *Remuneration schemes should promote long-term shareholdings by executive directors that support alignment with long-term shareholder interests.* | Given the Company does not have listed equity shares we are unable to comply with the shareholding requirements for Executive Directors. |

***AGM and re-election of directors***

This year our AGM will be taking place on 26 June 2025. A copy of the Notice for the AGM is available on the Company's website.

In accordance with the Code and as set out in the Notice of Meeting, all directors who have served since the last AGM will be proposed for re-election (except for Neil Maidment who stepped down from the Board with effect from 31 December 2024). I can confirm that all directors seeking re-election were subject to a formal and rigorous performance evaluation. Additionally, Mark Bennett, James Coyle, Karen Best and Maria Darby-Walker, all being directors appointed during the year, will seek election at the forthcoming AGM.

David Henderson
Chair
20 March 2025

**Nominations Committee Report**

| *Committee member* | *Member since* | *Meetings attended* |
|---|---|---|
| Chris Moulder | November 2019 | 3/3 |
| David Henderson | January 2018 | 3/3 |
| Angus Winther | May 2021 | 3/3 |

Dear Stakeholder

I am pleased to present the Group Nominations Committee's Report for the year-ending 31 December 2024. This is a joint Committee of EIO and Benefact Group plc. I am a Non-Executive Director and Senior Independent Director of Benefact Group plc and Chair the Group Nominations Committee on behalf of both Boards.

During the year, we focused on making the Boards of EIO and Benefact Group plc more independent following the organisational restructure of the Group into three distinct divisions in 2023. We reviewed the skills, experience and diversity on the EIO Board, its Committees and subsidiaries and led the process for the appointment of three new Non-Executive Directors. In addition, we established an independent Audit Committee and a separate Risk Committee of the Company.

Chris Moulder, Group Nominations Committee's Chair
20 March 2025

***Composition of the Board and Senior Management***
Following the organisational restructure of the Group undertaken in 2023, the Committee reviewed the composition of the Boards of EIO and Benefact Group plc which had historically consisted of a common directorship model. The aim of the review was to establish an EIO Board comprising a majority of independent non-executive directors. The review included consideration of skills, knowledge, experience, length of tenure, independence, and diversity in the context of the Company's long term strategic priorities. In addition, it was agreed that EIO should have an independent Audit Committee and a separate Risk Committee and these were created during the year. As part of this review, three new non-executive directors were appointed to the EIO Board during the year and two directors resigned from the Board. In addition, Denise Cockrem, the Group CFO retired from the Board in June 2024 and was succeeded by Mark Bennett who was appointed on 1 January 2025. Neil Maidment resigned from the Board on 31 December 2024.

The Committee was conscious that improvements were required in relation to the diversity of the Board and its Committees particularly in terms of female representation – this was actively addressed during this review. Two of the new directors recruited were female. In line with the expectations of the FCA, the Committee will continue to make this a consideration when recruiting new directors in the future.

***Board Diversity***
Ecclesiastical recognises the benefits of having a diverse Board and is committed to improving diversity on the Board. It believes that diversity both strengthens the Board and business performance. The Board will take opportunities, as and when appropriate, to further improve diversity in its broadest sense (including ethnicity, skills, regional and industry experience, background, age, gender and other distinctions) as part of its recruitment practice. However, the Board believes the approach to diversity and inclusion should not be a 'tick box exercise' but an opportunity to continue to build a cohesive and robust leadership. Ultimately all appointments should be made on merit with directors able to bring a range of thoughts and opinions to avoid 'Groupthink'.

The Board's Diversity Policy includes objectives which align with the diversity and inclusion targets set out in the Listing Rules.

***Statement on Board Diversity***
The Board has continued to focus on diversity , however we are disappointed that we have been unable to achieve two of the three objectives as set out below:

| *Board Diversity Objective* | *Implementation and progress* |
|---|---|
| At least 40% of the Board are women. | This objective has not been met. The Board have focused on increasing female representation with two new female directors appointed during the year and this continues to be an area of focus. This has been further compounded with the retirement of Denise Cockrem. |

| | |
|---|---|
| At least one of the senior positions on the Board (defined as Chair, Chief Executive, Deputy Chief Executive, Senior Independent Director and Chief Financial Officer) is held by a women. | The Deputy Chief Executive Officer, and the Group Chief Financial Officer (who retired during the year) were women. As Mark Bennett has succeeded Denise Cockrem as Group Chief Financial Officer this objective is no longer met. |
| At least one director is from a minority ethnic background. | One member of the Board is from an ethnic minority background. |

Numerical information, together with detail relating to the approach taken to collate this diversity data in accordance with UKLR 6.6.6 R(9) is set out in the Board Diversity Schedule.

***Directors' Length of Service***
The Committee monitors the length of tenure of all directors as shown in the table on Board diversity.

***Director's Independence and time commitments***
Independence is reviewed as part of each director's annual appraisal, considered by the Committee and agreed by the Board annually. The Committee has considered the circumstances and relationships of all Non-Executive Directors and, following rigorous review, the Committee confirmed to the Board that a majority (75%) of the Non-Executive Directors remained independent in character and judgement. No individual participated in the discussions relating to their own independence. One Non-Executive Director, David Henderson, (and two Executive Directors, Mark Hews and Mark Bennett) remain directors of the Company's immediate parent, Benefact Group plc and are not deemed to be independent.

Francois Boisseau is also a director on the Board of Benefact Trust Limited and the Company ('a common director'). Chris Moulder and Sir Stephen Lamport were also common directors with Benefact Trust Limited until 6 July 2023 and 5 March 2024 respectively when they stepped down from the Board of Benefact Trust Limited. The common directorship model is regarded as good practice with a charity that owns a trading subsidiary and these common directors enable the Trust to gain a thorough understanding of its subsidiary company's performance and the strategic issues it faces, and for the subsidiary to understand the expectations of its parent company. A joint Company and Benefact Trust Limited Nominations Committee Meeting is held annually, amongst other things to consider the appointment of common directors.

The Committee evaluates the time Non-Executive Directors spend on the Company's business annually and is satisfied that, in 2024, the Non-Executive Directors continued to be effective and fulfilled their time commitment as stated in their letters of appointment.

External directorships are considered to be valuable in terms of broadening the experience and knowledge of Executive Directors, provided there is no actual or potential conflict of interest, and the commitment required is not excessive.

All appointments are subject to approval by the Board, and the Conflicts Register maintained by the Group Company Secretary is used to monitor external interests. Any monetary payments received by Executive Directors from outside directorships are paid over to and retained by the Company.

***Succession Planning and Talent Development***
The composition of the Board and Senior Management is informed by plans for orderly, rigorous and a phased approach to succession and to reflect the Company's strategic ambitions, opportunities and challenges faced.

In respect of each leadership role, emergency, short-term and long-term succession plans are considered and challenged by the Committee to ensure that appropriate skills are in place to support the Company's strategy and ensure a diverse pipeline of talent is in place. This is supported by a robust skills analysis which is conducted for all directors annually. During 2024, the assessment demonstrated that all directors had the required skills, expertise and knowledge the Board believes are necessary to drive the Company forward.

In support of the Benefact Group's strategy to build a world class team, the Committee reviewed the talent, succession, and leadership activities across the Company.

***Board Appointments***
The appointment process is set out below:

***Appointment Process***
An Appointments Panel comprising Chris Moulder, David Henderson, and Rachael Hall was formed for the recruitment of a new Non-Executive Director with extensive senior experience in the financial services sector or the civil service. A Position Specification for the role based on objective criteria and having regard to the outcome of the Board skills analysis was developed.
Following a tender process involving three Search Agencies, Sapphire Partners (which had no other connection to the Company) was engaged to support the recruitment process.

Having due regard to the Board's diversity and inclusion ambitions, the skills and competences outlined in the specification, and the Company's ethics, culture and values, Sapphire Partners drew up a list of potential candidates. This long-list was reduced to a short-list by the Appointments Panel and interviews were held. The Board appointed Maria Darby-Walker on 31 July 2024.

***Chair of the Audit Committee***

**The Group Audit Committee, a joint Committee with Benefact Group plc was disbanded during the year.**

Following the creation of a new EIO Audit Committee, a new Non-Executive Director was recruited to chair the Audit Committee. Per Ardua had been previously selected as the Search Agency (which had no other connection to the Company) to assist with the search for an Audit Chair and Jim Coyle was appointed on 21 May 2024.

***Chair of the Risk Committee***

**The Group Risk Committee, a joint Committee with Benefact Group plc was disbanded during the year.**

Francois Boisseau was appointed to Chair the newly formed EIO Risk Committee.

***Senior Independent Director***

Francois Boisseau was appointed as Senior Independent Director succeeding Chris Moulder.

***Group Chief Financial Officer***

Denise Cockrem retired from her role as an Executive Director and Group Chief Financial Officer on 30 June 2024. The search for a new Group Chief Financial Officer resulted in the appointment of Mark Bennett with effect from 1 January 2025. Russell Reynolds assisted the Company with the recruitment.

***Other Changes to the Board***

As a result of the review of the Board, Chris Moulder and Rita Bajaj resigned from the Board on 24 September 2024. They remain on the Board of Benefact Group plc.

The Venerable Karen Best was recruited as a Non-Executive Director of the Board on 21 August 2024. A search agency was not used for the recruitment of this role.

***Induction and Training***

All Directors undertake a formal, comprehensive and tailored induction upon joining the Board. This includes sessions with key SMEs across the Company.

In addition, the annual training schedule of the Board is developed in consultation with the Committee, the Group Management Board (GMB) and key Small and Medium-sized Enterprises (SMEs) around the Company before being approved by the Board. It is dynamic and can change to reflect the needs of the Board. Any Director may request further training to support their individual or collective needs. Throughout the year, the Board received training on Diversity, Inclusion and Unconscious Bias, Cyber Risk, Internal Model, IFRS17, Investment Strategy and Rating Agencies, Climate Change and Sustainability and Sustainability Disclosure Requirements.

The Group Company Secretary maintains annual Continuing Professional Development (CPD) records for all directors, which the Chair reviews as part of their annual appraisal.

***Board Evaluation and Performance***

All Directors receive an annual appraisal from the Chair. The Chair is appraised by the Board, in his absence led by the Senior Independent Director.

As explained in last's year's Committee report Stephenson Executive Search conducted the external Board Evaluation in late 2022 and early 2023. It had no connection to the Group or its directors beyond Tim Stephenson, Stephenson Executive Search's Chair supporting David Henderson in relation to Non-Executive Director assignments. The Board was content that Mr Stephenson provided an independent view on the performance of the Board, its committees and individual directors. Mr Stephenson observed Board and Committee meetings and conducted a series of interviews with each director, the Group Company Secretary, the Group Chief Actuary and the Group Chief Risk and Compliance Officer. The outcome of the evaluation was considered by the Board in March 2023. The main recommendations arising from the Board Evaluation related to the Board Succession planning which has been addressed. The next evaluation is due in 2026.

**Risk Committee Report**

| *EIO Risk Committee member* | *Member since* | *Meetings attended* |
|---|---|---|
| Francois-Xavier Boisseau (Chair) [1] | September 2024 | 1/1 |
| James Coyle [2] | September 2024 | 0/1 |
| Maria Darby-Walker [3] | September 2024 | 1/1 |
| Sir Stephen Lamport | September 2024 | 1/1 |
| ***Group Risk Committee member*** | ***Member since*** | ***Meetings attended*** |
| Neil Maidment (Chair) [4] | March 2020 | 5/5 |
| Rita Bajaj [5] | September 2023 | 5/5 |
| Chris Moulder [6] | September 2017 | 4/5 |
| Sir Stephen Lamport [7] | November 2020 | 5/5 |
| Francois-Xavier Boisseau [1] | April 2019 | 5/5 |

[1] Francois-Xavier Boisseau stepped down as a member of the Group Risk Committee on 24 September 2024. The same day, he was appointed Chair of the EIO Risk Committee.
[2] James Coyle was appointed a member of EIO Risk Committee on 24 September 2024. He was unable to attend the Committee's meeting in November due to a professional commitment arranged before he joined the Board.
[3] Maria Darby-Walker joined the EIO Risk Committee on 24 September 2024.
[4] Neil Maidment stepped down as the Group Risk Committee Chair when it was disbanded on 24 September 2024.
[5] Rita Bajaj stepped down as a Group Risk Committee member on 24 September 2024.
[6] Chris Moulder stepped down as a Group Risk Committee member on 24 September 2024. He was unable to attend one meeting due to a professional commitment arranged before the meeting was confirmed.
[7] Stephen Lamport stepped down as a member of the Group Risk Committee on 24 September 2024. He was appointed a member of the EIO Risk Committee on the same day.

Dear Stakeholder

I am pleased to present this report, my first as Chair of the Risk Committee.

The Committee was established by the Board on 24 September 2024. Prior to this, the risk management framework was overseen by the Group Risk Committee, a joint committee of the Ecclesiastical Insurance Office plc and Benefact Group plc Boards, which was disbanded on 24 September 2024.

I take this opportunity to thank Neil Maidment for chairing the Group Risk Committee until it was disbanded.

This report describes the work undertaken by the Group Risk Committee and the EIO Risk Committee during the past year to monitor the risk management framework; management of capital; Internal Model scope, use, governance and validation; operational resilience; and other material risks, paying close attention to impacts from the internal and external environments.

Francois Boisseau
Chair of the Risk Committee
20 March 2025

The Committee's primary role is to provide oversight and advice to the Board on the current and future risk exposures, by reference to strategic developments, including determining risk appetite, tolerances and culture.

The Committee also oversees risk and compliance monitoring; monitors operational, conduct, reputational, market and prudential risks; and oversees the Group's exposure to the financial and reputational risks arising from Climate Change.

The Board has voluntarily chosen to include this report in addition to the disclosures in the Risk Management Report and Principal Risks sections. The latter sets out the principal risks and uncertainties. The Committee has reviewed these in detail and is comfortable that the business has addressed them appropriately within its ongoing operating model and strategic priorities.

***Areas of focus during 2024***
During 2024, meetings of the Group Risk Committee and the EIO Risk Committee were attended by the Group Chair, Deputy Group Chief Executive, Group Chief Risk and Compliance Officer, Group Chief Financial Officer, Group Underwriting Director, Group Chief Actuary and Group Chief Internal Auditor.

Areas of focus for these Committees included operational and financial resilience, and the capital and solvency positions and the Committees monitored the ongoing development, governance, methodology and calibration of the Internal Model; overseeing independent validation; reviewing profit and loss attribution; and recommending Model changes and management actions to the Board.

Updates were received from management particularly in light of direct and indirect impacts from the external environment which included adverse weather events, cyber risk and regulatory changes.

During the year, reports from the Actuarial Function on reinsurance, underwriting and pricing; the Money Laundering Reporting Officer; and the Data Protection Officer were reviewed.

Reports were received on risk appetite; risk and compliance monitoring and assurance; underwriting and insurance risk; market and investment risk; reinsurance; outsourcing and third-party risk; business continuity; climate change; cyber risk; the data management; and the Consumer Duty. Updates on the implementation of a new computer system for General Insurance in the UK, and the implementation of operational resilience regulatory requirements were also received.

The Group Risk Committee also reviewed the Own Risk and Solvency Assessment, recommending it to the Board.

The Group Chief Risk and Compliance Officer reports to the Committee and has direct access to the Committee Chair and the Non-Executive Directors. The Committee ensures that it meets with the Group Chief Risk and Compliance Officer at least annually without other management present.

**Audit Committee Report**

| *EIO Audit Committee member* | *Member since* | *Meetings attended* |
|---|---|---|
| James Coyle (Chair) [1] | September 2024 | 1/1 |
| Francois-Xavier Boisseau [2] | September 2024 | 1/1 |
| Angus Winther [3] | September 2024 | 0/1 |
| ***Group Audit Committee member*** | ***Member since*** | ***Meetings attended*** |
| Chris Moulder (Chair) [4] | September 2017 | 6/6 |
| Neil Maidment [5] | March 2020 | 5/6 |
| Francois-Xavier Boisseau [2] | April 2019 | 6/6 |
| James Coyle [1] | May 2024 | 1/1 |

[1] James Coyle stepped down as a member of the Group Audit Committee on 24 September 2024. The same day, he was appointed as a member and Chair of the EIO Audit Committee.
[2] Francois-Xavier Boisseau stepped down as a Group Audit Committee member on 24 September 2024. The same day, he was appointed as an EIO Audit Committee member.
[3] Angus Winther was appointed a member of the EIO Audit Committee on 24 September 2024. He was unable to attend the Committee's meeting in November due to a professional commitment arranged before he joined the Committee.
[4] Chris Moulder stepped down as a Group Audit Committee member and Chair when the Group Audit Committee was disbanded on 24 September 2024.
[5] Neil Maidment was unable to attend one meeting due to a prior professional commitment. He stepped down as a Group Audit Committee member on 24 September 2024.

Dear Stakeholder

I am pleased to present my first report on the work of the EIO Audit Committee and its key areas of focus. I would like to thank my fellow Committee members for their input and insight as well as Chris Moulder for chairing the Group Audit Committee until it was disbanded in September 2024.

The Committee was established by the Board on 24 September 2024. Prior to this, the Committee's role in monitoring the integrity of the Group's financial and regulatory reporting; internal controls processes; and internal and external audit arrangements was performed by the Group Audit Committee, a joint committee of Ecclesiastical Insurance Office plc and Benefact Group plc Boards. On 24 September 2024, this joint Group Audit Committee was disbanded and the Audit Committee of the Ecclesiastical Insurance Office plc Group (EIO Audit Committee) was formed.

This report describes the work undertaken by the Group Audit Committee and the EIO Audit Committee (the Committees) in respect of the 2024 financial year.

The Committee plays a key role in challenging and monitoring the integrity of the Group's financial reporting, ensuring the Annual Report and Accounts are prepared using appropriate judgements and are a fair reflection of the Group's performance and position. The significant accounting and financial reporting issues considered in detail by the Committee are set out in this report. The Committee oversees and reviews the Group's internal financial control and internal control systems, ensuring they operate effectively and provide stakeholders with confidence in the accuracy and reliability of financial information. The Committee monitors external factors to ensure reporting and controls take into consideration, and respond to, emerging developments and external risks.

As noted in the Corporate Governance Report, the Group has adopted Benefact Group plc's Governance Framework. The role of the Committee in the Governance Framework is vital, providing independent challenge and oversight across financial reporting and internal control procedures in the Group. The Committee ensures the interests of shareholders are protected by providing independent scrutiny and challenge to ensure the Group presents a true and fair view of its performance, with a focus on the accuracy, integrity and communication of its financial reporting. The Committee also examines the Group's control environment and strategies for risk management, providing assurance these are managed appropriately. The Committee remain satisfied that the business has maintained a robust risk management and internal controls culture, supported by strong overall governance processes.

James Coyle
Chair of the Audit Committee
20 March 2025

***Members of the Committee***
Committee members are Non-Executive Directors and bring a wide range of financial, risk, control and commercial expertise, with a particular depth of experience in the insurance sector that are necessary to fulfil the Committee's duties and enable the Committee to challenge and scrutinise management's work. The Board considers that the Committee has recent and relevant financial experience and accounting competence and that the Committee as a whole is appropriately

competent in the sectors in which the Group operates.

***Committee meetings***
In addition to the members of the Committees, regular attendees of meetings included the Chair of the Board, Group Chief Executive Officer, Deputy Group Chief Executive, Group Chief Financial Officer, Group Chief Internal Auditor and the external auditors. Other subject matter experts are invited to attend certain meetings in order to provide insight into key matters and developments.

In 2024, the Group's external auditors, PricewaterhouseCoopers (PwC), attended six Group Audit Committee meetings and one EIO Audit Committee meeting. During the year, the Group Audit Committee met privately with the Group's external auditors without management present.

The Committee's key responsibilities and activities include:
- scrutinising the financial statements and reviewing accounting policies and significant judgements and estimates;
- reviewing the content of financial reporting and advising the Board whether, taken as a whole, they are fair, balanced and understandable;
- reviewing the going concern basis of preparation of the financial statements and statements on viability for recommending to the Board;
- reviewing climate and non-financial metrics reporting;
- reviewing the Group's whistleblowing arrangements;
- overseeing the Group's external and internal audit arrangements; and
- reviewing the effectiveness of the Group's systems of internal controls and the management of financial risks.

A summary of the main activities of the Committees during the year is set out below:

***Auditor appointment and tenure, independence and non-audit services***
Prior to its disbandment, the Group Audit Committee oversaw the relationship with and performance of the external auditor. The EIO Audit Committee continues to oversee this relationship, the external audit process, the audit fee, appointment, reappointment and removal of the external auditor, assessing their independence and effectiveness on an ongoing basis.

PwC has acted as the Group's external statutory auditor following appointment at the Company's Annual General Meeting in June 2020. The Group's policy for auditor rotation follows regulatory requirements and PwC will be required to be rotated after no more than 20 years, and an audit tender held after no more than 10 years. Alexis Gish of PwC became the Group's senior statutory auditor for the financial year 2024. Alexis Gish's term as senior statutory auditor cannot exceed a maximum duration of five years. The Group's previous senior statutory auditor, Sue Morling of PwC, led the Group's audit for four years.

The Company confirms that it complied with the provisions of the Competition and Markets Authority's Order for the financial year under review. Both the Board and the external auditor have safeguards in place to protect the independence and objectivity of the external auditor.

Until it was disbanded, the Group Audit Committee oversaw the development, implementation and monitoring of the Group's policy on the provision of non-audit services by the external auditor. The purpose of the policy is to safeguard the independence and objectivity of the external auditor and to comply with the ethical standards of the Financial Reporting Council (FRC). The EIO Audit Committee continues to monitor the application of the policy, as it applies to the Group, taking into account the Ethical Standard and legal requirements.

The Committee oversees the external audit plan to ensure it is comprehensive, risk-based and cost-effective. The plan describes the proposed scope of the work and the approach to be taken, and the proposed materiality levels to be used which are described on page 42. In order to focus the audit work on the right areas, the auditors identify particular risk issues based on various factors, including their knowledge of the business and operating environment and discussions with management.

For the year ended 31 December 2024, the Group was charged £1,560,000 (ex VAT) by PwC for audit services. Non-audit fees for audit-related assurance services required by legislation and/or regulation amounted to £355,000, making total fees from PwC of £1,915,000. There were no other non-audit services provided by PwC during the financial year.

***External audit effectiveness***
The Committee assesses the effectiveness of the external auditor annually against several criteria including, but not limited to, accessibility and knowledgeability of audit team members, the efficiency of the audit process including the effectiveness of the audit plan, and the quality of improvements recommended.

The Group Audit Committee reviewed a report based on input from senior management, business unit leaders and those most involved in the external audit process, regarding the PwC 2023 statutory audit and audit-related assurance services. The Group Audit Committee recognised the strengths of the external auditor and that duties were performed independently and effectively.

***Appropriateness of the Group's external financial reporting***
The primary role of the Committee in relation to financial reporting is to review, challenge and agree the appropriateness of the half-year and annual

financial statements and annual regulatory reporting under Solvency II, concentrating on, amongst other matters:

- the quality and acceptability of accounting policies and practices;
- the clarity of the disclosures and compliance with financial and regulatory reporting standards, and relevant financial and governance reporting requirements;
- material areas in which significant judgements have been made or there has been discussion with the external auditor;
- whether the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy; and
- any correspondence from regulators in relation to financial reporting.

In respect of these annual financial statements the Committee paid particular attention to the significant judgements set out below, including a review of the corporate governance disclosures, monitoring of the external audit process and statements about going concern and viability. The Committee concluded that it remained appropriate to prepare the financial statements on a going concern basis and recommended the viability statement to the Board for approval.

The Group Audit Committee reviewed and challenged the annual regulatory submissions of Ecclesiastical Insurance Office plc and Ecclesiastical Life Limited under Solvency II focussing on the reporting requirements of the publicly filed Solvency and Financial Capital Report (SFCR) and Quantitative Reporting Templates (QRTs).

The significant areas of focus considered by the Committees in relation to 2024, and how these were addressed, are outlined below. These were discussed and agreed with management during the course of the year, and also discussed with the auditors.

| ***Area of focus*** | ***Committee response*** |
|---|---|
| ***General insurance reserves***<br><br>The estimation of the ultimate liability arising from claims under general business insurance contracts is a critical accounting estimate. There is uncertainty as to the total number of claims on each class of business, the amounts that such claims will be settled for and the timings of any payments. | The Group Audit Committee considered a detailed report provided by the Group Actuarial Director on the adequacy of general insurance reserves at the half year.<br><br>At the full year the Committee received a report and discussed and challenged management across a wide range of assumptions and key judgements.<br><br>This was a major area of audit focus and the auditor also provided detailed reporting on these matters to the Committee.<br><br>Key areas of focus during 2024 were latent claim reserves, Australia general liability reserves, claims inflation including the implementation of the latest Judicial College Guidelines, the Ogden discount rate and weather events impacting Group companies.<br><br>The Committee concluded at year end that the reserving process and outcomes were robust, applied consistently, were well managed and that the overall reserves set were reasonable as disclosed in note 27 of the financial statements.<br><br>The Committee was also satisfied that management had carried out a thorough review of the drivers of uncertainty and had arrived at an appropriate recommendation for the level of booked reserves including the risk adjustment. |
| ***Life insurance reserves***<br><br>The calculation of life insurance reserves requires management to make significant judgements about bond yields, discount rates, credit risk, mortality rates and current expectations of future expense levels. | The Committee considered the key accounting judgements of Ecclesiastical Life Limited (ELL) (the Group's life business) which set out recommendations for the basis and methodology to apply for:<br><br>• valuation of policy liabilities for inclusion in the Annual Report and Accounts for ELL at 31 December 2024, and<br>• the calculation of technical provisions in accordance with Solvency II regulations at 31 December 2024.<br><br>The main areas of judgement reviewed by the Committee were the estimated future cash flows and the discount rate applied to future cash flows. The Committee also challenged the assumptions regarding mortality rates and future attributable expenses which impact the estimated future cashflows.<br><br>The Committee reviewed the work done by the Chief Actuary to assess whether the methodology remained appropriate, with a particular focus on mortality assumptions, surrender rates, interest rate and inflation rate assumptions.<br><br>Following its review, and after consideration of the auditor's report, the Committee was satisfied that the |

| | |
|---|---|
| | assumptions proposed were appropriate and overall the judgements made in respect of the reserves were reasonable. The assumptions are disclosed in note 27 of the financial statements. |
| ***Pension scheme accounting***<br><br>The liabilities of the scheme are material in comparison to the Group's net asset and the valuation requires many actuarial assumptions, including judgements in relation to long-term interest rates, inflation, longevity and investment returns.<br><br>Judgement is applied in determining the extent to which a surplus in the Group's defined benefit scheme can be recognised as an asset. | During 2024, reports were received from management on the proposed approach to the valuation of the pension scheme. As the pension scheme is sensitive to changes in key assumptions, management completed an assessment as to the appropriateness of the assumptions used, taking advice from independent actuarial experts and including, where appropriate, benchmark data, and reported its findings to the Committee. Improvements in the pension actuary's models increased the accuracy, and also dynamically captured changes in the scheme's liability profile.<br><br>Following the review, management concluded the future improvements in mortality table will be updated to the CMI 2023 table. It was deemed that mortality rates in 2022 and 2023 could be indicative of future mortality to some extent and that a default weighting of 15% should be applied to 2022 and 2023 mortality data in the CMI 2023 table. It was concluded that the salary assumptions remained consistent with long-term expectations. The best estimate multipliers for the post-retirement mortality tables were revised following input from the Scheme Actuary.<br><br>The Committee considered the outcome of the Court of Appeal's judgement in the case of Virgin Media v NTL Trustees, which was released on 25 July 2024. The Committee considered the relevance and implications of this ruling, management's ongoing review and the related disclosures included within the financial statements.<br><br>Following consideration, the Committee concluded that the assumptions and disclosures proposed were appropriate.<br><br>The impact of updating assumptions to reflect those in force at the balance sheet date on the valuation at 31 December 2024 is explained in note 18 to the financial statements. |
| ***Valuation of intangible assets***<br><br>The valuation and impairment reviews carried out over intangible assets, particularly software, is an area of focus for the Committee given the Group's investment in technology and the materiality of the balance. | The Group's significant investment in technology, together with fast-moving technology development and change, increases the importance of a detailed assessment of the value of assets and the implications of further investment. The Committee considered management's work to test and review the value of assets and any consequent impairments or changes to useful lives. The Committee concurred with management's conclusions that no impairment was required and that carrying values were appropriate. |
| ***Valuation of unlisted equity***<br><br>This is an area of focus given the materiality and the subjectivity in deriving fair value.<br><br>The judgements and estimates used to determine the value of the Group's interest in unlisted equity follow industry recognised fair value model techniques and the principles of IFRS 13 Fair Value Measurement. Judgements and estimates include the selection of the most appropriate valuation approach, the set of comparable companies, choice of valuation multiples and the setting of an illiquidity discount. | The Committees received information from management on the Group's unlisted equity investments and the model used to determine fair value of these investments, paying particular attention to the application of industry recognised valuation techniques and areas of the portfolio more susceptible to valuation uncertainty.<br><br>When considering management's assessment of the fair value of unlisted equities, the Committee considered the fair value model and inputs used. Particular consideration was given to the judgements included within the model that management used to determine a valuation. This included the discount applied for illiquidity, the quantity and suitability of comparable companies used within the model and the use of any specific adjustments in response to past market expectations on the performance of fixed income securities held by comparable companies.<br><br>Following consideration, the Committee concluded that the assumptions proposed were appropriate. |

***Fair, balanced and understandable***

The Committee considered whether in its opinion, the 2024 Annual Report and Accounts were fair, balanced and understandable and provided the information necessary for shareholders to assess the Group's position and performance, business model and strategy. The Committee provided feedback on early drafts of the Annual Report and Accounts, highlighting any areas where further clarity was required in the final version.

When forming its opinion, the Committee reflected on information it had received and discussions throughout the year as well as its knowledge of the business and its performance.

The Committee was satisfied that the disclosures in the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and represented the results and business performance for the year ended 31 December 2024.

***Oversight of systems of internal control including the internal audit function***

***Assessment of internal controls***
The approach to internal control and risk management is set out in the Corporate Governance Report section of this Annual Report and Accounts.

In reviewing the effectiveness of the system of internal control and risk management during 2024, the Committees have:
- reviewed the findings arising from both external and internal audit reports issued during the year;
- monitored management's responsiveness to the findings and recommendations of the Group Chief Internal Auditor;
- met with the Group Chief Internal Auditor without management being present to discuss any issues arising from internal audits carried out; and
- considered a report prepared by the Group Chief Internal Auditor giving his assessment of the strength of the Group's internal controls based on internal audit activity during the year.

***Internal control over financial reporting***
Internal control over financial reporting is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of management and financial reporting in accordance with generally accepted accounting principles. Controls over financial reporting policies and procedures include controls to ensure that:
- through clearly defined role profiles and financial mandates, there is effective delegation of authority;
- there is adequate segregation of duties in respect of all financial transactions;
- commitments and expenditure are appropriately authorised by management;
- records are maintained which accurately and fairly reflect transactions;
- any unauthorised acquisition, use or disposal of assets that could have a material effect on the financial statements should be detected on a timely basis;
- transactions are recorded as required to permit the preparation of financial statements; and
- the financial statements comply with IFRS.

Due to inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Risk management and control systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies. Through reviewing reports received from management, and the internal and external auditors, the Committees did not identify any material weaknesses in internal controls over financial reporting during the year. The financial systems are deemed to have functioned properly during the year under review. Management are reviewing one of the primary finance systems which is reaching the end of its life. The Committee is being updated by management on the progress of this review and there are no current indications finance systems will not continue to operate effectively in the forthcoming period.

***Group Internal Audit (GIA)***
GIA provides independent, objective assurance to the Board that the governance processes, management of risk and systems of internal control are adequate and effective to mitigate the most significant risks to the Group. GIA operate co-sourcing arrangements the UK, Ireland and Canada where specialist resource is required to supplement existing resources. In addition, GIA oversees and monitors the outsourced internal audit arrangements in Australia.

The Committee oversees the annual internal audit plan to ensure that it is aligned to the Group's key risks. It also assesses the internal audit plan and reviews the findings of internal audit with management.

The Committee is satisfied that GIA has appropriate resources. The Group Chief Internal Auditor is accountable to the Chair of the Committee and reports administratively to the Group Chief Executive. The Group Chief Internal Auditor has access to the Chair of the Committee and the Chair of the Board. The function has an extensive stakeholder management programme in place.

GIA's annual programme of work is risk based and designed to cover areas of higher risk or specific focus. The plan is approved annually in advance by the Committee and is regularly reviewed throughout the year to ensure that it continues to reflect areas of higher priority. Where necessary, changes to the agreed plan are identified as a consequence of the Group's changing risk profile. Throughout the year, GIA submitted quarterly reports to the Committees summarising findings from audit activity undertaken and the responses and action plans agreed with management. The respective Committees monitored progress of the most significant management action plans to ensure that these were completed in a timely manner and to a satisfactory standard.

***Whistleblowing***
Whistleblowing arrangements are managed by Group HR. They were overseen by the Group Audit Committee until it was disbanded. The Committee continues to review reports on whistleblowing incidents as and when they occur, escalating any material issues where appropriate. There is a yearly whistleblowing routine in place which includes training, communication, and monitoring. Online training for all colleagues and managers covers whistleblowing and the code of conduct. Individual attestation and frequent communications help to maintain awareness and promote an open, positive

culture. Whistleblowing procedures, policies, and guides are reviewed and updated every year to make sure they are easy to access, understand, and encourage potential whistleblowers to come forward with confidence.

***Legal and regulatory developments***
The Committees received and reviewed reports on the impact of legal and regulatory developments relevant to the Group.

***The year ahead***
The Committee remains vigilant in its commitment to promoting a culture of excellence in financial governance. The forward-looking perspective involves proactively addressing potential challenges. As new accounting standards emerge, these will be monitored, continuously adapting our practices to maintain compliance and transparency. Anticipating an acceleration in technological advancements, the Committee aims to harness these innovations. The focus will be on overseeing the implementation of new financial and operational systems that are designed to improve efficiency and accuracy in reporting processes.

Given the dynamic nature of the global economic environment, the Committee will maintain close collaboration with management and stakeholders. This will enable early responses to changes that could affect the organisation. The effectiveness of risk management processes will continue to be enhanced, ensuring they are closely aligned with the Group's objectives. Emphasising innovation, adaptability, and the highest standards of financial stewardship will be central to our pursuit of excellence in financial governance and the sustained integrity of our corporate practices.

**Remuneration Committee Report**

**Remuneration Review**

***Remuneration Committee Chair's statement***
As Chair of the Group Remuneration Committee (the Committee), I am pleased to introduce the Remuneration Review for 2024 and to highlight some of the key aspects of the Committee's work during the year. The Committee's principal aim remains to ensure that all colleagues are rewarded fairly according to their contribution to the success of the Group and the quality of their individual performance, keeping carefully in mind the relationship between reward, recruitment and retention.

This review sets out an overview of remuneration at EIO which is aligned with that at Benefact Group. The full Group Directors' Remuneration Report is available in the Benefact Group plc Annual Report.

***Review of Group Remuneration Policy***
The Committee has continued to review the Group Remuneration Policy and the design of its incentives, including the applicable performance measures and targets, in order to ensure these continue to drive the Group's strategy and long-term performance, while maintaining the Group's high standards as an ethically and socially responsible business. As part of the review the Committee took into account the Group's remuneration principles, further detail of which are set out in the Benefact Group plc Annual Report. The Committee is of the view that the remuneration policy operated as intended during the year, that the overarching remuneration framework continues to be appropriate, taking into account both internal and external factors, and that it continues to support the Group's priorities. As a result, the Directors' Remuneration Policy remains unchanged for 2025, other than being updated for the incentive increases that were set out in the 2023 Directors' Remuneration Report. Our intention is that this policy should remain in place for the next three years.

***2024 performance and incentive outcomes***
The financial results for EIO are set out in the CEO's report. The Committee note with thanks the efforts of all our colleagues across the Group in continuing to deliver what matters most to the business: supporting our customers by providing excellent customer service, maximising our grant to our charitable shareholder, Benefact Trust Limited, and delivering on the Group's next chapter in our ambitious strategy for the future.

The annual bonus and long-term incentive plan outcomes in the year reflected the wider Group performance. The Committee considered that the annual bonus outcomes were a fair reflection of the overall performance achieved by both the Group and the individuals. No discretion was applied to the annual or long-term incentive plans. Further details of performance against the targets set for 2024 are disclosed in the Benefact Group plc 2024 Directors' Remuneration Report.

In line with the Committee's established practice, the Committee, supported by the Group Chief Risk and Compliance Officer, considered risk management outcomes across the Group as part of its deliberations, including how these had impacted individual performance assessments where relevant. Following this review, the Committee did not consider further risk adjustment of the awards was necessary.

The Committee is of the view that the remuneration policy operated as intended during the year and that the overarching remuneration framework continues to be appropriate taking into account both internal and external factors.

***Key Committee activities during the year***

***Base salary***
During the year the Committee undertook an extensive review of the Executive Directors' remuneration packages in the context of the increased size and complexity of the Group, the performance of the Group and the individuals, and external benchmarking data. Following this review, the Committee decided to make a one-off adjustment to the salary levels of two Executive Directors. Full details are disclosed in the Benefact Group plc 2024 Directors' Remuneration Report.

***CFO transition***
As announced in February 2024, Denise Cockrem retired from the Board and the position of Chief Financial Officer on 28 June 2024. All leaving arrangements were in line with our Directors' Remuneration Policy. Mark Bennett was appointed to the Board and as Chief Financial Officer on 1 January 2025, subject to regulatory approval. He has been with the Group for 17 years and held the role of Group Chief Actuary prior to this. He had also been acting CFO since Denise Cockrem's retirement. All remuneration arrangements are in line with our Directors' Remuneration Policy. Full details are disclosed in the Benefact Group plc 2024 Directors' Remuneration Report.

***Remuneration for 2025***

The level of salary increases for UK Ecclesiastical employees is a key consideration in setting the level of any salary increase for Executive Directors. On this basis, the Committee determined that the base salaries of Executive Directors would be increased by 3.6% (effective 1 April 2025), which is in line with the wider employee population.

There are no proposed changes to the incentive opportunities, performance measures and weightings for 2025.

The Committee considered the Chair's fees as part of the regular review of Non-Executive Director (NEDs) fees. David Henderson took no part in the discussions on his fees, nor the NEDs in discussion of theirs.

***Gender pay gap***

The Group's gender pay report for 2024 showed our median gender pay gap slightly increased at 19.5% (2023: 19.1%) for EIO. The wider Group median pay gap has also slightly increased to 25.8% (2023: 25.7%) due to small changes in the composition of the senior leadership population. The Group continues to be committed to promoting inclusion and diversity through our business and to ensuring that all employees have a fair and equal pay opportunity appropriate to their role.

***Conclusion***

I value the continued support and counsel of our charitable owner and ultimate shareholder, Benefact Trust Limited, and reaffirm our responsibility to drive sustained, improved and responsible performance over the long-term through our remuneration strategy, policy and principles.

Sir Stephen Lamport
Chair of the Group Remuneration Committee
20 March 2025

| ***Committee member*** | ***Member since*** | ***Meetings attended*** |
|---|---|---|
| Sir Stephen Lamport (Chair) | June 2020 | 5/5 |
| David Henderson | September 2016 | 5/5 |
| Neil Maidment [1] | March 2020 | 5/5 |
| Angus Winther [2] | April 2019 | 4/5 |
| Rita Bajaj [3] | September 2024 | 2/2 |

[1] Neil Maidment resigned from the Board on 31 December 2024.
[2] Angus Winter retired from the Committee on 24 September 2024. He attended all eligible meetings during the year.
[3] Rita Bajaj was appointed to the Committee on 24 September 2024 and attended all eligible meetings during the year.

**Group Remuneration Committee**

***Purpose and membership***

The Committee is responsible for recommending to the Board the Remuneration Policy for Executive Directors and for setting the remuneration packages for each Executive Director, members of the Group Management Board (GMB), Material Risk Takers (MRTs) and heads of strategic business units. None of the Executive Directors or other populations outlined above were involved in discussions relating to their own remuneration. The Committee also has overarching responsibility for the Group-wide Remuneration Policy.

All members are independent NEDs and have the necessary experience and expertise to meet the Committee's responsibilities. There was cross-membership of the Group Risk Committee and the Committee to promote alignment of the Group's Risks and Remuneration Policies and consideration of Risk management and outcomes in setting reward.

***Advisers to the Committee***

During the year, the Committee received external advice from Deloitte in relation to the Committee's activities. The Committee also had access to benchmarking reports from Willis Towers Watson and McLagan, which provided additional data to support the determination of pay and conditions throughout the Group.
Fees for professional advice to the Committee paid to Deloitte were £79,925 (2023: £115,650). The Committee is satisfied that the advice it received during 2024 from Deloitte was impartial.

To assist its work, during the year the Committee received input from the Group Chief Executive, Group Chief Financial Officer, Group Chief People Officer, Group Chief Actuary, Group Chief Risk and Compliance Officer and Group Reward Director. Such input, however, did not relate to their own remuneration.

***Remuneration Policy summary***

The full Benefact Group Directors' Remuneration Policy can be found in the 2024 Directors' Remuneration Report, which sets out the full details of the remuneration policy and how it will be implemented, as well as a full description of the principles which underpin the Group's reward structure. The remuneration structure for the Executive Directors comprises of:

- Fixed annual elements including salary, pension contribution that is aligned with the wider employer population, and benefits. These are set in order to recognise the responsibility and experience of the Executive Directors and to ensure current market competitiveness.

- Variable incentive elements including an annual bonus, with one-third of the total bonus deferred over three years, and a long-term incentive plan. These are set in order to incentivise and reward the Executive Directors for making the Group successful on a sustainable basis. Both the annual bonus and long-term incentive plan are subject to a balanced scorecard of financial and non-financial measures aligned to our strategy.

**Annual Report on Remuneration**

This section of the Remuneration Review sets out how the above Remuneration Policy was implemented in 2024 and the resulting payments the highest paid director received. The financial information contained in this review has been audited where indicated.

***Highest paid Director***

The table below shows a single total figure of remuneration received in respect of qualifying services for the 2024 financial year for the highest paid director, together with comparative figures for 2023. The remuneration disclosures for the other Board Directors are set out in full in the Benefact Group plc 2024 Directors' Remuneration Report. The disclosure in this review is not specific to time allocated within EIO as remuneration relates to Group-wide accountability.

| Fixed remuneration £000 | | | | | | | | Variable remuneration £000 | | | | | | Total remuneration £000 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Salary | | Benefits[1] | | Pension benefit[2] | | Total | | Annual bonus[3] | | Long Term Incentive Plan (LTIP)[4] | | Total | | Total | |
| 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| 576 | 517 | 31 | 14 | 60 | 54 | 667 | 585 | 884 | 356 | 423 | 362 | 1,307 | 718 | 1,974 | 1,303 |

[1] Benefits include car allowance and private medical insurance which are valued at their taxable value. Provision of benefits during 2024 was in line with the Directors' Remuneration Policy. From 2024, the highest paid director's benefits now include taxable benefits

[2] The highest paid director received a cash allowance in lieu of pension of 12% of salary

[3] In line with the deferral policy, for annual bonus earned, one-third of the total bonus is deferred over a period of three years. The value of 2024 annual bonus that is deferred is set out in the Benefact Group plc 2024 Directors' Remuneration Report

[4] LTIP represents the amount payable in respect of the three-year LTIP performance period 2022-2024 for 2024 and 2021-2023 for 2023, as disclosed in the 2023 Directors' Remuneration Report. The Group operates a cash LTIP scheme, therefore no part of the award was attributable to share price appreciation. The director holds unvested LTIP awards in accordance with the rules of the LTIP plan

***Annual bonus outcomes for 2024***

The annual bonus outturns were determined taking into account both Group and individual performance and is set out in full in the Benefact Group plc 2024 Directors' Remuneration Report.

***LTIP outcomes in 2024 (audited)***

The LTIP amount included in the single total figure of remuneration is the cash award resulting from the Group LTIP grant for the period 2022-2024. Vesting was dependent on performance over the three financial years ending on 31 December 2024 is set out in full in the Benefact Group plc 2024 Directors' Remuneration Report.

***Wider stakeholder engagement***

The Group consults with its recognised Union, Unite, regarding remuneration for employees within relevant UK businesses. Additionally, employees can provide feedback via the Group's employee engagement survey and to their managers or HR. The Group Chief People Officer attends the Committee meetings and advises the Committee on HR strategy, including the effectiveness of the Group's remuneration policies and how they are viewed by employees. Furthermore, during 2024, the Committee consulted the shareholder throughout its review of Executive Director remuneration in order to understand the shareholder's views in relation to the evolving remuneration proposals.

# Independent auditors' report to the members of Ecclesiastical Insurance Office public limited company

**Report on the audit of the financial statements**

***Opinion***

In our opinion, Ecclesiastical Insurance Office public limited company's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2024 and of the group's profit and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the 2024 Annual Report and Accounts (the "Annual Report"), which comprise: Consolidated and Parent Statements of Financial Position as at 31 December 2024; Consolidated Statement of Profit or Loss, Consolidated and Parent Statements of Comprehensive Income, Consolidated and Parent Statements of Cash Flows and Consolidated and Parent Statements of Changes in Equity for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion is consistent with our reporting to the Ecclesiastical Insurance Office plc Audit Committee.

***Basis for opinion***

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Independence***

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 12, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

**Our audit approach**

***Overview***

Audit scope

- We have scoped the audit based on the significant components and material account balances within the group, which is described below.

Key audit matters

- Assumptions used in calculating Physical and Sexual Abuse "PSA" reserves (group and parent)

Materiality

- Overall group materiality: £11,500,000 (2023: £11,300,000) based on 1.8% of net assets.
- Overall company materiality: £10,925,000 (2023: £10,700,000) based on 1.9% of net assets.
- Performance materiality: £8,625,000 (2023: £8,500,000) (group) and £8,194,000 (2023: £8,100,000) (company).

***The scope of our audit***

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

***Key audit matters***

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

# Independent auditors' report to the members of Ecclesiastical Insurance Office public limited company

The transition to IFRS 17 required a number of judgements and assumptions to be made, the most important being the appropriateness of the Premium Allocation Approach "PAA" to certain contracts and the methodology and assumptions used in the calculation of the risk adjustment, which was a key audit matter last year, is no longer included because of this being an area of risk during the year of transition to IFRS 17. Otherwise, the key audit matters below are consistent with last year.

| ***Key audit matter*** | ***How our audit addressed the key audit matter*** |
|---|---|
| *Assumptions used in calculating Physical and Sexual Abuse "PSA" reserves (group and parent)*<br><br>As disclosed in the Audit Committee Report and notes 2, 3 and 27. The valuation of the general insurance liability for incurred claims is a complex process involving inherent uncertainty and is a significant area of management judgement within the financial statements of the group and parent company. The uncertainty around claims frequency, claims severity, discount rate, future inflation and risk adjustment require management judgement and estimation in calculating the general insurance liability for incurred claims. We consider the area of significant judgement to be specific to assumptions used in calculating the fulfilment cash flows for PSA exposures, specifically in relation to the probability weighted best estimate of the liability for incurred claims. Specifically, the assumptions requiring significant judgement and estimation are claims frequency, claims severity, future inflation and the specific allowance included within the risk adjustment. | We engaged our actuarial specialists and with their involvement, we have performed the following procedures in relation to the fulfilment cash flows:<br>• Inspected the Reserving Committee control which reviews, challenges and approves the assumptions used within the calculation of the fulfilment cash flows;<br>• Challenged the key assumptions used by management including evaluation of historical claims frequency, claims severity, future inflation, as well as the specific allowance included within the risk adjustment;<br>• Evaluated reasonable alternative assumptions by performing independent sensitivity analysis and assessing the impact on the value of fulfilment cash flows calculated;<br>We have assessed the appropriateness of the resulting general insurance liability for incurred claims based on the assumptions selected. Based on the work performed and evidence obtained, we consider the assumptions used in the calculation of the PSA fulfilment cash flows to be appropriate. |

***How we tailored the audit scope***

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The group operates a general insurance business in the United Kingdom, Republic of Ireland, Canada and Australia and a life insurance business. The group also includes certain non-insurance entities within the United Kingdom and Australia which are smaller and do not form part of our in-scope components. We considered the United Kingdom, Australia and Canada general insurance businesses, as each of these include PSA liabilities, to be significant components, as well as the consolidation adjustments. We performed a full scope audit of the United Kingdom general insurance business as well as the consolidation adjustments, and an audit of specific large balances for Australia and Canada. The general insurance business in the Republic of Ireland, Ansvar UK as well as the life insurance business, although not considered significant components, were also noted to include specific large balances that have been brought into the scope of our audit. We considered the remaining untested amounts across the group to ensure sufficient coverage has been obtained.

***The impact of climate risk on our audit***

As part of our audit, we made enquiries of management to understand the process management adopted to assess the extent of the potential impact of climate risk on the Group's and Parent company financial statements. In addition to enquiries with management, we also understood the governance processes in place to assess climate risk. We have performed our own risk assessment of the climate risk faced by the Company, the commitments made by the Group, how these may affect the financial statements and the audit procedures that we perform. We have assessed the risks of material misstatement to the financial statements as a result of climate change and concluded that for the year end 31 December 2024, climate change does not impact our audit risk assessment. We did however assess the consistency of disclosures included within the Annual Report and 'Other Information' including the Strategic Report.

***Materiality***

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | ***Financial statements - group*** | ***Financial statements - company*** |
|---|---|---|
| Overall materiality | £11,500,000 (2023: £11,300,000). | £10,925,000 (2023: £10,700,000). |
| How we determined it | 1.8% of net assets | 1.9% of net assets |
| Rationale for benchmark applied | The engagement team concluded that a net assets benchmark is the most appropriate when setting an overall materiality on the 2024 audit engagement. In our view, we consider net assets to be the appropriate benchmark as it best aligns with the underlying interest of the stakeholders. The quantum of materiality was determined by considering the various benchmarks available to us as auditors, our experience of auditing other insurance groups and the business performance during 2024. | In line with overall group materiality, the engagement team concluded that a net assets benchmark is the most appropriate when setting an overall materiality. This is capped at 95% of overall group materiality to allow for potential aggregation risk. |

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £2.0 million and £10.9 million. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2023: 75%) of overall materiality, amounting to £8,625,000 (2023: £8,500,000) for the group financial statements and £8,194,000 (2023: £8,100,000) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount in the middle of our normal range was appropriate.

We agreed with the Ecclesiastical Insurance Office plc Audit Committee that we would report to them misstatements identified during our audit above £575,000 (group audit) (2023: £565,000) and £546,000 (company audit) (2023: £540,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

**Conclusions relating to going concern**

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- Obtained and reviewed management's going concern assessment which included the board approved forecasts along with stressed and downside scenarios;
- Considered the forward looking assumptions and assessed the reasonableness of these based on recent historic performance;
- Considered information obtained during the course of the audit and publicly available market information to identify any evidence that would contradict management's assessment; and
- Considered our own independent alternative downside scenarios and whether these could impact the going concern assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

# Independent auditors' report to the members of Ecclesiastical Insurance Office public limited company

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

***Reporting on other information***

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

***Strategic report and Directors' Report***

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

***Corporate governance statement***

ISAs (UK) require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code, which the Listing Rules of the Financial Conduct Authority specify for review by the auditor. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Corporate Governance Report is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

# Independent auditors' report to the members of Ecclesiastical Insurance Office public limited company

Our review of the directors' statement regarding the longer-term viability of the group and company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Ecclesiastical Insurance Office plc Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

**Responsibilities for the financial statements and the audit**

***Responsibilities of the directors for the financial statements***

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company'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 directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

***Auditors' 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 auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulation, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate the financial statements, as well as management bias in accounting estimates, in particular the valuation of specific general insurance contract liabilities including Physical and Sexual Abuse ("PSA") reserves. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Enquired of Group functions including compliance, risk and internal audit and consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Read key correspondence with the Prudential Regulation Authority and the Financial Conduct Authority in relation to compliance with laws and regulations;
- Reviewed relevant meeting minutes including those of the Board, Audit Committee and Group Audit, Risk & Compliance Committee;
- Procedures related to the valuation of specific general insurance contract liabilities such as PSA reserves described in the related key audit matter;
- Risk based target testing of journal entries, in particular any journal entries which include characteristics which were identified as potentially being indicative of a fraudulent journal; and

# Independent auditors' report to the members of Ecclesiastical Insurance Office public limited company

- Procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

***Use of this report***

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**Other required reporting**

***Companies Act 2006 exception reporting***

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

***Appointment***

Following the recommendation of the Ecclesiastical Insurance Office plc Audit Committee, we were appointed by the members on 18 June 2020 to audit the financial statements for the year ended 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement is 5 years, covering the years ended 31 December 2020 to 31 December 2024.

***Other matter***

The company is required by the Financial Conduct Authority Disclosure Guidance and Transparency Rules to include these financial statements in an annual financial report prepared under the structured digital format required by DTR 4.1.15R - 4.1.18R and filed on the National Storage Mechanism of the Financial Conduct Authority. This auditors' report provides no assurance over whether the structured digital format annual financial report has been prepared in accordance with those requirements.

Alexis Gish (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol

20 March 2025

# Consolidated statement of profit or loss for the year ended 31 December 2024

| | Notes | **2024** | 2023 |
|---|---|---|---|
| | | **£000** | £000 |
| Insurance revenue | 5, 6 | **629,953** | 586,484 |
| Insurance service expenses | 7 | **(461,817)** | (408,584) |
| **Insurance service result before reinsurance contracts held** | | **168,136** | 177,900 |
| Net expense from reinsurance contracts | | **(84,590)** | (107,174) |
| **Insurance service result** | | **83,546** | 70,726 |
| Net insurance financial result | 8 | **(6,862)** | (19,540) |
| Net investment result | 9 | **71,850** | 57,469 |
| Fee and commission income | 10 | **544** | - |
| Other operating expenses | 11 | **(63,501)** | (60,751) |
| Other finance costs | | **(3,102)** | (3,151) |
| **Profit before tax** | | **82,475** | 44,753 |
| Tax expense | 14 | **(17,296)** | (8,018) |
| **Profit for the year from continuing operations** | | **65,179** | 36,735 |
| Net profit attributable to discontinued operations | 16 | **-** | 719 |
| **Profit for the year** | 11 | **65,179** | 37,454 |

# Consolidated and parent statements of comprehensive income for the year ended 31 December 2024

| | Notes | 2024 Group £000 | 2024 Parent £000 | 2023 Group £000 | 2023 Parent £000 |
|---|---|---|---|---|---|
| **Profit for the year** | | **65,179** | **67,852** | 37,454 | 36,365 |
| **Other comprehensive (expense)/income** | | | | | |
| ***Items that will not be reclassified to profit or loss:*** | | | | | |
| Fair value gains on property | | **-** | **-** | 850 | 850 |
| Actuarial (losses)/gains on retirement benefit plans | 18 | **(1,630)** | **(1,630)** | 5,103 | 5,103 |
| Attributable tax | | **408** | **408** | (1,492) | (1,492) |
| | | **(1,222)** | **(1,222)** | 4,461 | 4,461 |
| ***Items that may be reclassified subsequently to profit or loss:*** | | | | | |
| Losses on currency translation differences | 26 | **(9,325)** | **(5,105)** | (4,024) | (912) |
| Gains on net investment hedges | 26 | **8,807** | **4,420** | 4,860 | 1,353 |
| Attributable tax | 26 | **(1,381)** | **(1,105)** | (688) | (338) |
| | | **(1,899)** | **(1,790)** | 148 | 103 |
| **Net other comprehensive (expense)/income** | | **(3,121)** | **(3,012)** | 4,609 | 4,564 |
| **Total comprehensive income** | | **62,058** | **64,840** | 42,063 | 40,929 |

# Consolidated and parent statements of changes in equity for the year ended 31 December 2024

| Group | Notes | Share capital £000 | Share premium £000 | Revaluation reserve £000 | Translation and hedging reserve £000 | Retained earnings £000 | Total £000 |
|---|---|---|---|---|---|---|---|
| **At 1 January 2024** | | **120,477** | **4,632** | **857** | **19,704** | **483,246** | **628,916** |
| *Profit for the year* | | **-** | **-** | **-** | **-** | ***65,179*** | ***65,179*** |
| *Other net expense* | | **-** | **-** | **-** | ***(1,899)*** | ***(1,222)*** | ***(3,121)*** |
| Total comprehensive income/(expense) | | **-** | **-** | **-** | **(1,899)** | **63,957** | **62,058** |
| Dividends on ordinary shares | 15 | **-** | **-** | **-** | **-** | **(30,000)** | **(30,000)** |
| Dividends on preference shares | 15 | **-** | **-** | **-** | **-** | **(9,181)** | **(9,181)** |
| Gross charitable grant | 15 | **-** | **-** | **-** | **-** | **(33,000)** | **(33,000)** |
| Tax relief on charitable grant | 15 | **-** | **-** | **-** | **-** | **8,250** | **8,250** |
| Reserve transfers | | **-** | **-** | **(857)** | **-** | **857** | **-** |
| **At 31 December 2024** | | **120,477** | **4,632** | **-** | **17,805** | **484,129** | **627,043** |
| **At 1 January 2023** | | 120,477 | 4,632 | 222 | 19,556 | 465,596 | 610,483 |
| *Profit for the year* | | - | - | - | - | *37,454* | *37,454* |
| *Other net income* | | - | - | *635* | *148* | *3,826* | *4,609* |
| Total comprehensive income | | - | - | 635 | 148 | 41,280 | 42,063 |
| Dividends on ordinary shares | 15 | - | - | - | - | (5,223) | (5,223) |
| Dividends on preference shares | 15 | - | - | - | - | (9,181) | (9,181) |
| Gross charitable grant | 15 | - | - | - | - | (13,000) | (13,000) |
| Tax relief on charitable grant | 15 | - | - | - | - | 3,837 | 3,837 |
| Group tax relief in excess of standard rate | | - | - | - | - | (63) | (63) |
| **At 31 December 2023** | | 120,477 | 4,632 | 857 | 19,704 | 483,246 | 628,916 |
| **Parent** | | | | | | | |
| **At 1 January 2024** | | **120,477** | **4,632** | **857** | **8,335** | **425,750** | **560,051** |
| *Profit for the year* | | **-** | **-** | **-** | **-** | ***67,852*** | ***67,852*** |
| *Other net expense* | | **-** | **-** | **-** | ***(1,790)*** | ***(1,222)*** | ***(3,012)*** |
| Total comprehensive income/(expense) | | **-** | **-** | **-** | **(1,790)** | **66,630** | **64,840** |
| Dividends on ordinary shares | | **-** | **-** | **-** | **-** | **(30,000)** | **(30,000)** |
| Dividends on preference shares | | **-** | **-** | **-** | **-** | **(9,181)** | **(9,181)** |
| Gross charitable grant | | **-** | **-** | **-** | **-** | **(33,000)** | **(33,000)** |
| Tax relief on charitable grant | | **-** | **-** | **-** | **-** | **8,250** | **8,250** |
| Reserve transfers | | **-** | **-** | **(857)** | **-** | **857** | **-** |
| **At 31 December 2024** | | **120,477** | **4,632** | **-** | **6,545** | **429,306** | **560,960** |
| **At 1 January 2023** | | 120,477 | 4,632 | 223 | 8,232 | 409,188 | 542,752 |
| *Profit for the year* | | - | - | - | - | *36,365* | *36,365* |
| *Other net income* | | - | - | *634* | *103* | *3,827* | *4,564* |
| Total comprehensive income | | - | - | 634 | 103 | 40,192 | 40,929 |
| Dividends on ordinary shares | | - | - | - | - | (5,223) | (5,223) |
| Dividends on preference shares | | - | - | - | - | (9,181) | (9,181) |
| Gross charitable grant | | - | - | - | - | (13,000) | (13,000) |
| Tax relief on charitable grant | | - | - | - | - | 3,837 | 3,837 |
| Group tax relief in excess of standard rate | | - | - | - | - | (63) | (63) |
| **At 31 December 2023** | | 120,477 | 4,632 | 857 | 8,335 | 425,750 | 560,051 |

The revaluation reserve represented cumulative net fair value gains on owner-occupied property with the movement in the year representing the sale of a property. Details of the translation and hedging reserve are included in note 26.

# Consolidated and parent statements of financial position at 31 December 2024

| | Notes | 31 December 2024 | | 31 December 2023 | |
|---|---|---|---|---|---|
| | | **Group** | **Parent** | Group | Parent |
| | | **£000** | **£000** | £000 | £000 |
| **Assets** | | | | | |
| Cash and cash equivalents | 24 | **105,761** | **80,330** | 112,082 | 83,436 |
| Financial investments | 21 | **982,001** | **674,401** | 941,755 | 658,601 |
| Other assets | 23 | **156,768** | **153,337** | 165,104 | 160,631 |
| Current tax recoverable | | **2,346** | **1,545** | 5,181 | 5,181 |
| Reinsurance contract assets | 27 | **239,453** | **178,143** | 220,108 | 154,770 |
| Investment property | 20 | **128,563** | **128,563** | 130,813 | 130,813 |
| Property, plant and equipment | 19 | **34,284** | **32,509** | 34,183 | 31,570 |
| Deferred tax assets | 29 | **7,365** | **6** | 8,483 | 229 |
| Goodwill and other intangible assets | 17 | **28,625** | **26,425** | 25,866 | 23,769 |
| Pension assets | 18 | **17,552** | **17,552** | 19,788 | 19,788 |
| **Total assets** | | **1,702,718** | **1,292,811** | 1,663,363 | 1,268,788 |
| **Equity** | | | | | |
| Share capital | 25 | **120,477** | **120,477** | 120,477 | 120,477 |
| Share premium account | | **4,632** | **4,632** | 4,632 | 4,632 |
| Retained earnings and other reserves | | **501,934** | **435,851** | 503,807 | 434,942 |
| **Total shareholders' equity** | | **627,043** | **560,960** | 628,916 | 560,051 |
| **Liabilities** | | | | | |
| Other liabilities | 30 | **61,843** | **66,640** | 57,279 | 42,920 |
| Current tax liabilities | | **97** | **96** | 2,931 | 2,931 |
| Provisions for other liabilities | 28 | **5,979** | **5,886** | 6,330 | 6,177 |
| Insurance contract liabilities | 27 | **779,418** | **567,572** | 781,842 | 569,833 |
| Lease obligations | 33 | **24,573** | **22,906** | 21,687 | 19,551 |
| Deferred tax liabilities | 29 | **40,615** | **39,307** | 37,838 | 36,671 |
| Investment contract liabilities | 32 | **133,706** | **-** | 95,886 | - |
| Subordinated liabilities | 31 | **25,112** | **25,112** | 25,853 | 25,853 |
| Retirement benefit obligations | 18 | **4,332** | **4,332** | 4,801 | 4,801 |
| **Total liabilities** | | **1,075,675** | **731,851** | 1,034,447 | 708,737 |
| **Total shareholders' equity and liabilities** | | **1,702,718** | **1,292,811** | 1,663,363 | 1,268,788 |

No statement of profit or loss is presented for Ecclesiastical Insurance Office plc as permitted by Section 408 of the Companies Act 2006. The profit after tax of the parent company for the year was £67.9m (2023: profit of £36.4m).

The financial statements of Ecclesiastical Insurance Office plc, registered number 00024869, on pages 48 to 134 were approved and authorised for issue by the Board of Directors on 20 March 2025 and signed on its behalf by:

David Henderson
*Chair*

Mark Hews
*Group Chief Executive*

# Consolidated and parent statements of cash flows for the year ended 31 December 2024

| | Notes | 2024 | | 2023 | |
|---|---|---|---|---|---|
| | | **Group** | **Parent** | Group | Parent |
| | | **£000** | **£000** | £000 | £000 |
| **Profit before tax from continuing operations** | | **82,475** | **84,749** | 44,753 | 41,903 |
| **Profit before tax from discontinued operations** | | **-** | **-** | 719 | 1,501 |
| *Adjustments for:* | | | | | |
| Depreciation of property, plant and equipment | | **6,357** | **5,628** | 5,879 | 5,288 |
| Revaluation of property, plant and equipment | | **-** | **-** | (35) | (35) |
| (Profit)/loss on disposal of property, plant and equipment | | **(178)** | **(178)** | 2 | 3 |
| Amortisation and impairment of intangible assets | | **3,369** | **3,466** | 5,583 | 5,583 |
| Movement in expected credit loss provision | | **(9)** | **-** | (1,255) | (552) |
| Profit on disposal of subsidiary | | **-** | **-** | (718) | (1,501) |
| Net fair value gains on financial instruments and investment property | | **(21,685)** | **(28,203)** | (12,928) | (7,728) |
| Dividend and interest income | | **(39,683)** | **(31,311)** | (35,077) | (27,709) |
| Finance costs | | **3,102** | **3,102** | 3,151 | 3,079 |
| Other adjustments for non-cash items | | **616** | **594** | 1,560 | 1,560 |
| **Changes in operating assets and liabilities:** | | | | | |
| Net (increase)/decrease in reinsurance contract assets | | **(27,129)** | **(26,120)** | 13,974 | (9,601) |
| Net increase in investment contract liabilities | | **37,820** | **-** | 37,407 | - |
| Net increase in insurance contract liabilities | | **19,809** | **7,229** | 6,430 | 35,512 |
| Net increase in other assets | | **(21,990)** | **(22,130)** | (16,857) | (19,001) |
| Net increase in other liabilities | | **7,903** | **26,030** | 11,615 | 3,426 |
| Cash generated by operations | | **50,777** | **22,856** | 64,203 | 31,728 |
| Purchases of financial instruments and investment property | | **(161,953)** | **(103,820)** | (202,338) | (127,968) |
| Sale of financial instruments and investment property | | **130,778** | **109,376** | 147,364 | 119,627 |
| Dividends received | | **12,043** | **11,708** | 10,452 | 9,526 |
| Interest received | | **26,419** | **18,441** | 23,618 | 17,354 |
| Tax paid | | **(6,415)** | **(5,579)** | (2,705) | (2,546) |
| **Net cash from operating activities** | | **51,649** | **52,982** | 40,594 | 47,721 |
| **Cash flows from investing activities** | | | | | |
| Purchases of property, plant and equipment | | **(3,336)** | **(3,273)** | (2,358) | (1,331) |
| Proceeds from the sale of property, plant and equipment | | **1,963** | **1,961** | 296 | - |
| Purchases of intangible assets | | **(6,191)** | **(6,180)** | (1,245) | (1,245) |
| **Net cash used by investing activities** | | **(7,564)** | **(7,492)** | (3,307) | (2,576) |
| **Cash flows from financing activities** | | | | | |
| Interest paid | | **(2,625)** | **(2,625)** | (2,491) | (2,419) |
| Payment of lease liabilities | | **(2,116)** | **(1,796)** | (3,128) | (2,935) |
| Dividends paid to Company's shareholders | | **(9,181)** | **(9,181)** | (9,181) | (9,181) |
| Charitable grant paid to ultimate parent undertaking | | **(33,000)** | **(33,000)** | (13,000) | (13,000) |
| **Net cash used by financing activities** | | **(46,922)** | **(46,602)** | (27,800) | (27,535) |
| **Net (decrease)/increase in cash and cash equivalents** | | **(2,837)** | **(1,112)** | 9,487 | 17,610 |
| Cash and cash equivalents at beginning of year | | **112,082** | **83,436** | 104,664 | 66,569 |
| Exchange losses on cash and cash equivalents | | **(3,484)** | **(1,994)** | (2,069) | (743) |
| **Cash and cash equivalents at end of year** | 24 | **105,761** | **80,330** | 112,082 | 83,436 |

# Notes to the financial statements

## 1 Accounting policies

Ecclesiastical Insurance Office plc (hereafter referred to as the 'Company', or 'Parent'), a public limited company incorporated and domiciled in England and Wales, together with its subsidiaries (collectively, the 'Group') operates principally as a provider of general insurance, with offices in the UK & Ireland, Australia and Canada. The Company is limited by shares. The material accounting policies adopted in preparing the financial statements of the Group and Parent are set out below.

**Basis of preparation**

The Group's consolidated and Parent's financial statements have been prepared using the following accounting policies, which are in accordance with UK-adopted international accounting standards (UKIAS) applicable at 31 December 2024, and in accordance with requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The policies have been applied consistently to all years unless otherwise stated. The financial statements have been prepared on the historical cost basis, except for certain financial assets, financial liabilities and derivatives measured at fair value through profit and loss (FVTPL), and the revaluation of properties and certain derivatives measured at fair value through other comprehensive income (FVOCI).

As stated in the Directors' Report, the directors consider that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

Items included in the financial statements of each of the Group's entities are measured in the currency of the primary economic environment in which that entity operates (the 'functional currency'). The consolidated financial statements are stated in sterling, which is the Company's functional currency and the Group's presentational currency.

As permitted by Section 408 of the Companies Act 2006, a separate profit and loss account for the Company is not presented.

**New and revised standards**

The following amendments and improvements to accounting standards have been issued by the International Accounting Standards Board (IASB), and endorsed in the UK, and are effective for periods beginning on or before 1 January 2024, and are therefore applicable for the 31 December 2024 financial statements. None of these changes had a significant impact on the financial statements:

Amendments to IAS 1 *Presentation of Financial Statements:*
- Classification of Liabilities as Current or Non-current (issued on 23 January 2020);
- Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 15 July 2020); and
- Non-current Liabilities with Covenants (issued on 31 October 2022)

Amendments to IFRS 16 *Leases: Lease Liability in a Sale and Leaseback* (issued on 22 September 2022)
Amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments - Disclosures* : *Supplier Finance Arrangements* (issued on 25 May 2023).

The following new international financial reporting standards (IFRSs) have been issued but are not yet effective for the year ended 31 December 2024. These standards are currently under consideration for endorsement by the UK endorsement board. Consequently, as these standards are not incorporated into UK legislation, they have not been adopted in the current year's financial statements.

| Sustainability reporting standard | Key requirements | Expected impact on the financial statements |
|---|---|---|
| IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (issued on 26 June 2023 by the International Sustainability Standards Board; endorsement by the UK government expected in 2025).<br><br>IFRS S2 *Climate-related Disclosures* (issued on 26 June 2023 by the International Sustainability Standards Board; endorsement by the UK government expected in 2025). | Enhanced sustainability-related financial disclosures and climate-related disclosures. | The most notable changes will be:<br>• Disclosures will consider a broader range of sustainability risks and opportunities, not just those related to climate.<br>• Introduces the concept that disclosures should address both the impact of the Group's activities on the environment and society, as well as how environmental and sustainability risks might affect the Group's financial position and performance. |

# Notes to the financial statements

## 1 Accounting policies (continued)

The following standards and amendments were in issue but not yet effective and have not been applied to these financial statements:

| Accounting standard | Key requirements | Expected impact on the financial statements | Effective date |
|---|---|---|---|
| IFRS 18 *Presentation and Disclosure in Financial Statements* | The new standard sets out the requirements for the presentation and disclosure of financial statements, aiming to improve the structure and content of the primary financial statements. There are also increased requirements in relation to disclosures on alternative performance metrics. | The adoption of IFRS 18 is expected to result in presentational changes in the consolidated financial statements and disclosure changes in the notes. The Group is currently assessing the impact of adopting this standard. Therefore, the quantitative effect of this standard is currently unknown. | Periods beginning on or after 1 January 2027 |
| Amendments to the Classification and Measurement Requirements for Financial Instruments in IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* | These amendments improve the requirements in IFRS 9 and IFRS 7 related to settling financial liabilities using an electronic payment system; and assessing contractual cash flow characteristics of financial assets, including those with environmental, social and governance (ESG)-linked features. The amendments also modify disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and add disclosure requirements for financial instruments with contingent features that do not relate directly to basic lending risks and costs. | The Group is currently assessing the impact of adopting this standard. Therefore, the quantitative effect of this standard is currently unknown. | Periods beginning on or after 1 January 2026 |

***Other standards and amendments in issue but not yet effective:***
Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates* : Lack of Exchangeability, published on 15 August 2023 and effective for annual periods beginning on or after 1 January 2025, is not expected to have a material impact on the Group's Consolidated Financial Statements.

**Use of estimates**
The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. Those estimates which have the most material impact on the financial statements are disclosed in note 2.

**Basis of consolidation**
***Subsidiaries***
Subsidiaries are those entities over which the Company, directly or indirectly, has control, with control being achieved when the Company has power over the investee, is exposed to variable return from its involvement with the investee and has the ability to use its power to affect its returns. The results and cash flows relating to subsidiaries acquired or disposed of in the period are included in the consolidated statement of profit or loss, and the consolidated statement of cash flows, up to the date of disposal, and are included within discontinued operations where appropriate. All inter-company transactions, balances and cash flows are eliminated, with the exception of those between continuing and discontinued operations.

In the Parent statement of financial position, subsidiaries are accounted for within financial investments at cost less impairment, in accordance with International Accounting Standard (IAS) 27 *Separate Financial Statements.*

The Group uses the acquisition method of accounting to account for business combinations. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Non-controlling interests are measured either at fair value or at a proportionate share of the identifiable net assets of the acquiree. Goodwill is measured as the excess of the aggregate of the consideration transferred, the fair value of contingent consideration, the amount of non-controlling interests and, for an acquisition achieved in stages, the fair value of previously held equity interest over the fair value of the identifiable net assets acquired. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognised directly through profit or loss.

# Notes to the financial statements

## 1 Accounting policies (continued)

For business combinations involving entities or businesses under common control, the cost of the acquisition equals the value of net assets transferred, as recognised by the transferor at the date of the transaction. No goodwill arises on such transactions.

**Discontinued operations and operations held for sale or distribution**
Assets and liabilities for a disposal group which are held for sale outside the Group or distribution within the Group are reported as assets or liabilities held for sale or distribution and shown separately in the consolidated statement of financial position and carried at the lower of their carrying amount and fair value less estimated selling costs. Discontinued operations comprise activities either disposed of or classified as held for sale or distribution. The results of discontinued operations and profit or loss on disposal of discontinued operations are presented separately in the consolidated statement of profit or loss. Comparatives are restated where applicable.

**Foreign currency translation**
The assets and liabilities of foreign operations are translated from their functional currencies into the Group's presentation currency using period-end exchange rates, and their income and expenses using average exchange rates for the period. Exchange differences arising from the translation of the net investment in foreign operations are taken to the currency translation reserve within equity. On disposal of a foreign operation, such exchange differences are transferred out of this reserve, along with the corresponding movement on net investment hedges, and are recognised in the statement of profit or loss as part of the gain or loss on sale.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions. Exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised through profit or loss.

**Product classification**
Contracts under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as insurance contracts. Contracts that do not transfer significant insurance risk are classified as investment or service contracts. All of the Group's life business contracts written up to April 2013 are classified as insurance contracts and those written from August 2021 are classified as investment contracts. The closed book of business (insurance contracts) relates to funeral plan business directly written by Ecclesiastical Life Limited (ELL) backed by a Whole of Life policy, which is administered by Ecclesiastical Planning Services Limited (EPSL). This was closed to new business in 2013. EPSL is a subsidiary undertaking of the Benefact Group. New business (investment contracts) written from August 2021 creates unit trust backed life policies to secure the pre-paid funeral plans written by EPSL and a third party provider.

Contracts may contain a discretionary participating feature, which is defined as a contractual right to receive additional benefits as a supplement to guaranteed benefits. The Group does not have any such participating contracts (referred to as with-profit contracts). The Group's long-term business contracts are referred to as non-profit contracts in the financial statements.

**Net investment return**
Net investment return consists of dividends, interest and rents receivable for the period, realised gains and losses, unrealised gains and losses on financial investments and investment properties. Dividends on equity securities are recorded as revenue on the ex-dividend date. Interest and rental income is recognised as it accrues.

Unrealised gains and losses are calculated as the difference between carrying value and original cost, and the movement during the period is recognised through profit or loss. The value of realised gains and losses includes an adjustment for previously recognised unrealised gains or losses on investments disposed of in the accounting period.

**Insurance contract liabilities**
Contracts under which the Group accepts significant insurance risk are classified as insurance contracts. Insurance risk is transferred when the Group agrees to compensate a policyholder should an adverse specified uncertain future event occur. Contracts held by the Group under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts held. Insurance and reinsurance contracts held also expose the Group to financial risk.

Insurance contracts issued and reinsurance contracts held may be initiated by the Group, or they may be acquired in a business combination or in a transfer of contracts that do not form a business. All references in these accounting policies to 'insurance contracts' and 'reinsurance contracts' held include contracts issued, initiated, or acquired by the Group, unless otherwise stated.

Under IFRS 17 *Insurance Contracts* the presentation of insurance revenue and insurance service expenses in the consolidated statement of profit or loss is based on the concept of insurance service provided during the period.

# Notes to the financial statements

## 1 Accounting policies (continued)

Insurance contract liabilities are measured as the sum of the liability for incurred claims (LIC) and liability for remaining coverage (LFRC). The LIC represents the obligation to pay valid claims for insured events that have occurred, which may also include events that have already occurred but have not been reported to the Group. The LFRC represents the Group's liability for insured events that have not yet occurred under the insurance contract. Under IFRS 17, insurance revenue in each reporting period represents the change in the LFRC that relates to services for which the Group expects to receive consideration.

***(a) General insurance and reinsurance contracts***
***(i) Classification***
The Group issues general insurance products to both individuals and businesses. The Group offers general insurance products in a number of sectors.

The Group does not offer any product with direct participating features.

***(ii) Separating components***
The Group assesses its insurance and reinsurance products to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Group applies IFRS 17 to all remaining components of the host insurance contract. The Group's insurance and reinsurance contracts do not include any components that require separation.

Once the consideration of distinct components has been determined, the Group assesses whether the contract should be separated into several insurance components that, in substance, should be treated as separate contracts. To determine whether a single legal contract does not reflect the substance of the transaction and its insurance components should be recognised and measured separately instead, the Group considers whether there is an interdependency between the different risks covered, whether components can lapse independently of each other and whether the components can be priced and sold separately. The Group's insurance and reinsurance contracts do not include any separate insurance components that should be treated as separate contracts.

***(iii) Level of aggregation***
Insurance and reinsurance contracts are aggregated into portfolios and split into annual cohorts and profitability groups for measurement and presentational purposes. The portfolios are comprised of contracts with similar risks which are managed together. Judgement is applied when determining portfolios and includes drivers such as geography, lines of business (where these are separate components) and legal entities within the Group.

Each annual cohort of business recognised within the portfolio is further divided into groups based on the expected profitability, determined at initial recognition and assessed using actuarial valuation models applied to lower level sets of contracts. As a minimum the following groupings are separated:
- Onerous contracts;
- Contracts that have no significant possibility of becoming onerous (based on the probability that changes to assumptions result in contracts becoming onerous); and
- Any remaining contracts.

Contracts are considered onerous if the fulfilment cashflows allocated to that group of contracts in total are a net outflow. Where the Premium Allocation Approach (see section (vi)) is applied, the Group uses an IFRS 17 permitted simplification that assumes that no contracts in a portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. The Group has developed methodology that identifies facts and circumstances that indicate whether a set of contracts is onerous, which is primarily based on internal management budgeting information.

***(iv) Recognition and derecognition***
An insurance contract issued by the Group is recognised from the earliest of:
- The date the Group is exposed to risk which is ordinarily the beginning of the coverage period (i.e. the period during which the Group provides services in respect of any premiums within the contract boundary of the contract);
- The date the first premium payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; or
- The date when facts and circumstances indicate the contract is onerous.

When a contract is recognised, it is added to an existing group of contracts. However, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future similar contracts are added. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

# Notes to the financial statements

## 1 Accounting policies (continued)

The Group derecognises insurance contracts when:
- The rights and obligations relating to the contract are extinguished (i.e. discharged, cancelled or expired); or
- The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Group derecognises the initial contract and recognises a new contract based on the modified terms.

When a modification is not treated as a derecognition, the Group recognises amounts paid or received for the modification with the contract as an adjustment to the relevant LRC.

***(v) Contract boundaries***

The Group uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts. The measurement of a group of contracts includes all the future cash flows within the boundary of each contract in the group, determined as:

***Insurance contracts***

Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums, or in which the Group has a substantive obligation to provide the policyholder with services. A substantive obligation to provide services ends when:
- The Group has the practical ability to reassess the risks of the policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or
- The Group has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not consider risks that relate to periods after the reassessment date.

The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Group's substantive rights and obligations and, therefore, may change over time.

***Reinsurance contracts***

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.

A substantive right to receive services from the reinsurer ends when the Group is no longer compelled to pay amounts to the reinsurer and if the reinsurer:
- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Group's substantive rights and obligations and, therefore, may change over time.

***(vi) Measurement model – Premium Allocation Approach (PAA)***

The Group applies the PAA when measuring the liability for remaining coverage of groups of insurance and reinsurance contracts when the following criteria are met at inception:

Insurance contracts:
- The coverage period of each contract in the group is one year or less; or
- Where the coverage period of a group of contracts is longer than one year, it is reasonably expected that the measurement of the liability for remaining coverage for the group containing those contracts under PAA does not differ materially from the measurement that would be recognised by applying the General Measurement Model (GMM).

Reinsurance contracts held:
- The coverage period of each contract in the group is one year or less; or
- The Group reasonably expects that the resulting measurement of the asset for remaining coverage under the PAA would not differ materially from the result of applying the GMM.

The vast majority of the Group's non-life business has a duration of one year or less and the PAA model is eligible automatically. Where the PAA model is not automatically eligible, financial modelling is performed comparing the financial effects under the two models. Where the financials are not expected to be materially different under the GMM and PAA, the relevant unit of account is treated as PAA eligible.

# Notes to the financial statements

## 1 Accounting policies (continued)

***Initial recognition***

On initial recognition of each group of contracts, the carrying amount of the LRC is measured as the premiums received less any insurance acquisition cash flows allocated to the group at that date. For reinsurance contracts held, the measurement of the reinsurance contract held includes all expected cash flows within the boundary of the reinsurance contract, including those cash flows related to recoveries from future underlying insurance contracts that have not yet been issued by the Group, but are expected to be issued during the coverage period of the reinsurance contract held.

***Subsequent recognition***

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

- Increased by any premiums received and the amortisation of insurance acquisition cash flows recognised as expenses; and
- Decreased by the amount recognised as insurance revenue for services provided and any additional insurance acquisition cash flows allocated after initial recognition.

For reinsurance contracts held, at each of the subsequent reporting dates, the Group applies the same accounting policies to measure a group of reinsurance contracts held, adapted where necessary to reflect features that differ from those of insurance contracts.

To identify onerous contracts, the PAA facts and circumstances test uses the latest signed-off Corporate Strategic Plan, identifying sets of contracts with a gross Combined Operating Ratio (COR) > 100% (including risk adjustment), when aligned to the relevant period being tested. Where the Group recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or when further onerous underlying insurance contracts are added to a group, the Group establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held representing the expected recovery of the losses.

A loss-recovery component is subsequently reduced to zero in line with reductions in the onerous group of underlying insurance contracts to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the Group expects to recover from the group of reinsurance contracts held.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Group recognises a loss within insurance service expenses in the consolidated statement of profit or loss and increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage. Measurement of the loss component arising from the identification of onerous contracts is based on the future expected profitability calculation attributed to the annual cohort(s) which are indicated to be loss making.

The Group recognises the LIC of a group of insurance contracts at the discounted amount of the future cash flows relating to claims incurred but not yet settled and attributable expenses.

Discount rates are applied to reflect the time value of money and characteristics of the liability cash flows and contracts (including liquidity).

The change in the LIC due to the effects of the time value of money and financial risk is recognised within the net insurance financial result in the consolidated statement of profit or loss.

The Group recognises the loss arising from onerous contracts as part of the insurance service expense in the statement of comprehensive income. If there are no changes in expectations in subsequent periods, the release of the loss component is recognised as an adjustment to insurance service expenses in the consolidated statement of profit or loss in line with the pattern of earned premium.

***(vii) Risk adjustment***

The risk adjustment reflects the compensation required by the Group for bearing uncertainty about the insurance cash flows that arise from non-financial risks. The Group uses a combination of techniques to measure the risk adjustment, aligning to latest risk appetite approach.

Risk appetite is set net of reinsurance with the amount held for insurance contracts including the amount transferred to reinsurers. Under the PAA, the risk adjustment is driven by claims reserving uncertainty, which the Group models using statistical techniques including bootstrapping, supplemented where appropriate by scenario analysis, diversification between lines of business and backtesting of actual reserve development experience. The Group appetite targets an overall confidence level at or above the 75th percentile. General operational risk not attributed to insurance contracts is not within the scope of risks included.

The change in the risk adjustment for earned business is recognised within insurance service expenses in the consolidated statement of profit or loss.

# Notes to the financial statements

## 1 Accounting policies (continued)

***(viii) Insurance acquisition cash flows***

Insurance acquisition cash flows are costs considered directly attributable to selling, underwriting or starting a portfolio of insurance contracts and are presented within the liability for remaining coverage. Insurance acquisition cash flows include direct costs and indirect costs. The PAA provides an option to expense insurance acquisition cash flows as incurred, however the Group has chosen not to apply this option. Insurance acquisition cash flows are amortised over the coverage period of the group of insurance contracts which they relate to.

Under IFRS 17, insurance acquisition cash flows for insurance contracts, insurance receivables and payables, and provisions for levies that are attributable to existing insurance contracts are included in the measurement of insurance contracts issued .

***(ix) Insurance revenue***

Under the premium allocation approach, insurance revenue for the period is the amount of expected premium receipts (excluding any investment component and after adjustment to reflect the time value of money and the effect of financial risk, if applicable) allocated to the period for services provided. The Group allocates the expected premium receipts to each period of insurance contract services, on the basis of the passage of time or, if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, on the basis of the expected timing of incurred insurance service expenses. Changes to the basis of allocation are accounted for prospectively as a change in accounting estimate.

***(x) Insurance service expenses***

Insurance service expenses include fulfilment and acquisition cash flows which are costs directly attributable to insurance contracts and comprise both direct costs and the allocation of fixed and variable overheads. It is comprised of the following:

- Incurred claims and benefits excluding investment components;
- Other incurred discretionary attributable insurance service expenses;
- Amortisation of insurance acquisition cash flows;
- Changes that relate to past service (i.e. changes in the future cash flows relating to the LIC); and
- Changes that relate to future service (i.e. losses/reversals on onerous groups of contracts from changes in the loss components).

Amortisation of insurance acquisition cash flows is done on a straight-line basis and reflected in insurance service expenses in the same amount as insurance acquisition cash flows recovery reflected within insurance revenue as described above. Other expenses not meeting the above categories are included in other operating expenses in the consolidated statement of profit or loss.

***(xi) Net income or expense from reinsurance contracts***

Net income or expense from reinsurance contracts represents the insurance service result for groups of reinsurance contracts held and comprises of the allocation of reinsurance premiums and other incurred directly attributable claims and expenses.

Reinsurance premium and expenses are recognised using the principles used to determine insurance revenue and expenses. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received insurance contract services at an amount that reflects the portion of ceding premiums that the Group expects to pay in exchange for those services.

The estimates of the present value of future cash flows of the reinsurance contracts held will reflect the risk of non-performance by the reinsurer and the risk adjustment for reinsurance contracts held and is measured and recognised separately from insurance contracts issued.

In addition, the allocation of reinsurance premiums includes changes in the reinsurance assets arising from retroactive reinsurance contracts held and voluntary reinstatement ceded premiums.

Reinsurance expenses reflect the allocation of reinsurance premiums paid or payable for receiving services in the period.

The Group treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be recovered under the reinsurance contract held.

***(xii) Net insurance financial result***

Net insurance financial result comprises the change in the carrying amount of groups of insurance contracts issued and reinsurance contracts held arising from the effect of the time value of money and changes in the time value of money and the effect of financial risk and changes in financial risk.

# Notes to the financial statements

## 1 Accounting policies (continued)

***(b) Life insurance***

***(i) Level of aggregation***

The Group's life insurance business comprises whole of life insurance contracts with similar risks which are managed together. These are aggregated into a single portfolio of insurance contracts.

The portfolio of contracts is divided into groups based on the expected profitability, determined at initial recognition and assessed using actuarial valuation models. As a minimum the following groupings are separated:

- Onerous contracts;
- Contracts that have no significant possibility of becoming onerous (based on the probability that changes to assumptions result in contracts becoming onerous); and
- Any remaining contracts.

As the fair value approach has been applied on transition, the Group is not required to recognise separate cohorts for contracts issued more than one year apart.

***(ii) Contract boundary***

The Group uses the concept of contract boundary to determine what cash flows should be considered in the measurement of insurance contracts. The measurement of the contracts includes all the future cash flows within the boundary of each contract in the group.

Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums, or in which the Group has a substantive obligation to provide the policyholder with services. A substantive obligation to provide services ends when:

- The Group has the practical ability to reassess the risks of the policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or
- The Group has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not consider risks that relate to periods after the reassessment date.

The Group has concluded that it has no practical ability to reassess the risks of its portfolio and set a price to reflect them after inception of the life insurance contract. Therefore no contract boundary is assumed to exist before the expiry of the insurance contract.

***(iii) Measurement Model – General Measurement Model (GMM)***

The GMM is the default method used to measure insurance contracts under IFRS 17.

***Initial recognition***

On initial recognition, the carrying amount of the LRC is measured as the sum of discounted probability-weighted fulfilment cash flows within the contract boundary, an explicit risk adjustment and a contractual service margin (CSM), representing the unearned profit of the contract to be recognised as revenue over the coverage period. If the portfolio of contracts is expected to be onerous at inception, the loss is recognised immediately within insurance service expenses in the statement of consolidated profit or loss and the CSM is set to zero.

***Subsequent measurement***

The carrying amount of the LRC is updated at each reporting date to reflect the re-measurement of the fulfilment cash flows to reflect estimates based on current assumptions. The changes in fulfilment cash flows are reflected either in the insurance service result or by adjusting the CSM, depending upon their nature. If the fulfilment cash flows exceed the CSM, the portfolio of contracts becomes onerous, and the loss is recognised immediately within insurance service expenses in the statement of consolidated profit or loss.

The Group recognises the LIC of a group of insurance contracts at the discounted amount of the fulfilment cash flows relating to claims incurred but not yet settled and attributable expenses.

***(iv) Risk adjustment***

The risk adjustment reflects the compensation required by the Group for bearing uncertainty about the cash flows that arises from non-financial risks. The Group uses the value at risk/confidence level approach, choosing a confidence level and deriving the risk adjustment directly from it. The confidence level percentile input used by the Group to determine the risk adjustment is the 95th percentile calculated using a one-year Value-at-Risk (VaR) measure. The risk adjustment is calculated at the entity level.

# Notes to the financial statements

## 1 Accounting policies (continued)

The Group's general and life insurance businesses are managed separately, subject to different risk profiles, and the compensation required for bearing the associated non-financial risks is measured using different risk time horizons. The Group's view of the compensation for non-financial risks is different for the general and life insurance contracts and therefore it is expected that the confidence levels for the risk adjustment will be different between the two types of business.

***(v) Insurance revenue***

As the Group provides services under the group of insurance contracts, it reduces the LRC and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration Group expected to be entitled to in exchange for those services. Insurance revenue comprises the following:

- Amounts relating to the changes in the LRC:
  - Insurance claims and expenses incurred in the period measured at amounts expected at the beginning of the period, excluding:
    - Amounts related to the loss component;
    - Repayments of investment components;
    - Amounts of transaction-based taxes collected in a fiduciary capacity; and
    - Insurance acquisition expenses;
  - Changes in the risk adjustment for non-financial risk, excluding;
    - Changes included in insurance finance income or expenses;
    - Changes that relate to future coverage (which adjust the CSM); and
    - Amounts allocated to the loss component;
  - Amounts of the CSM recognised in profit or loss for the services provided in the period; and
  - Experience adjustments arising from premiums received in the period that relate to past and current service and related cash flows such as insurance acquisition cash flows and premium-based taxes.

The amount of CSM recognised in profit or loss in each period to reflect services provided is determined by considering, for each group of contracts, coverage units that reflect the quantity of the benefits provided in each period and the expected coverage period. Coverage units are reviewed and updated at each reporting date. The quantity of benefits provided is based on the level of maximum benefit provided under the insurance contract and the coverage period is set as the probability-weighted average expected duration for the group of contracts.

***(vi) Insurance service expenses***

Insurance service expenses include fulfilment and acquisition cash flows which are costs directly attributable to insurance contracts and comprise both direct costs and the allocation of fixed and variable overheads. It is comprised of the following:

- Incurred claims and benefits excluding investment components;
- Other incurred discretionary attributable insurance service expenses;
- Amortisation of insurance acquisition cash flows;
- Changes that relate to past service (i.e. changes in the future cash flows relating to the LIC); and
- Changes that relate to future service (i.e. losses/reversals on onerous groups of contracts from changes in the loss components).

Amortisation of insurance acquisition cash flows is reflected in insurance service expenses in the same amount as insurance acquisition cash flows recovery reflected within insurance revenue as described above. Other expenses not meeting the above categories are included in other operating expenses in the consolidated statement of profit or loss.

***(vii) Insurance acquisition cash flows***

For life insurance contracts, acquisition costs comprise direct costs such as initial commission and the indirect costs of obtaining and processing new business. As with general insurance business, those attributable are included in the measurement of insurance contracts issued and reinsurance contracts held.

**Investment contract liabilities**

For products that have no significant insurance risk and therefore classified as investment contracts, the Group recognises a liability measured at fair value. The fair value of these liabilities is estimated based on an arms-length transaction between willing market participants with consideration given to the cost of the minimum repayment guarantee to the policyholders. The cost of the guarantee is determined using risk free rates of return, with the associated volatility assumption and allowing for the costs of administration associated with this low risk investment strategy.

# Notes to the financial statements

## 1 Accounting policies (continued)

**Intangible assets**
***Goodwill***
Goodwill represents the excess of the cost of an acquisition over the fair value of the identifiable assets and liabilities acquired at the date of acquisition. Goodwill on acquisitions prior to 1 January 2004 (the date of transition to IFRS) is carried at book value (original cost less amortisation) on that date, less any subsequent impairment. Where it is considered more relevant, the Group uses the option to measure goodwill initially at fair value, less any subsequent impairment.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

***Computer software***
Computer software is carried at historical cost less accumulated amortisation and impairment, and amortised over a useful life of between three and ten years, using the straight-line method. Amortisation and impairment charges incurred for the period are included in the statements of profit or loss within other operating and administrative expenses.

Software costs that cannot be classified as intangible assets are charged to profit or loss during the period in which they are incurred.

***Other intangible assets***
Other intangible assets consist of acquired brand, customer and distribution relationships, and are carried at cost at acquisition less accumulated amortisation and impairment after acquisition. Amortisation is on a straight-line basis over the weighted average estimated useful life of intangible assets acquired. Amortisation and impairment charges incurred for the period are included in the statement of profit or loss within other operating and administrative expenses.

**Property, plant and equipment**
Owner-occupied properties are stated at fair value and movements are taken to the revaluation reserve within equity, net of deferred tax. When such properties are sold, the accumulated revaluation surpluses are transferred from this reserve to retained earnings.

Where the fair value of an individual property is below original cost, any revaluation movement arising during the period is recognised within net investment return in the statement of profit or loss. Valuations are carried out at least every three years by external qualified surveyors. All other items classed as property, plant and equipment within the statement of financial position are carried at historical cost less accumulated depreciation and impairment.

Land is not depreciated. No depreciation is provided on owner-occupied properties since such depreciation would be immaterial. Depreciation is calculated to write down the cost of other assets to their residual values over their estimated useful lives as follows:

| | |
|---|---|
| Computer equipment | 3 - 5 years straight line |
| Motor vehicles | 4 years straight line |
| Fixtures, fittings and equipment | 3 - 10 years or length of lease straight line |
| Right-of-use assets | The shorter of the lease term and useful life of the asset |

Where the carrying amount of an item carried at historical cost less accumulated depreciation is greater than its estimated recoverable amount, it is written down to its recoverable amount by way of an impairment charge to profit or loss.

Repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

**Investment property**
Investment property comprises land and buildings which are held for long-term rental yields. It is carried at fair value with changes in fair value recognised in the statement of profit or loss within net investment return. Investment property is valued annually by external qualified surveyors at open market value. Investment properties are derecognised when they have been disposed of. Where the Group disposes of a property, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in profit or loss within net investment return.

**Financial instruments**
***(a) Classification and measurement***
All financial assets under IFRS 9 are to be initially recognised at fair value, plus or minus (in the case of a financial asset not at FVTPL) transaction costs that are directly attributable to the acquisition of the financial instrument. Classification and subsequent measurement of financial assets depends on the Group’s business model for managing the financial assets and the contractual terms of the cash flows.

# Notes to the financial statements

## 1 Accounting policies (continued)

***Debt instruments***

There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI) are measured at amortised cost. Interest income from these financial assets is included in 'net investment result' using the effective interest rate method.
- Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI, except where an election is made to classify as FVTPL. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'net investment result. Interest income from these financial assets is included in 'net investment result' using the effective interest rate method.
- Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. In order to eliminate or significantly reduce an accounting mismatch, an irrevocable election can be made (on an instrument-by-instrument basis) to classify and measure debt instruments at FVTPL instead of amortised cost or FVOCI. A gain or loss on a debt investment that is measured at FVTPL is recognised in profit or loss and presented net within 'net investment result'.

***Equity instruments***

- FVTPL: By default, the group classifies and measures equity investments at FVTPL. Changes in the fair value of equity instruments at FVTPL are recognised in 'net investment result' in the consolidated statement of profit or loss.
- FVOCI: An irrevocable election can be made (on an instrument-by-instrument basis) on the date of acquisition to classify and measure equity instruments at FVOCI. Designation is not permitted if the equity instrument is held for trading. Where this election has been made, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss within 'net investment result' when the Group's right to receive payments is established.

***(b) Impairment***

The Group recognises a forward-looking loss allowance for expected credit losses (ECL) on financial assets measured at amortised cost or FVOCI. ECL is an unbiased, probability-weighted estimate of credit losses and considers all reasonable and supportable information. The impairment methodology applied depends on whether there has been a significant increase in credit risk or default.

The Group elects to apply the simplified approach permitted by IFRS 9 and recognises lifetime ECL for trade receivables and lease receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for current and forecast economic conditions.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. Lifetime ECL represents the expected losses that will result from all possible default events over the expected life of a financial instrument. 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. A financial asset is written off to the extent there is no reasonable expectation of recovery. Any subsequent recovery in excess of the financial asset's written down value is credited to profit or loss.

Impairment losses are presented within 'net investment return' in the consolidated statement of profit or loss.

**Offset of financial assets and financial liabilities**

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position, when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

**Subordinated liabilities**

Subordinated liabilities are recognised initially at fair value, being the issue proceeds net of premiums, discounts and transaction costs incurred. All borrowings are subsequently measured at amortised cost using the effective interest rate method. The amortisation is recognised as an interest expense using the effective interest rate method.

**Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

# Notes to the financial statements

## 1 Accounting policies (continued)

**Leases**

***Group as a lessee***

Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the lease asset is available for use by the Group. Each lease payment is deducted from the lease liability. Finance costs are charged to the profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Lease liabilities are determined using the net present value of the payments over the lease term with the rate used to discount payments reflecting the rate implicit in the lease or, if it not readily determinable, the Group's incremental borrowing rate, and include:

- Fixed payments less any lease incentives receivable;
- Variable lease payments that are based on an index or rate;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of an option if the lessee is reasonably certain to exercise that option; and
- Payments and penalties from terminating the lease, if the lease term reflects the lessee exercising that option.

Right-of-use assets are initially measured at cost and subsequently measured as cost less accumulated depreciation and comprises:

- The amount of the initial measurement of lease liability;
- Any lease payment made at or before the commencement date, less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are presented within property, plant and equipment in the statement of financial position.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

***Group as a lessor***

The Group enters into lease agreements as a lessor with respect to some of its investment properties. The Group also sublets property no longer occupied by the Group.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

**Provisions and contingent liabilities**

Provisions are recognised when the Group has a present legal or constructive obligation, as a result of past events, and it is probable that an outflow of resources, embodying economic benefits, will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when it is virtually certain that the reimbursement will be received.

The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation but either an outflow of resources is not probable or the amount cannot be reliably estimated.

**Employee benefits**

***Pension obligations***

The Group operates defined benefit and defined contribution pension plans, the assets of which are held in separate trustee-administered funds.

# Notes to the financial statements

## 1 Accounting policies (continued)

For defined benefit plans, the pension costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to profit or loss so as to spread the regular cost over the service lives of employees. The pension obligation is measured as the present value of the estimated future cash outflows using a discount rate based on market yields for high-quality corporate bonds. The resulting pension plan surplus or deficit appears as an asset or obligation in the statement of financial position. Any asset resulting from this calculation is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future employer contributions to the plan. Independent actuarial valuations are carried out at the end of each reporting period.

In accordance with IAS 19 *Employee Benefits,* current and past service costs, gains and losses on curtailments and settlements and net interest expense or income (calculated by applying a discount rate to the net defined benefit liability or asset) are recognised through profit or loss. Actuarial gains or losses are recognised in full in the period in which they occur in other comprehensive income.

Contributions in respect of defined contribution plans are recognised as a charge to profit or loss as incurred.

***Other post-employment obligations***
Some Group companies provide post-employment medical benefits to their retirees. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Interest expense (calculated by applying a discount rate to the net obligations) is recognised through profit or loss. Actuarial gains and losses are recognised immediately in other comprehensive income. Independent actuarial valuations are carried out at the end of each reporting period.

***Other benefits***
Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the period-end date.

**Taxation**
Income tax comprises current and deferred tax. Income tax is recognised in the statement of profit or loss except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in the statement of comprehensive income.

Current tax is the expected tax payable on the taxable result for the period, after any adjustment in respect of prior periods.

Deferred tax is provided in full on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax is measured using tax rates expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled, based on tax rates and laws which have been enacted or substantively enacted at the period-end date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

In May 2023, the International Accounting Standard Board published amendments to IAS 12. The amendments relate to the implementation of the Organisation for Economic Co-operation and Development ('OECD') Base Erosion and Profit Shifting ('BEPS') Pillar Two Model Rules. It is anticipated that the Group will be in scope of these rules from 2025. As required by the amendments to IAS 12, the Group has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes

**Appropriations**
***Dividends***
Dividends on Ordinary shares are recognised in equity in the period in which they are declared and, for the final dividend, approved by shareholders. Dividends on Non-Cumulative Irredeemable Preference shares are recognised in the period in which they are declared and appropriately approved.

***Charitable donation to ultimate parent undertaking***
Payments are made via Gift Aid to the ultimate parent company, Benefact Trust Limited, a registered charity. The Group does not regard these payments as being expenses of the business and, as such, recognises these net of tax in equity in the period in which they are approved.

**Use of Alternative Performance Measures (APM)**
As detailed in the Strategic Report, the Group uses certain key performance indicators which, although not defined under IFRS, provide useful information and aim to enhance understanding of the Group's performance. These include gross written premiums, net written premiums, net earned premiums, underwriting result and combined operating ratio. The key performance indicators should be considered complementary to, rather than a substitute for, financial measures defined under IFRS. Note 37 provides details of how these key performance indicators reconcile to the results reported under IFRS.

# 2 Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and judgements that affect the reported amounts of assets and liabilities. Estimates and judgements are regularly reviewed and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management have considered the current economic environment in their estimates and judgements.

**(a) Critical judgements in applying the Group's accounting policies**

The following are the critical judgements, apart from those involving estimations which are dealt with separately below, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

***Pension and other post-employment benefits***

The Group's pension and other post-employment benefit obligations are discounted at a rate set by reference to market yields at the end of the reporting period on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds includes the nature and quality of the corporate bonds and the identification of outliers which are excluded.

The Group also applies judgement in determining the extent to which a surplus in the defined benefit plan can be recognised in the statement of financial position. In accordance with IAS 19 *Employee benefits* , the recognisable surplus is limited to the lower of the surplus in the plan and the asset ceiling. The asset ceiling is the present value of future economic benefits available in the form of a refund or as a reduction in future contributions. The Group applies judgement in determining the asset ceiling in accordance with IFRS Interpretations Committee Interpretation 14 (IFRIC 14).

***Unlisted equity securities***

The value of unlisted equity securities, where there is no active market and therefore no observable market price, are classified as level 3 financial assets. This requires the Group to make judgements in respect of the most appropriate valuation technique to apply. Further details, including the amounts recognised within the financial statements which are impacted by these judgements are shown in note 4(b).

***Significant insurance risk***

Whole-of-life policies issued by the Group where significant insurance risk has been accepted from a policyholder are accounted for as insurance contracts. Whole-of-life policies where the Group has not accepted significant insurance risk from a policyholder are accounted for as financial instruments. Contracts can have features of, or appear to have features of, an insurance contract and therefore judgement is required on whether there is insurance risk and then whether that insurance risk is significant. Policies are considered to be insurance contracts where future benefits are linked to inflation as there is uncertainty over the timing and amount of a resulting claim. Policies that provide a policyholder with a guarantee to return the original premium have not transferred insurance risk and are considered financial instruments.

***Level of aggregation***

The Group separates insurance contracts into portfolios of similar risks that are managed together. For the non-life business the majority of the Group's insurance contracts represent a combination of component risks which are sold as an overall product and this unit has not been unbundled because the combination is not solely for administrative or customer convenience. For contracts eligible for the Premium Allocation Approach (materially all of the non-life business), the primary indicator of the portfolios for gross business has been judged to be the geographic territory of the risk. The Group has considered that the non-life business as a whole is the appropriate level of aggregation for usefulness and understanding of the financial statements, thereby providing valuable insights to users.

The life business represents a separate portfolio, as a single product line. Portfolios of insurance contacts are divided into profitability groups for measurement purposes. Under the PAA model the default assumption is made that no groups are onerous unless facts and circumstances indicate otherwise, which is determined through review for go-forward expected losses for groupings identified in the Group Corporate Strategic Plan.

***Risk adjustment***

A risk adjustment for non-financial risk is determined to reflect the compensation that the Group would require for bearing non-financial risk and its degree of risk aversion. The risk adjustment for non-financial risk has been determined using a combination of confidence level techniques and scenarios. Further details are included in the risk adjustment sections of the insurance contract liabilities accounting policy in note 1.

# Notes to the financial statements

## 2 Critical accounting estimates and judgements in applying accounting policies (continued)

**(b) Key sources of estimation uncertainty**

In applying the Group's accounting policies various transactions and balances are valued using estimates or assumptions. All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and their predictions of future events and actions.

The following items are considered key estimates and assumptions which, if actual results differ from those predicted, may have significant impact on the following year's financial statements:

***The ultimate liability arising from claims incurred under general business insurance contracts***

The estimation of the ultimate liability arising from claims made under general business insurance contracts is a critical accounting estimate. There is uncertainty as to the total number of claims made on each business class, the amounts that such claims will be settled for and the timing of any such payments. There are various sources of estimation uncertainty as to how much the Group will ultimately pay with respect to such contracts. Such uncertainty includes:

- whether a claim event has occurred or not and how much it will ultimately settle for;
- variability in the speed with which claims are notified and in the time taken to settle them, especially complex cases resolved through the courts;
- changes in the business portfolio affecting factors such as the number of claims and their typical settlement costs, which may differ significantly from past patterns;
- new types of claim, including latent claims, which arise from time to time;
- changes in legislation and court attitudes to compensation, including the discount rate applied in assessing lump sums, which may apply retrospectively;

The uncertainties surrounding the estimates of claims payments for the various classes of business are discussed further in note 3. General business insurance liabilities include a risk adjustment in addition to the best estimates for future claims. The sensitivity of profit or loss to changes in the ultimate settlement cost of claims reserves is presented in note 27.

***Future benefit payments arising from life insurance contracts***

The determination of the liabilities under life insurance contracts is dependent on estimates made by the Group. Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. The Group bases these estimates on standard industry and national mortality tables, adjusted to reflect recent historical mortality experience of the Group's portfolio, with allowance also being made for expected future mortality improvements. The estimated mortality rates are used to determine forecast benefit payments net of forecast premium receipts.

A discount rate curve is calculated on a bottom up basis. The risk free curve is based on the UK government bond yield curve. A liquidity premium based on the return on a notional index of fixed interest assets, including gilts and corporate bonds, is added to the risk free curve. The liquidity premium is adjusted for credit risk and differences in liquidity between the notional assets and the liabilities.

In addition, a risk adjustment for non-financial risks is then added to the best estimate liability calculated on the basis set out above. Further details are included in the life insurance risk adjustment section of the insurance contract liabilities accounting policy in note 1. The sensitivity of profit or loss to changes in the assumptions is presented in note 27(b)(iv).

# Notes to the financial statements

## 2 Critical accounting estimates and judgements in applying accounting policies (continued)

***Pension and other post-employment benefits***

The cost of these benefits and the present value of the pension and other post-employment benefit liabilities depend on factors that are determined on an actuarial basis using a number of assumptions. Any change in these assumptions may affect planned funding of the pension plans.

The discount rate assumption is a component in determining the charge to profit or loss. The effect of movements in the actuarial assumptions during the period, including discount rate, mortality, inflation, salary and medical expense inflation assumptions, on the pension and other post-employment liabilities are recognised in other comprehensive income. An explanation of the actuarial gains recognised in the current year is included in note 18.

The Group determines an appropriate discount rate at the end of each period, to be used to determine the present value of estimated future cash outflows expected to be required to settle the pension and other post-employment benefit obligations.

The expected rate of medical expense inflation is determined by comparing the historical relationship of medical expense increases over a portfolio of UK-based post-retirement medical plans with the rate of inflation, making an allowance for the size of the plan and actual medical expense experience.

Other key assumptions for the pension and post-employment benefit costs and credits are based in part on current market conditions. Additional information including the sensitivity of pension and post-employment medical benefit scheme liabilities to changes in the key assumptions is disclosed in note 18.

***Unlisted equity securities***

The valuation of unlisted equity securities requires estimates to be made for the illiquidity discount and credit rating discount. The illiquidity premium reflects the additional return required by investors for holding assets that are not readily tradable and involves analysing previous transactions. The credit rating discount accounts for the credit risk associated with the issuer of the unlisted equity. The creditworthiness of the issuer is evaluated by comparing to other similar companies. Further details, including the sensitivity of the valuation to these inputs, are shown in note 4(b).

***Discount rates***

IFRS 17 requires entities to determine discount rates that reflect the characteristics of the liabilities using either the 'bottom up' or 'top down' approach. The 'top down' approach involves using discount rate curves derived from a portfolio of reference assets adjusted to remove all characteristics of the assets that are not present in insurance contracts, but not requiring to eliminate the illiquidity premium.

The Group selected to apply the 'bottom up' approach which requires the use of risk-free rate curves and adding the illiquidity premium. The Group derives illiquidity by reference to the illiquidity estimated to apply to a suitable reference portfolio of assets with similar liquidity characteristics. The published yields on Government bonds in each territory are used as a reference for risk-free rates. The characteristics of the Group's general insurance contract claims liabilities are less liquid than those of its life insurance contracts, because the life insurance contracts have surrender options.

# 3 Insurance risk

Through its general and life insurance operations, the Group is exposed to a number of risks. The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount and timing of the resulting claim. Factors such as the business and product mix, the external environment including market competition and reinsurance capacity all may vary from year to year, along with the actual frequency, severity and ultimate cost of claims and benefits. This subjects the Group to underwriting and pricing risk (the risk of failing to ensure disciplined risk selection and to obtain the appropriate premium), claims reserving risk (the risk of actual claims payments exceeding the amount we are holding in reserves) and reinsurance risk (the risk of failing to access and manage reinsurance capacity at a reasonable price).

**(a) Risk mitigation**

Statistics demonstrate that the larger and more diversified the portfolio of insurance contracts, the smaller the relative variability in the expected outcome will be. The Group's underwriting strategy is designed to ensure that the underwritten risks are well diversified in terms of type and amount of risk and geographical spread. In all operations pricing controls are in place, underpinned by sound statistical analysis, market expertise and appropriate external consultant advice. Gross and net underwriting exposure is protected through the use of a comprehensive programme of reinsurance using both proportional and non-proportional reinsurance, supported by proactive claims handling. The overall reinsurance structure is regularly reviewed and modelled to ensure that it remains optimum to the Group's needs. The optimal reinsurance structure provides the Group with sustainable, long-term capacity to support its specialist business strategy, with effective balance sheet and profit and loss protection at a reasonable cost.

Catastrophe protection is purchased following an extensive annual modelling exercise of gross and net (of proportional reinsurance) exposures. In conjunction with reinsurance brokers the Group utilises the full range of proprietary catastrophe models and continues to develop bespoke modelling options that better reflect the specialist nature of the portfolio. Reinsurance is purchased in line with the Group's risk appetite.

**(b) Concentrations of risk**

The core business of the Group is general insurance, with the principal classes of business written being property and liability. The miscellaneous financial loss class of business covers personal accident, fidelity guarantee and loss of money, income and licence. The other class of business includes cover of legal expenses and also a small portfolio of motor policies, but this has been in run-off in the United Kingdom since November 2012. The Group's whole-of-life insurance policies support funeral planning products.

The table below summarises written premiums for the financial year, before and after reinsurance, by territory and by class of business which is an indication of the concentration of risk accepted by the Group in the year. Further details on the gross and net written premiums, which are alternative performance measures that are not defined under IFRS, are detailed in note 37.

| **2024** | | **General insurance** | | | | **Life insurance** | |
|---|---|---|---|---|---|---|---|
| **Group** | | **Property £000** | **Liability £000** | **Miscellaneous financial loss £000** | **Other £000** | **Whole of life £000** | **Total £000** |
| **Territory** | | | | | | | |
| United Kingdom and Ireland | Gross | **325,781** | **85,970** | **27,352** | **4,597** | **(271)** | **443,429** |
| | Net | **162,268** | **82,332** | **13,413** | **391** | **(271)** | **258,133** |
| Australia | Gross | **53,643** | **40,212** | **1,320** | **170** | **-** | **95,345** |
| | Net | **11,757** | **34,328** | **1,297** | **30** | **-** | **47,412** |
| Canada | Gross | **71,070** | **30,486** | **-** | **-** | **-** | **101,556** |
| | Net | **46,570** | **27,021** | **-** | **-** | **-** | **73,591** |
| Total | Gross | **450,494** | **156,668** | **28,672** | **4,767** | **(271)** | **640,330** |
| | Net | **220,595** | **143,681** | **14,710** | **421** | **(271)** | **379,136** |
| **Parent** | | | | | | | |
| **Territory** | | | | | | | |
| United Kingdom and Ireland | Gross | **325,780** | **85,970** | **27,352** | **7,334** | **-** | **446,436** |
| | Net | **162,268** | **82,332** | **13,413** | **3,128** | **-** | **261,141** |
| Canada | Gross | **71,070** | **30,486** | **-** | **-** | **-** | **101,556** |
| | Net | **46,570** | **27,021** | **-** | **-** | **-** | **73,591** |
| Total | Gross | **396,850** | **116,456** | **27,352** | **7,334** | **-** | **547,992** |
| | Net | **208,838** | **109,353** | **13,413** | **3,128** | **-** | **334,732** |

# Notes to the financial statements

## 3 Insurance risk (continued)

| 2023 | | General insurance | | | | Life insurance | |
|---|---|---|---|---|---|---|---|
| Group | | Property £000 | Liability £000 | Miscellaneous financial loss £000 | Other £000 | Whole of life £000 | Total £000 |
| **Territory** | | | | | | | |
| United Kingdom and Ireland | Gross | 297,481 | 79,966 | 24,668 | 3,287 | (24) | 405,378 |
| | Net | 137,933 | 75,916 | 11,816 | 64 | (24) | 225,705 |
| Australia | Gross | 57,703 | 43,194 | 1,337 | 434 | - | 102,668 |
| | Net | 9,182 | 37,275 | 1,313 | 82 | - | 47,852 |
| Canada | Gross | 73,958 | 32,979 | - | - | - | 106,937 |
| | Net | 48,247 | 29,512 | - | - | - | 77,759 |
| Total | Gross | 429,142 | 156,139 | 26,005 | 3,721 | (24) | 614,983 |
| | Net | 195,362 | 142,703 | 13,129 | 146 | (24) | 351,316 |
| **Parent** | | | | | | | |
| **Territory** | | | | | | | |
| United Kingdom and Ireland | Gross | 297,481 | 79,966 | 24,668 | 5,904 | - | 408,019 |
| | Net | 137,933 | 75,916 | 11,816 | 2,618 | - | 228,283 |
| Canada | Gross | 73,958 | 32,979 | - | - | - | 106,937 |
| | Net | 48,247 | 29,512 | - | - | - | 77,759 |
| Total | Gross | 371,439 | 112,945 | 24,668 | 5,904 | - | 514,956 |
| | Net | 186,180 | 105,428 | 11,816 | 2,618 | - | 306,042 |

**(c) General insurance risks**

***Property classes***

Property cover mainly compensates the policyholder for damage suffered to their property or for the value of property lost. Property insurance may also include cover for pecuniary loss through the inability to use damaged insured commercial properties (business interruption).

For property insurance contracts, there can be variability in the nature, number and size of claims made in each period.

The nature of claims may include those arising from the perils of fire, weather damage, escape of water, explosion, riot and malicious damage, subsidence, accidental damage, theft and earthquake. Subsidence claims are particularly difficult to predict because the damage is often not apparent for some time. The ultimate settlements can be small or large with a risk of a settled claim being reopened at a later date.

The number of claims made can be affected in particular by weather events, changes in climate, economic environment, and crime rates. Climate change may give rise to more frequent and extreme weather events, such as river flooding, hurricanes and drought, and their consequences, for example, subsidence claims. If a weather event happens near the end of the financial year, the uncertainty about ultimate claims cost in the financial statements is much higher because there is insufficient time for adequate data to be received to assess the final cost of claims.

Individual claims can vary in amount since the risks insured are diverse in both size and nature. The cost of repairing property varies according to the extent of damage, cost of materials and labour charges.

Contracts are underwritten on a reinstatement basis or repair and restoration basis as appropriate. Costs of rebuilding properties, of replacement or indemnity for contents and time taken to bring business operations back to pre-loss levels for business interruption are the key factors that influence the cost of claims. Individual large claims are more likely to arise from fire, storm or flood damage. The greatest likelihood of an aggregation of claims arises from earthquake, weather or major fire spreading events.

Claims payment, on average, occurs within a year of the event that gives rise to the claim. However, there is variability around this average with larger claims typically taking longer to settle and business interruption claims taking much longer depending on the length of the indemnity period involved.

# Notes to the financial statements

## 3 Insurance risk (continued)

***Liability classes***
The main exposures are in respect of liability insurance contracts which protect policyholders from the liability to compensate injured employees (employers' liability) and third parties (public liability).

Claims that may arise from the liability portfolios include damage to property, physical injury, disease and psychological trauma. The Group has a different exposure profile to most other commercial lines insurance companies as it has lower exposure to industrial risks. Therefore, claims for industrial diseases are less common for the Group than injury claims such as slips, trips and back injuries.

The frequency and severity of claims arising on liability insurance contracts can be affected by several factors. Most significant are the increasing level of awards for damages suffered, legal costs and the potential for periodic payment awards.

The severity of bodily injury claims can be influenced particularly by the value of loss of earnings and the future cost of care. The settlement value of claims arising under public and employers' liability is particularly difficult to predict. There is often uncertainty as to the extent and type of injury, whether any payments will be made and, if they are, the amount and timing of the payments, including the discount rate applied for assessing lump sums. Key factors driving the high levels of uncertainty include the late notification of possible claim events and the legal process.

Late notification of possible claims necessitates the holding of provisions for incurred claims that may only emerge some years into the future. In particular, the effect of inflation over such a long period can be considerable and is uncertain. A lack of comparable past experience may make it difficult to quantify the number of claims and, for certain types of claims, the amounts for which they will ultimately settle. The legal and legislative framework continues to evolve, which has a consequent impact on the uncertainty as to the length of the claims settlement process and the ultimate settlement amounts.

Claims payment, on average, occurs about three to four years after the event that gives rise to the claim. However, there is significant variability around this average.

***Provisions for latent claims***
The public and employers' liability classes can give rise to very late reported claims, which are often referred to as latent claims. These can vary in nature and are difficult to predict. They typically emerge slowly over many years, during which time there can be particular uncertainty as to the number of future potential claims and their cost. The Group has reflected this uncertainty and believes that it holds adequate reserves for latent claims that may result from exposure periods up to the reporting date.

Note 27 presents the development of the estimate of ultimate claim cost for public and employers' liability claims occurring in a given year. This gives an indication of the accuracy of the estimation technique for incurred claims.

**(d) Life insurance risks**
The Group provides whole-of-life insurance policies to support funeral planning products, for most of which the future benefits are linked to inflation and backed by index-linked assets. None of the risks arising from this business are amongst the Group's principal risks and no new policies with insurance risk have been written in the life fund since 2013.

The primary risk on these contracts is the level of future investment returns on the assets backing the liabilities over the life of the policyholders is insufficient to meet future claims payments, particularly if the timing of claims is different from that assumed. The interest rate and inflation risk within this has been largely mitigated by holding index-linked assets of a similar term to the expected liabilities profile. The main residual risk is the spread risk attached to corporate bonds held to match the liabilities.

Uncertainty in the estimation of the timing of future claims arises from the unpredictability of long-term changes in overall levels of mortality. The Group bases these estimates on standard industry and national mortality tables and its own experience. The most significant factors that could alter the expected mortality rates profile are epidemics, widespread changes in lifestyle and continued improvement in medical science and social conditions. This small mortality risk is retained by the Group. The Group holds a reserve to meet the costs of future expenses in running the life business and administration of the policies. There is a risk that this is insufficient to meet the expenses incurred in future periods.

# 4 Financial risk and capital management

The Group is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of financial risk are interest rate risk, credit risk, equity price risk and currency risk.

There has been no change from the prior year in the nature of the financial risks to which the Group is exposed. The continued conflict in Ukraine, Middle East and the cost of living crisis means there is continued uncertainty in relation to the economic risks to which the Group is exposed. This includes equity price volatility, movements in exchange rates and long-term UK growth prospects. The Group's management and measurement of financial risks is informed by either stochastic modelling or stress testing techniques.

**(a) Categories of financial instruments applying IFRS 9**

| | Financial assets | | | Financial liabilities | | | | |
|---|---|---|---|---|---|---|---|---|
| Group | Designated as fair value through profit or loss £000 | Classified as fair value through profit or loss £000 | Amortised cost £000 | Fair value through profit or loss £000 | Fair value through other comprehensive income £000 | Amortised cost £000 | Other assets and liabilities £000 | Total £000 |
| **At 31 December 2024** | | | | | | | | |
| Financial investments | **977,837** | **4,150** | **14** | **-** | **-** | **-** | **-** | **982,001** |
| Other assets | **-** | **-** | **147,583** | **-** | **-** | **-** | **9,185** | **156,768** |
| Cash and cash equivalents | **-** | **-** | **105,761** | **-** | **-** | **-** | **-** | **105,761** |
| Lease obligations | **-** | **-** | **-** | **-** | **-** | **(24,573)** | **-** | **(24,573)** |
| Subordinated liabilities | **-** | **-** | **-** | **-** | **-** | **(25,112)** | **-** | **(25,112)** |
| Other liabilities | **-** | **-** | **-** | **-** | **-** | **(44,909)** | **(16,934)** | **(61,843)** |
| Inv't contract liabilities | **-** | **-** | **-** | **(133,706)** | **-** | **-** | **-** | **(133,706)** |
| Net other | **-** | **-** | **-** | **-** | **-** | **-** | **(372,253)** | **(372,253)** |
| Total | **977,837** | **4,150** | **253,358** | **(133,706)** | **-** | **(94,594)** | **(380,002)** | **627,043** |
| **At 31 December 2023** | | | | | | | | |
| Financial investments | 940,897 | 824 | 34 | - | - | - | - | 941,755 |
| Other assets | - | - | 156,385 | - | - | - | 8,719 | 165,104 |
| Cash and cash equivalents | - | - | 112,082 | - | - | - | - | 112,082 |
| Lease obligations | - | - | - | - | - | (21,687) | - | (21,687) |
| Subordinated liabilities | - | - | - | - | - | (25,853) | - | (25,853) |
| Other liabilities | - | - | - | - | (2,380) | (38,806) | (16,093) | (57,279) |
| Inv't contract liabilities | - | - | - | (95,886) | - | - | - | (95,886) |
| Net other | - | - | - | - | - | - | (389,320) | (389,320) |
| Total | 940,897 | 824 | 268,501 | (95,886) | (2,380) | (86,346) | (396,694) | 628,916 |
| **Parent** | | | | | | | | |
| **At 31 December 2024** | | | | | | | | |
| Financial investments | **627,530** | **4,150** | **14** | **-** | **-** | **-** | **42,707** | **674,401** |
| Other assets | **-** | **-** | **146,310** | **-** | **-** | **-** | **7,027** | **153,337** |
| Cash and cash equivalents | **-** | **-** | **80,330** | **-** | **-** | **-** | **-** | **80,330** |
| Lease obligations | **-** | **-** | **-** | **-** | **-** | **(22,906)** | **-** | **(22,906)** |
| Subordinated liabilities | **-** | **-** | **-** | **-** | **-** | **(25,112)** | **-** | **(25,112)** |
| Other liabilities | **-** | **-** | **-** | **(215)** | **-** | **(51,453)** | **(14,972)** | **(66,640)** |
| Net other | **-** | **-** | **-** | **-** | **-** | **-** | **(232,450)** | **(232,450)** |
| Total | **627,530** | **4,150** | **226,654** | **(215)** | **-** | **(99,471)** | **(197,688)** | **560,960** |
| **At 31 December 2023** | | | | | | | | |
| Financial investments | 615,036 | 824 | 34 | - | - | - | 42,707 | 658,601 |
| Other assets | - | - | 154,483 | - | - | - | 6,148 | 160,631 |
| Cash and cash equivalents | - | - | 83,436 | - | - | - | - | 83,436 |
| Lease obligations | - | - | - | - | - | (19,551) | - | (19,551) |
| Subordinated liabilities | - | - | - | - | - | (25,853) | - | (25,853) |
| Other liabilities | - | - | - | (1,156) | (1,225) | (26,821) | (13,718) | (42,920) |
| Net other | - | - | - | - | - | - | (254,293) | (254,293) |
| Total | 615,036 | 824 | 237,953 | (1,156) | (1,225) | (72,225) | (219,156) | 560,051 |

The carrying value of those financial assets and liabilities not carried at fair value in the financial statements is considered to approximate to their fair value.

# Notes to the financial statements

## 4 Financial risk and capital management (continued)

**(b) Fair value hierarchy**

The fair value measurement basis used to value those financial assets and financial liabilities held at fair value is categorised into a fair value hierarchy as follows:

Level 1: fair values measured using quoted bid prices (unadjusted) in active markets for identical assets or liabilities. This category includes listed equities in active markets, listed debt securities in active markets and exchange-traded derivatives.

Level 2: fair values measured using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). This category includes listed debt or equity securities in a market that is not active and derivatives that are not exchange-traded.

Level 3: fair values measured using inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes unlisted debt and equities, including investments in venture capital, and suspended securities. Where a look-through valuation approach is applied, underlying net asset values are sourced from the investee, translated into the Group's functional currency and adjusted to reflect illiquidity where appropriate, with the fair values disclosed being directly sensitive to this input.

Instruments move between fair value hierarchies primarily due to increases or decreases in market activity or changes to the significance of unobservable inputs to valuation, and are recognised at the date of the event or change in circumstances which caused the transfer. During the year there was a transfer from level 1 to level 2 due to a change in the observable inputs.

| **Analysis of fair value measurement bases** | **Fair value measurement at the end of the reporting year based on** | | | |
|---|---|---|---|---|
| **Group** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | **£000** | **£000** | **£000** | **£000** |
| **At 31 December 2024** | | | | |
| **Financial assets at fair value through profit or loss** | | | | |
| Financial investments | | | | |
| Equity securities | **247,342** | **-** | **84,939** | **332,281** |
| Debt securities | **521,007** | **637** | **-** | **521,644** |
| Structured notes | **-** | **123,912** | **-** | **123,912** |
| Derivatives | **-** | **4,150** | **-** | **4,150** |
| **Total financial assets at fair value** | **768,349** | **128,699** | **84,939** | **981,987** |
| **At 31 December 2023** | | | | |
| **Financial assets at fair value through profit or loss** | | | | |
| Financial investments | | | | |
| Equity securities | 250,106 | - | 76,898 | 327,004 |
| Debt securities | 516,844 | 2,079 | - | 518,923 |
| Structured notes | - | 94,970 | - | 94,970 |
| Derivatives | - | 824 | - | 824 |
| | 766,950 | 97,873 | 76,898 | 941,721 |

# Notes to the financial statements

## 4 Financial risk and capital management (continued)

| Parent | Fair value measurement at the end of the reporting year based on Level 1 £000 | Level 2 £000 | Level 3 £000 | Total £000 |
|---|---|---|---|---|
| **At 31 December 2024** | | | | |
| **Financial assets at fair value through profit or loss** | | | | |
| Financial investments | | | | |
| Equity securities | **231,574** | **-** | **84,939** | **316,513** |
| Debt securities | **310,392** | **625** | **-** | **311,017** |
| Derivatives | **-** | **4,150** | **-** | **4,150** |
| | **541,966** | **4,775** | **84,939** | **631,680** |
| **At 31 December 2023** | | | | |
| **Financial assets at fair value through profit or loss** | | | | |
| Financial investments | | | | |
| Equity securities | 237,033 | - | 76,898 | 313,931 |
| Debt securities | 300,117 | 988 | - | 301,105 |
| Derivatives | - | 824 | - | 824 |
| | 537,150 | 1,812 | 76,898 | 615,860 |

Gains and losses on derivative liabilities of the Group and Parent were recognised through other comprehensive income if they were hedge accounted, otherwise were recognised at fair value through profit or loss. Derivative liabilities are categorised as level 2 (see note 22).

**Fair value measurements based on level 3**
Fair value measurements in level 3 for both the Group and Parent consist of financial assets at fair value through profit or loss, analysed as follows:

| Group | Equity securities £000 |
|---|---|
| **At 31 December 2024** | |
| Opening balance | **76,898** |
| Total gains recognised in profit or loss | **8,041** |
| Closing balance | **84,939** |
| Total gains for the year included in profit or loss for assets held at the end of the reporting year | **8,041** |
| **At 31 December 2023** | |
| Opening balance | 85,726 |
| Total losses recognised in profit or loss | (8,780) |
| Disposal proceeds | (48) |
| Closing balance | 76,898 |
| Total losses for the year included in profit or loss for assets held at the end of the reporting year | (8,780) |

# Notes to the financial statements

## 4 Financial risk and capital management (continued)

| Parent | Equity securities £000 |
|---|---|
| **At 31 December 2024** | |
| Opening balance | **76,898** |
| Total gains recognised in profit or loss | **8,041** |
| Closing balance | **84,939** |
| Total gains for the year included in profit or loss for assets held at the end of the reporting year | **8,041** |
| **At 31 December 2023** | |
| Opening balance | 85,580 |
| Total losses recognised in profit or loss | (8,634) |
| Disposal proceeds | (48) |
| Closing balance | 76,898 |
| Total losses for the year included in profit or loss for assets held at the end of the reporting year | (8,634) |

All the above gains or losses included in profit or loss for the year (for both the Group and Parent) are presented in the net investment result within the statement of profit or loss.

The valuation techniques used for instruments categorised in levels 2 and 3 are described below.

***Listed debt and equity securities not in active market (level 2)***
These financial assets are valued using third-party pricing information that is regularly reviewed and internally calibrated based on management's knowledge of the markets.

***Non-exchange-traded derivative contracts (level 2)***
The Group's derivative contracts are not traded in active markets. Foreign currency forward contracts are valued using observable forward exchange rates corresponding to the maturity of the contract and the contract forward rate. Over-the-counter equity or index options and futures are valued by reference to observable index prices.

***Structured notes (level 2)***
These financial assets are not traded on active markets. Their fair value is linked to an index that reflects the performance of an underlying basket of observable securities, including derivatives, provided by an independent calculation agent.

***Unlisted equity securities (level 3)***
These financial assets are valued using observable net asset data, adjusted for unobservable inputs including comparable price-to-book ratios based on similar listed companies, normalised for performance measures where appropriate, and management's consideration of constituents as to what exit price might be obtainable.

The valuation is sensitive to the level of underlying net assets, the Euro exchange rate, the price-to-tangible book ratio, an illiquidity discount and a credit rating discount applied to the valuation to account for the risks associated with holding the asset. The sensitivity of the valuation to reasonable changes in the unobservable inputs is as follows:

| Variable | Change in variable | Potential increase/ (decrease) in the valuation 2024 £000 | 2023 £000 |
|---|---|---|---|
| Increase in price-to-tangible book ratio | +10% | **8,494** | 7,690 |
| Decrease in price-to-tangible book ratio | -10% | **(8,494)** | (7,690) |
| Increase in illiquidity discount | +5% | **(4,996)** | (4,523) |
| Decrease in illiquidity discount | -5% | **4,996** | 4,523 |

# Notes to the financial statements

## 4 Financial risk and capital management (continued)

**(c) Interest rate risk**

The Group's exposure to interest rate risk arises primarily from movements on financial investments that are measured at fair value and have fixed interest rates, which represent a significant proportion of the Group's assets, subordinated debt which has a fixed interest rate until 2030, and from insurance liabilities discounted at a market interest rate. The Group's investment strategy is set in order to control the impact of interest rate risk on anticipated cash flows and asset and liability values. The fair value of the Group's investment portfolio of fixed income securities reduces as market interest rates rise as does the present value of discounted insurance liabilities, and vice versa.

Interest rate risk concentration is reduced by adopting asset-liability duration matching principles where appropriate. Excluding assets held to back the life business, the average duration of the Group's fixed income portfolio is four years (2023: three years), reflecting the relatively short-term average duration of its general insurance liabilities.

For the Group's life insurance business, consisting of policies to support funeral planning products, benefits payable to policyholders are independent of the returns generated by interest-bearing assets. Therefore, the interest rate risk on the invested assets supporting these liabilities is borne by the Group. This risk is mitigated by purchasing fixed interest investments with durations that match the profile of the liabilities. For funeral plan insurance policies, benefits are linked to the Retail Prices Index (RPI). Assets backing these liabilities are also linked to the RPI, and include index-linked gilts and corporate bonds. For practical purposes it is not possible to exactly match the durations due to the uncertain profile of liabilities (for example mortality risk) and the availability of suitable assets, therefore some interest rate risk will persist. The Group monitors its exposure by comparing projected cash flows for these assets and liabilities and making appropriate adjustments to its investment portfolio.

The table below summarises the maturities of life insurance business assets and liabilities that are exposed to interest rate risk.

| | Maturity | | | |
|---|---|---|---|---|
| **Group life business** | **Within 1 year £000** | **Between 1 and 5 years £000** | **After 5 years £000** | **Total £000** |
| **At 31 December 2024** | | | | |
| **Assets** | | | | |
| Debt securities | **23,934** | **15,571** | **48,163** | **87,668** |
| Cash and cash equivalents | **7,105** | **-** | **-** | **7,105** |
| | **31,039** | **15,571** | **48,163** | **94,773** |
| **Liabilities (discounted)** | | | | |
| Life insurance contract liabilities for remaining coverage | **5,637** | **17,784** | **25,784** | **49,205** |
| **At 31 December 2023** | | | | |
| **Assets** | | | | |
| Debt securities | 14,004 | 21,312 | 49,879 | 85,195 |
| Cash and cash equivalents | 8,727 | - | - | 8,727 |
| | 22,731 | 21,312 | 49,879 | 93,922 |
| **Liabilities (discounted)** | | | | |
| Life insurance contract liabilities for remaining coverage | 5,870 | 18,408 | 31,751 | 56,029 |

Group financial investments with variable interest rates, including cash and cash equivalents, and insurance instalment receivables are subject to cash flow interest rate risk. This risk is not significant to the Group.

# Notes to the financial statements

## 4 Financial risk and capital management (continued)

**(d) Credit risk**

The Group has exposure to credit risk, which is the risk of non-payment of their obligations by counterparties and financial markets borrowers. Areas where the Group is exposed to credit risk are:

- Counterparty default on loans and debt securities;
- Deposits held with banks;
- Reinsurers' share of insurance liabilities (excluding provision for unearned premiums) and amounts due from reinsurers in respect of claims already paid; and
- Amounts due from insurance intermediaries and policyholders.

The Group is exposed to minimal credit risk in relation to all other financial assets.

The carrying amount of financial and reinsurance assets represents the Group's maximum exposure to credit risk. The Group structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty. Limits on the level of credit risk are regularly reviewed. Where available the Group also manages its exposure to credit risk in relation to credit risk ratings. Investment grade financial assets are classified within the range of AAA to BBB ratings, where AAA is the highest possible rating. Financial assets which fall outside this range are classified as sub-investment grade. 'Not rated' assets capture assets not rated by external ratings agencies.

The following table provides information regarding the credit risk exposure of financial assets with external credit ratings from Standard & Poors or an equivalent rating from a similar agency. This includes financial assets that meet the definition of 'solely payments of principal and interest' (SPPI).

| **Group** | **SPPI** | | | **Non-SPPI** |
|---|---|---|---|---|
| | **Cash and cash equivalents[1] £000** | **Reinsurance debtors £000** | **Total SPPI £000** | **Debt securities £000** |
| **At 31 December 2024** | | | | |
| AAA | **-** | **-** | **-** | **216,001** |
| AA | **73,838** | **11,087** | **84,925** | **149,341** |
| A | **31,921** | **13,242** | **45,163** | **87,153** |
| BBB | **-** | **-** | **-** | **52,830** |
| Below BBB | **-** | **-** | **-** | **5,430** |
| Not rated | **2** | **3,058** | **3,060** | **10,889** |
| | **105,761** | **27,387** | **133,148** | **521,644** |
| **At 31 December 2023** | | | | |
| AAA | - | - | - | 207,068 |
| AA | 72,191 | 5,902 | 78,093 | 152,744 |
| A | 25,423 | 17,435 | 42,858 | 88,810 |
| BBB | 14,464 | - | 14,464 | 52,646 |
| Below BBB | - | - | - | 8,567 |
| Not rated | 4 | 3,500 | 3,504 | 9,088 |
| | 112,082 | 26,837 | 138,919 | 518,923 |

[1] Cash includes any amounts held on deposit classified within financial investments and disclosed in note 21. Cash balances which are not rated relate to cash amounts in hand.

# Notes to the financial statements

## 4 Financial risk and capital management (continued)

| Parent | SPPI | | | Non-SPPI |
|---|---|---|---|---|
| | Cash and cash equivalents[1] £000 | Reinsurance debtors £000 | Total SPPI £000 | Debt securities £000 |
| **At 31 December 2024** | | | | |
| AAA | **-** | **-** | **-** | **132,309** |
| AA | **49,114** | **3,733** | **52,847** | **58,768** |
| A | **31,214** | **8,159** | **39,373** | **72,722** |
| BBB | **-** | **-** | **-** | **34,771** |
| Below BBB | **-** | **-** | **-** | **3,015** |
| Not rated | **2** | **3,058** | **3,060** | **9,432** |
| | **80,330** | **14,950** | **95,280** | **311,017** |
| **At 31 December 2023** | | | | |
| AAA | - | - | - | 120,520 |
| AA | 52,605 | 3,244 | 55,849 | 65,633 |
| A | 18,247 | 6,728 | 24,975 | 70,736 |
| BBB | 12,580 | - | 12,580 | 31,467 |
| Below BBB | - | - | - | 5,117 |
| Not rated | 4 | 3,801 | 3,805 | 7,632 |
| | 83,436 | 13,773 | 97,209 | 301,105 |

[1] Cash includes any amounts held on deposit classified within financial investments and disclosed in note 21. Cash balances which are not rated relate to cash amounts in hand.

For financial assets meeting the SPPI test that do not have low credit risk, the carrying amount disclosed above is an approximation of their fair value.

Group cash balances are regularly reviewed to identify the quality of the counterparty bank and to monitor and limit concentrations of risk.

The debt securities portfolio consists of a range of mainly fixed interest instruments including government securities, local authority issues, corporate loans and bonds, overseas bonds, preference shares and other interest-bearing securities. Limits are imposed on the credit ratings of the corporate bond portfolio and exposures regularly monitored. Group investments in unlisted securities represent 0% of this category in the current year and less than 1% prior year.

The Group's exposure to counterparty default on debt securities is spread across a variety of geographical and economic territories, as follows:

| | **2024** | | | 2023 | |
|---|---|---|---|---|---|
| | **Group £000** | **Parent £000** | | Group £000 | Parent £000 |
| UK | **228,029** | **140,361** | UK | 209,369 | 124,173 |
| Canada | **142,984** | **142,984** | Canada | 147,364 | 147,364 |
| Australia | **122,959** | **-** | Australia | 132,622 | - |
| Europe | **27,672** | **27,672** | Europe | 29,568 | 29,568 |
| Total | **521,644** | **311,017** | Total | 518,923 | 301,105 |

# Notes to the financial statements

## 4 Financial risk and capital management (continued)

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on a regular basis through the year by reviewing their financial strength. The Group Reinsurance Security Committee assesses, monitors and approves the creditworthiness of all reinsurers, reviewing relevant credit ratings provided by the recognised credit rating agencies, as well as other publicly available data and market information. The Group Reinsurance Security Committee also monitors the balances outstanding from reinsurers and maintains an approved list of reinsurers.

The Group's credit risk policy details prescriptive methods for the collection of premiums and control of intermediary and policyholder debtor balances. The level and age of debtor balances are regularly assessed via monthly credit management reports. These reports are scrutinised to assess exposure by geographical region and counterparty of aged or outstanding balances. Any such balances are likely to be major international brokers that are in turn monitored via credit reference agencies and considered to pose minimal risk of default. The Group has no material concentration of credit risk in respect of amounts due from insurance intermediaries and policyholders.

The table below provides an analysis of the gross carrying amounts of groups of insurance debtors and groups of reinsurance debtors by past due status:

| | **2024**<br>**£000** | **2023**<br>**£000** |
|---|---|---|
| **Insurance debtors** | | |
| Current | **115,847** | 134,790 |
| 0 to 30 days | **18,459** | 17,262 |
| 30 days to 90 days | **19,157** | 6,629 |
| More than 90 days | **15,826** | 10,068 |
| | **169,289** | 168,749 |
| **Reinsurance debtors** | | |
| Current | **19,107** | 20,845 |
| 0 to 30 days | **1,560** | 1,271 |
| 30 days to 90 days | **1,439** | 1,637 |
| More than 90 days | **5,281** | 3,084 |
| | **27,387** | 26,837 |

Amounts arising from expected credit losses on financial assets are as follows:

| | **2024** | | 2023 | |
|---|---|---|---|---|
| | **Group**<br>**£000** | **Parent**<br>**£000** | Group<br>£000 | Parent<br>£000 |
| Balance at 1 January | **292** | **153** | 1,899 | 1,057 |
| Movement in the year | **(19)** | **(10)** | (1,607) | (904) |
| Balance at 31 December | **273** | **143** | 292 | 153 |

# Notes to the financial statements

## 4 Financial risk and capital management (continued)

**(e) Equity price risk**

The Group is exposed to equity price risk because of financial investments held by the Group which are stated at fair value through profit or loss. The Group mitigates this risk by holding a diversified portfolio across geographical regions and market sectors, and through the use of derivative contracts from time to time which would limit losses in the event of a fall in equity markets.

The concentration of equity price risk by geographical listing, before the mitigating effect of derivatives, to which the Group and Parent are exposed is as follows:

| | 2024 | | | 2023 | |
|---|---|---|---|---|---|
| | Group | Parent | | Group | Parent |
| | £000 | £000 | | £000 | £000 |
| UK | **231,894** | **216,126** | UK | 236,335 | 223,262 |
| Europe | **84,939** | **84,939** | Europe | 76,898 | 76,898 |
| US | **15,448** | **15,448** | US | 13,771 | 13,771 |
| Total | **332,281** | **316,513** | Total | 327,004 | 313,931 |

**(f) Currency risk**

The Group operates internationally and its main exposures to foreign exchange risk are noted below. The Group's foreign operations generally invest in assets and purchase reinsurance denominated in the same currencies as their insurance liabilities, which mitigates the foreign currency exchange rate risk for these operations. As a result, foreign exchange risk arises from recognised assets and liabilities denominated in other currencies and net investments in foreign operations. The Group mitigates this risk through the use of derivatives when considered necessary.

The Group exposure to foreign currency risk within the investment portfolios arises from purchased investments that are denominated in currencies other than sterling.

The Group's foreign operations create two sources of foreign currency risk:

- The operating results of the Group's foreign branches and subsidiaries in the Group financial statements are translated at the average exchange rates prevailing during the year; and

- The equity investment in foreign branches and subsidiaries is translated into sterling using the exchange rate at the year-end date.

The forward foreign currency risk arising on translation of these foreign operations is hedged by the derivatives which are detailed in note 22. The Group has designated certain derivatives as a hedge of its net investments in Canada and Australia, which have Canadian and Australian dollars respectively as their functional currency.

The largest currency exposures, before the mitigating effect of derivatives, with reference to net assets/liabilities are shown below, representing effective diversification of resources.

| | 2024 | | | 2023 | |
|---|---|---|---|---|---|
| | Group | Parent | | Group | Parent |
| | £000 | £000 | | £000 | £000 |
| Can $ | **81,992** | **81,992** | Can $ | 67,554 | 67,554 |
| Aus $ | **57,212** | **4,547** | Aus $ | 61,784 | 4,988 |
| Euro | **56,532** | **56,532** | Euro | 39,752 | 39,752 |
| USD $ | **13,003** | **13,003** | USD $ | 11,189 | 11,189 |
| HKD $ | **36** | **36** | HKD $ | 185 | 185 |

The figures in the table above, for the current and prior years, do not include currency risk that the Group and Parent are exposed to on a 'look through' basis in respect of collective investment schemes denominated in sterling. The Group and Parent enter into derivatives to hedge currency exposure, including exposures on a 'look through' basis. The open derivatives held by the Group and Parent at the year end to hedge currency exposure are detailed in note 22.

# Notes to the financial statements

## 4 Financial risk and capital management (continued)

**(g) Liquidity risk**

Liquidity risk is the risk that funds may not be available to pay obligations when due. The Group is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts. The Group ensures that assets held to cover insurance liabilities have maturity profiles that align with the expected timing of claim payments. Excluding assets held to back the life business, the average duration of the Group's fixed income portfolio is four years (2023: three years), reflecting the relatively short-term average duration of its general insurance liabilities. An estimate of the timing of the net cash outflows resulting from insurance contracts is provided in note 27. The Group has robust processes in place to manage liquidity risk and has available cash balances, other readily marketable assets and access to funding in case of exceptional need. This is not considered to be a significant risk to the Group.

Non-derivative financial liabilities consist of lease liabilities, for which a maturity analysis is included in note 33, and other liabilities for which a maturity analysis is included in note 30, and subordinated debt for which a maturity analysis is included in note 31.

**(h) Market risk sensitivity analysis**

The sensitivity of profit and other equity reserves to movements on market risk variables (comprising interest rate, currency and equity price risk), each considered in isolation and before the mitigating effect of derivatives, is shown in the table below. This table does not include the impact of variables on retirement benefit schemes. Financial risk sensitivities for retirement benefit schemes are disclosed separately in note 18.

| **Group** | | **Potential increase/ (decrease) in profit** | | **Potential (decrease)/ increase in other equity reserves** | |
|---|---|---|---|---|---|
| **Variable** | **Change in variable** | **2024 £000** | 2023 £000 | **2024 £000** | 2023 £000 |
| Interest rate risk | -100 basis points | **4,012** | 814 | **(129)** | (4) |
| | +100 basis points | **(3,594)** | 906 | **109** | 3 |
| Currency risk | -10% | **4,155** | 2,956 | **17,649** | 16,070 |
| | +10% | **(3,400)** | (2,418) | **(14,440)** | (13,148) |
| Equity price risk | +/-10% | **24,921** | 24,525 | **-** | - |

| **Parent** | | **Potential (decrease)/ increase in profit** | | **Potential (decrease)/ increase in other equity reserves** | |
|---|---|---|---|---|---|
| **Variable** | **Change in variable** | **2024 £000** | 2023 £000 | **2024 £000** | 2023 £000 |
| Interest rate risk | -100 basis points | **(1,045)** | (3,079) | **(113)** | (5) |
| | +100 basis points | **491** | 4,303 | **106** | 5 |
| Currency risk | -10% | **4,155** | 2,956 | **11,798** | 9,759 |
| | +10% | **(3,400)** | (2,418) | **(9,653)** | (7,985) |
| Equity price risk | +/-10% | **23,738** | 23,545 | **-** | - |

The following assumptions have been made in preparing the above sensitivity analysis:

- The value of fixed income investments will vary inversely with changes in interest rates, and all territories experience the same interest rate movement;
- Currency gains and losses will arise from a change in the value of sterling against all other currencies moving in parallel;
- Equity prices will move by the same percentage across all territories; and
- Change in profit is stated net of tax at the standard rate applicable in each of the Group's territories.

# Notes to the financial statements

## 4 Financial risk and capital management (continued)

**(i) Capital management**

The Group's primary objectives when managing capital are to:

- Comply with the regulators' capital requirements of the markets in which the Group operates; and
- Safeguard the Group's ability to continue to meet stakeholders' expectations in accordance with its corporate mission, vision and values.

The Group is subject to insurance solvency regulations in all the territories in which it issues insurance and investment contracts, and capital is managed and evaluated on the basis of both regulatory and economic capital, at a group and parent entity level.

In the UK, the Group and its UK regulated entities are required to comply with rules issued by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA).

The PRA expects a firm, at all times, to hold Solvency II Own Funds in excess of its calculated Solvency Capital Requirement (SCR). Group solvency is assessed at the level of Ecclesiastical Insurance Office plc (EIO)'s parent, Benefact Group plc. Consequently, there is no directly comparable solvency measure for EIO group. Quantitative returns are submitted to the PRA, in addition to an annual narrative report, the Solvency and Financial Condition Report (SFCR) which is also published on the Company's website. A further report, the Regular Supervisory Report (RSR) is periodically submitted to the PRA.

EIO's Solvency II Own Funds and Solvency Capital Requirement will be subject to a separate independent audit, as part of the Group's process for Solvency II reporting to the PRA. ELL is not audited. The Group's regulated entities, EIO and ELL, expect to meet the deadline for submission to the PRA of 9 April 2025 and their respective SFCRs will be made available on the Group's website shortly thereafter. Benefact Group is also expected to meet its deadline for submission to the PRA of 27 May 2025, with its SFCR also being made available on the Group's website shortly after.

| | **2024** | | 2023 | |
|---|---|---|---|---|
| | **Ecclesiastical Insurance Office plc Parent £000** | **Ecclesiastical Life Limited £000** | Ecclesiastical Insurance Office plc Parent £000 | Ecclesiastical Life Limited £000 |
| Solvency II Own Funds | **635,550** | **42,112** | 639,158 | 59,813 |
| Solvency Capital Requirement | **251,917** | **17,368** | 251,199 | 15,052 |
| Coverage Ratio | **252%** | **242%** | 254% | 397% |

Economic capital is the Group's own internal view of the level of capital required, and this measure is an integral part of the Own Risk and Solvency Assessment Report (ORSA) which is a private, internal forward-looking assessment of own risk, as required as part of the Solvency II regime.

# 5 Segment information

**(a) Operating segments**

The Group's primary operating segments are based on geography and are engaged in providing general insurance and life insurance services. The Group also considers investments a separate reporting segment, also based on geography. Expenses relating to Group management activities are included within 'Corporate costs'. The Group's life insurance business is carried out within the United Kingdom.

The Group's chief operating decision maker is considered to be the Group Management Board whose members include the Company's executive directors.

The activities of each operating segment are described below.

**- General business**

**United Kingdom and Ireland**

The Group's principal general insurance business operation is in the UK, where it operates under the Ecclesiastical and Ansvar brands. The Group also operates an Ecclesiastical branch in the Republic of Ireland underwriting general business across the whole of Ireland.

**Australia**

The Group has a wholly-owned subsidiary in Australia underwriting general insurance business under the Ansvar brand.

**Canada**

The Group operates a general insurance Ecclesiastical branch in Canada.

**Other insurance operations**

This includes the Group's internal reinsurance function, adverse development cover and operations that are in run-off or not reportable due to their immateriality.

**- Life business**

Ecclesiastical Life Limited provides long-term policies to support funeral planning products. The business reopened to new investment business in 2021 but it is closed to new insurance business.

Inter-segment and inter-territory transfers or transactions are entered into under normal commercial terms and conditions that would also be available to unrelated third parties.

**(b) Segment performance**

The Group uses the following key measures to assess the performance of its operating segments, which are alternative performance measures as detailed in note 37:

- Gross written premium
- Underwriting result
- Combined operating ratio
- Investment return

Gross written premium is the measure used in internal reporting for turnover of the general and life insurance business segments. The underwriting result is used as a measure of profitability of the insurance business segments. The combined operating ratio expresses the total underwriting costs of the general insurance business as a percentage of net earned premiums. The investment return is used as a profitability measure of the Group's investments. Gross written premium, the underwriting result and the combined operating ratio are attributed to the geographical region in which the customer is based.

The life business segment result comprises the profit or loss on insurance contracts (including return on assets backing liabilities in the long-term fund), investment return comprising profit or loss on funeral plan investment business and shareholder investment return, and other expenses.

All other segment results consist of the profit or loss before tax measured in accordance with UK-adopted International Accounting Standards (UKIAS).

# Notes to the financial statements

## 5 Segment information (continued)

**Segment gross written premiums**

| | **2024** | 2023 |
|---|---|---|
| | **£000** | £000 |
| General business | | |
| United Kingdom and Ireland | **436,863** | 399,716 |
| Australia | **95,345** | 102,668 |
| Canada | **101,556** | 106,937 |
| Other insurance operations | **6,837** | 5,686 |
| Total | **640,601** | 615,007 |
| Life business | **(271)** | (24) |
| **Group gross written premiums** | **640,330** | 614,983 |

Group revenues are not materially concentrated on any single external customer.

**Segment results**

| **2024** | ***Combined operating ratio*** | **Insurance £000** | **Investments £000** | **Other £000** | **Total £000** |
|---|---|---|---|---|---|
| General business | | | | | |
| United Kingdom and Ireland | ***77.4%*** | **53,612** | **59,091** | **(2,757)** | **109,946** |
| Australia | ***107.4%*** | **(3,234)** | **3,406** | **345** | **517** |
| Canada | ***81.4%*** | **13,671** | **7,626** | **(946)** | **20,351** |
| Other insurance operations | | **(16,407)** | **(505)** | **4** | **(16,908)** |
| | ***86.9%*** | **47,642** | **69,618** | **(3,354)** | **113,906** |
| Life business | | **1,406** | **315** | **-** | **1,721** |
| Corporate costs | | **-** | **-** | **(33,152)** | **(33,152)** |
| **Profit/(loss) before tax** | | **49,048** | **69,933** | **(36,506)** | **82,475** |

| **2023** | ***Combined operating ratio*** | **Insurance £000** | **Investments £000** | **Other £000** | **Total £000** |
|---|---|---|---|---|---|
| General business | | | | | |
| United Kingdom and Ireland | *92.1%* | 16,371 | 30,751 | (2,640) | 44,482 |
| Australia | *113.4%* | (5,120) | 6,031 | (377) | 534 |
| Canada | *80.4%* | 14,924 | 6,500 | (134) | 21,290 |
| Other insurance operations | | (1,655) | (1,027) | 87 | (2,595) |
| | *92.6%* | 24,520 | 42,255 | (3,064) | 63,711 |
| Life business | | 1,240 | 3,881 | - | 5,121 |
| Corporate costs | | - | - | (24,079) | (24,079) |
| **Profit/(loss) before tax** | | 25,760 | 46,136 | (27,143) | 44,753 |

# Notes to the financial statements

## 5 Segment information (continued)

**(c) Geographical information**

Gross written premiums from external customers and non-current assets, as attributed to individual countries in which the Group operates, are as follows:

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | Gross written premiums £000 | Non-current assets £000 | Gross written premiums £000 | Non-current assets £000 |
| United Kingdom and Ireland | **443,429** | **320,801** | 405,378 | 320,026 |
| Australia | **95,345** | **5,621** | 102,668 | 5,869 |
| Canada | **101,556** | **4,110** | 106,937 | 5,401 |
| | **640,330** | **330,532** | 614,983 | 331,296 |

Gross written premiums are allocated based on the country in which the insurance contracts are issued. Non-current assets exclude rights arising under insurance contracts, deferred tax assets, pension assets and financial instruments and are allocated based on where the assets are located.

## 6 Insurance revenue

| | General business £000 | Life business £000 | Total £000 |
|---|---|---|---|
| **For the year ended 31 December 2024** | | | |
| **Contracts not measured under PAA** | | | |
| **Amounts relating to the changes in the LRC** | | | |
| Expected incurred claims and other expenses after loss component allocation | **-** | **5,350** | **5,350** |
| Change in the risk adjustment for non-financial risk for the risk expired after loss component | **-** | **16** | **16** |
| CSM recognised in profit or loss for the services provided | **-** | **712** | **712** |
| | **-** | **6,078** | **6,078** |
| **Contracts measured under PAA** | **623,875** | **-** | **623,875** |
| **Total insurance revenue** | **623,875** | **6,078** | **629,953** |
| **For the year ended 31 December 2023** | | | |
| **Contracts not measured under PAA** | | | |
| **Amounts relating to the changes in the LRC** | | | |
| Expected incurred claims and other expenses after loss component allocation | - | 5,772 | 5,772 |
| Change in the risk adjustment for non-financial risk for the risk expired after loss component | - | 20 | 20 |
| CSM recognised in profit or loss for the services provided | - | 717 | 717 |
| | - | 6,509 | 6,509 |
| **Contracts measured under PAA** | 579,975 | - | 579,975 |
| **Total insurance revenue** | 579,975 | 6,509 | 586,484 |

# 7 Insurance service expenses

A breakdown of Insurance service expenses is included below:

| | General business £000 | Life business £000 | Total £000 |
|---|---|---|---|
| **For the year ended 31 December 2024** | | | |
| Incurred claims and benefits excluding investment components | **306,938** | **-** | **306,938** |
| Insurance acquisition cash flows amortisation | **134,733** | **-** | **134,733** |
| Changes that relate to past service | **15,898** | **-** | **15,898** |
| Losses on onerous contracts and reversal of those losses | **(784)** | **-** | **(784)** |
| Changes that relate to current service | **-** | **5,032** | **5,032** |
| **Total insurance service expenses** | **456,785** | **5,032** | **461,817** |
| **For the year ended 31 December 2023** | | | |
| Incurred claims and benefits excluding investment components | 308,069 | - | 308,069 |
| Insurance acquisition cash flows amortisation | 119,205 | - | 119,205 |
| Changes that relate to past service | (24,547) | - | (24,547) |
| Losses on onerous contracts and reversal of those losses | 155 | - | 155 |
| Changes that relate to current service | - | 5,702 | 5,702 |
| **Total insurance service expenses** | 402,882 | 5,702 | 408,584 |

# 8 Net insurance financial result

| | General business £000 | Life business £000 | Total £000 |
|---|---|---|---|
| **For the year ended 31 December 2024** | | | |
| **Insurance finance (expense)/income from insurance contracts issued** | | | |
| Interest accreted | **(23,657)** | **(2,160)** | **(25,817)** |
| Effect of changes in interest rates and other financial assumptions | **11,829** | **2,690** | **14,519** |
| Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition | **-** | **(211)** | **(211)** |
| Total | **(11,828)** | **319** | **(11,509)** |
| **Insurance finance income/(expense) from reinsurance contracts held** | | | |
| Interest accreted | **6,763** | **-** | **6,763** |
| Effect of changes in interest rates and other financial assumptions | **(2,122)** | **-** | **(2,122)** |
| Effect of changes in non-performance risk of reinsurers | **6** | **-** | **6** |
| Total | **4,647** | **-** | **4,647** |
| **Net insurance financial result** | **(7,181)** | **319** | **(6,862)** |
| **For the year ended 31 December 2023** | | | |
| **Insurance finance expense from insurance contracts issued** | | | |
| Interest accreted | (19,603) | (600) | (20,203) |
| Effect of changes in interest rates and other financial assumptions | (4,499) | (1,131) | (5,630) |
| Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition | - | (897) | (897) |
| Total | (24,102) | (2,628) | (26,730) |
| **Insurance finance income from reinsurance contracts held** | | | |
| Interest accreted | 6,249 | - | 6,249 |
| Effect of changes in interest rates and other financial assumptions | 590 | - | 590 |
| Effect of changes in non-performance risk of reinsurers | 351 | - | 351 |
| Total | 7,190 | - | 7,190 |
| **Net insurance financial result** | (16,912) | (2,628) | (19,540) |

# Notes to the financial statements

## 8 Net insurance financial result (continued)

The Group's investment return on assets detailed in note 9 includes the financial performance of the assets held to back insurance liabilities. The Group manages financial performance by aligning its investment strategies where appropriate with the characteristics of its insurance liabilities, mitigating the overall profit impact of net insurance financing effects.

# 9 Net investment result

| | General business £000 | Life business £000 | Total £000 |
|---|---|---|---|
| **For the year ended 31 December 2024** | | | |
| *Income from financial assets at fair value through profit or loss* | | | |
| - equity income | **11,535** | **335** | **11,870** |
| - debt income | **13,634** | **2,316** | **15,950** |
| - structured note income | **-** | **1,119** | **1,119** |
| *Income from financial assets calculated using the effective interest rate method* | | | |
| - cash and cash equivalents income | **2,645** | **236** | **2,881** |
| - other income received | **8,766** | **-** | **8,766** |
| Other income | | | |
| - rental income | **8,730** | **-** | **8,730** |
| - exchange movements | **831** | **-** | **831** |
| **Investment income** | **46,141** | **4,006** | **50,147** |
| Fair value movements on financial instruments at fair value through profit or loss | **23,681** | **(2,287)** | **21,394** |
| Fair value movements on investment property | **291** | **-** | **291** |
| Fair value movements on property, plant and equipment | **-** | **-** | **-** |
| Movement in expected credit loss allowance | **18** | **-** | **18** |
| Net investment return | **70,131** | **1,719** | **71,850** |
| **For the year ended 31 December 2023** | | | |
| *Income from financial assets at fair value through profit or loss* | | | |
| - equity income | 9,836 | 196 | 10,032 |
| - debt income | 12,641 | 2,301 | 14,942 |
| - structured note income | - | 731 | 731 |
| *Income from financial assets calculated using the effective interest rate method* | | | |
| - cash and cash equivalents income | 2,350 | 138 | 2,488 |
| - other income received | 6,879 | - | 6,879 |
| Other income/(expense) | | | |
| - rental income | 8,647 | - | 8,647 |
| - exchange movements | (820) | - | (820) |
| **Investment income** | 39,533 | 3,366 | 42,899 |
| Fair value movements on financial instruments at fair value through profit or loss | 14,678 | 4,901 | 19,579 |
| Fair value movements on investment property | (6,651) | - | (6,651) |
| Fair value movements on property, plant and equipment | 35 | - | 35 |
| Movement in expected credit loss allowance | 1,607 | - | 1,607 |
| Net investment return | 49,202 | 8,267 | 57,469 |

Included within fair value movements on financial instruments at fair value through profit or loss are gains of £6.9m (2023: £4.3m gains) in respect of derivative financial instruments.

## 10 Fee and commission income

During the year the Group recognised £0.5m (2023: £nil) in accordance with IFRS 15 *Revenue from contracts with customers* . Fee and commission income from contracts with customers was recognised as follows:

| | Recognised at a point in time £000 | Recognised over time £000 | Total £000 |
|---|---|---|---|
| **For the year ended 31 December 2024** | | | |
| General business | **544** | **-** | **544** |

## 11 Profit for the year

| | 2024 £000 | 2023 £000 |
|---|---|---|
| **Profit for the year has been arrived at after (crediting)/charging** | | |
| Net foreign exchange (gains)/losses | **(831)** | 820 |
| Depreciation of property, plant and equipment | **6,357** | 5,879 |
| (Profit)/loss on disposal of property, plant and equipment | **(178)** | 2 |
| Amortisation of intangible assets | **3,340** | 4,155 |
| (Increase)/decrease in fair value of investment property | **(291)** | 6,651 |
| Employee benefits expense including termination benefits, net of recharges | **114,855** | 101,834 |

## 12 Auditor's remuneration

| | 2024 £000 | 2023 £000 |
|---|---|---|
| **Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts** | **976** | 2,080 |
| **Fees payable to the Company's auditor and its associates for other services:** | | |
| - The audit of the Company's subsidiaries | **294** | 414 |
| Total audit fees | **1,270** | 2,494 |
| - Audit-related assurance services | **172** | 156 |
| Total non-audit fees | **172** | 156 |
| **Total auditor's remuneration** | **1,442** | 2,650 |

Amounts disclosed are net of services taxes, where applicable. Audit-related assurance services include Prudential Regulatory Authority (PRA) and other regulatory audit work.

Audit fees for the year ended 31 December 2023 included amounts related to the implementation of IFRS 17 *Insurance Contracts* in the prior year.

## 13 Employee information

The average monthly number of full-time equivalent employees of the Group and Parent, including executive directors, during the year by geographical location was:

| Group | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | General business No. | Life business No. | Other No. | General business No. | Life business No. | Other No. |
| United Kingdom and Ireland | **1,025** | **2** | **156** | 956 | 2 | 151 |
| Australia | **149** | **-** | **-** | 166 | - | - |
| Canada | **88** | **-** | **-** | 78 | - | - |
| | **1,262** | **2** | **156** | 1,200 | 2 | 151 |

| Parent | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | General business No. | Life business No. | Other No. | General business No. | Life business No. | Other No. |
| United Kingdom and Ireland | **1,025** | **2** | **156** | 956 | 2 | 118 |
| Canada | **88** | **-** | **-** | 78 | - | - |
| | **1,113** | **2** | **156** | 1,034 | 2 | 118 |

Average numbers of full-time equivalent employees have been quoted rather than average numbers of employees to give a better reflection of the split between business areas, as some employees' work is divided between more than one business area.

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | Group £000 | Parent £000 | Group £000 | Parent £000 |
| Wages and salaries | **112,016** | **98,246** | 100,586 | 86,565 |
| Social security costs | **10,580** | **10,580** | 9,038 | 9,038 |
| Pension costs - defined contribution plans | **9,007** | **7,829** | 8,118 | 7,021 |
| Pension costs - defined benefit plans | **111** | **111** | 533 | 533 |
| Other post-employment benefits | **209** | **209** | 230 | 230 |
| Total staff costs | **131,923** | **116,975** | 118,505 | 103,387 |
| Staff costs recharged to related undertakings of the Group | **(16,917)** | **(16,917)** | (17,027) | (17,027) |
| Capitalised staff costs | **(1,207)** | **(1,207)** | (37) | (37) |
| | **113,799** | **98,851** | 101,441 | 86,323 |

The above Group and Parent figures do not include termination benefits of £1.5m (2023: £0.9m) of which £0.4m (2023: £0.5m) was recharged to related undertakings of the Group and Parent.

# 14 Tax expense

**(a) Tax charged/(credited) to the statement of profit or loss**

| | | 2024 £000 | 2023 £000 |
|---|---|---|---|
| Current tax | - current year | **13,851** | 8,756 |
| | - prior year adjustments | **326** | (897) |
| Deferred tax | - temporary differences | **3,261** | (805) |
| | - prior year adjustments | **(141)** | 1,067 |
| | - Impact of change in deferred tax rate | **(1)** | (103) |
| **Total tax expense** | | **17,296** | 8,018 |

Tax on the Group's result before tax differs from the United Kingdom standard rate of corporation tax for the reasons set out in the following reconciliation:

| | 2024 £000 | 2023 £000 |
|---|---|---|
| Profit before tax | **82,475** | 44,753 |
| Profit before tax (discontinued operations) | **-** | 719 |
| **Total pre-tax profit** | **82,475** | 45,472 |
| Tax calculated at the UK standard rate of tax of 25% (2023: 23.52%) | **20,619** | 10,695 |
| *Factors affecting charge for the year:* | | |
| Expenses not deductible for tax purposes | **321** | 306 |
| Non-taxable income | **(3,829)** | (3,205) |
| Overseas taxes in excess of UK headline rate | **1** | 163 |
| Impact of change in deferred tax rate | **(1)** | (103) |
| Reduction in deferred tax asset not provided | **-** | (8) |
| Adjustments to tax charge in respect of prior periods | **185** | 170 |
| **Total tax expense** | **17,296** | 8,018 |

Deferred tax has been provided at an average rate of 25% (2023: 25%).

**(b) Tax charged/(credited) to other comprehensive income**

| | 2024 £000 | 2023 £000 |
|---|---|---|
| Current tax charged on: | | |
| Fair value movements on hedge derivatives | **276** | 350 |
| Fair value movements on property | **286** | - |
| Deferred tax (credited)/charged on: | | |
| Fair value movements on property | **(286)** | 203 |
| Actuarial movements on retirement benefit plans | **(408)** | 1,200 |
| Fair value movements on hedge derivatives | **1,105** | 318 |
| Impact of change in deferred tax rate | **-** | 109 |
| Total tax charged to other comprehensive income | **973** | 2,180 |

Tax relief on charitable grants of £8.3m (2023: £3.8m) has been taken directly to equity.

On 20 June 2023 the UK substantively enacted Pillar Two global minimum tax rules as part of the OECD work on Base Erosion and Profit Shifting ("BEPS"). The legislation took effect for financial years commencing on or after 1 January 2024. The Pillar Two rules are subject to a Group Revenue threshold of €750m being exceeded in two of the previous four years. Based on this threshold the Group is likely to be subject to these rules for the first time in the year ended 31 December 2025.

# Notes to the financial statements

## 14 Tax expense (continued)

Under the Pillar Two rules, a top up tax will arise where the effective tax rate of the Group's operations in any individual jurisdiction, calculated using principles set out in the Pillar Two rules is less than 15%. Simplified transitional safe harbours apply for 2025 and 2026 based on Country-by Country reporting data.

The Group has performed an initial assessment of the Group's exposure to Pillar Two taxes. This assessment shows that in relation to safe harbour periods the Group does not anticipate that any material top-up tax should arise. In relation to full rules applicable from 2027 onwards further work will be carried out to assess the impact.

## 15 Appropriations

| | **2024 £000** | 2023 £000 |
|---|---|---|
| Amounts paid directly from equity in the year: | | |
| **Dividends** | | |
| Ordinary share dividend | **30,000** | 5,223 |
| Non-Cumulative Irredeemable Preference share dividend (8.625 pence per share) | **9,181** | 9,181 |
| **Charitable grants** | | |
| Gross charitable grants to the ultimate parent company, Benefact Trust Limited | **33,000** | 13,000 |
| Tax relief | **(8,250)** | (3,837) |
| Net appropriation for the year | **24,750** | 9,163 |

## 16 Disposal of subsidiaries and discontinued operations

On 3 January 2023 the Company approved a dividend in specie and distributed its entire holdings in EdenTree Investment Management Limited and Ecclesiastical Financial Advisory Services Limited to the Group's immediate parent company, Benefact Group plc.

**(a) Disposal of subsidiaries**

| | **2024 £000** | 2023 £000 |
|---|---|---|
| Consideration received or receivable | - | 5,223 |
| Carrying amount of net assets sold | - | (4,504) |
| **Gain on disposal before and after tax** | - | 719 |

The gain on disposal has been presented within net profit attributable to discontinued operations in the consolidated statement of profit or loss.

The carrying amounts of assets and liabilities as at the date of disposal were:

| | **2024 £000** | 2023 £000 |
|---|---|---|
| Other assets | - | 9,822 |
| Cash and cash equivalents | - | 5,177 |
| **Total assets** | - | 14,999 |
| Deferred income | - | (261) |
| Other liabilities | - | (10,234) |
| **Total liabilities** | - | (10,495) |
| **Net assets** | - | 4,504 |

# Notes to the financial statements

## 16 Disposal of subsidiaries and discontinued operations (continued)

**(b) Financial performance of discontinued operations**

| | **2024** | 2023 |
|---|---|---|
| | **£000** | £000 |
| Gain on disposal of subsidiaries before and after tax | - | 719 |
| **Profit from discontinued operations** | - | 719 |

**(c) Cash flow information for discontinued operations**

| | **2024** | 2023 |
|---|---|---|
| | **£000** | £000 |
| Net cash outflow from investing activities | - | (5,177) |
| **Net decrease in cash generated by discontinued operations** | - | (5,177) |

Net cash outflow from investing activities in the prior year includes an outflow of £5.2m from the disposal of EdenTree Investment Management Limited and Ecclesiastical Financial Advisory Services Limited.

# 17 Goodwill and other intangible assets

| Group | Goodwill £000 | Computer software £000 | Other intangible assets £000 | Total £000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2024 | **2,097** | **48,898** | **191** | **51,186** |
| Additions | **-** | **6,191** | **-** | **6,191** |
| Exchange differences | **-** | **(375)** | **(9)** | **(384)** |
| At 31 December 2024 | **2,097** | **54,714** | **182** | **56,993** |
| **Accumulated impairment losses and amortisation** | | | | |
| At 1 January 2024 | **-** | **25,132** | **188** | **25,320** |
| Amortisation charge for the year | **-** | **3,332** | **8** | **3,340** |
| Impairment loss for the year | **-** | **29** | **-** | **29** |
| Exchange differences | **-** | **(307)** | **(14)** | **(321)** |
| At 31 December 2024 | **-** | **28,186** | **182** | **28,368** |
| **Net book value at 31 December 2024** | **2,097** | **26,528** | **-** | **28,625** |
| **Cost** | | | | |
| At 1 January 2023 | 2,097 | 49,490 | 196 | 51,783 |
| Additions | - | 1,245 | - | 1,245 |
| Disposals | - | (434) | - | (434) |
| Transfers | - | (1,234) | - | (1,234) |
| Exchange differences | - | (169) | (5) | (174) |
| At 31 December 2023 | 2,097 | 48,898 | 191 | 51,186 |
| **Accumulated impairment losses and amortisation** | | | | |
| At 1 January 2023 | - | 21,385 | 143 | 21,528 |
| Amortisation charge for the year | - | 4,107 | 48 | 4,155 |
| Impairment loss for the year | - | 1,428 | - | 1,428 |
| Disposals | - | (434) | - | (434) |
| Transfers | - | (1,234) | - | (1,234) |
| Exchange differences | - | (120) | (3) | (123) |
| At 31 December 2023 | - | 25,132 | 188 | 25,320 |
| **Net book value at 31 December 2023** | 2,097 | 23,766 | 3 | 25,866 |

# Notes to the financial statements

## 17 Goodwill and other intangible assets (continued)

Other intangible assets consist of acquired brand, customer and distribution relationships, which have an overall remaining useful life of nil on a weighted average basis (2023: less than one year).

| **Parent** | | **2024** | | | 2023 | |
|---|---|---|---|---|---|---|
| | **Computer software £000** | **Other intangible assets £000** | **Total £000** | Computer software £000 | Other intangible assets £000 | Total £000 |
| **Cost** | | | | | | |
| At 1 January | **48,169** | **190** | **48,359** | 47,527 | 195 | 47,722 |
| Additions | **6,180** | **-** | **6,180** | 1,245 | - | 1,245 |
| Disposals | **-** | **-** | **-** | (434) | - | (434) |
| Exchange differences | **(368)** | **(9)** | **(377)** | (169) | (5) | (174) |
| At 31 December | **53,981** | **181** | **54,162** | 48,169 | 190 | 48,359 |
| **Accumulated impairment losses and amortisation** | | | | | | |
| At 1 January | **24,407** | **183** | **24,590** | 19,426 | 138 | 19,564 |
| Amortisation charge for the year | **3,429** | **8** | **3,437** | 4,107 | 48 | 4,155 |
| Impairment loss for the year | **29** | **-** | **29** | 1,428 | - | 1,428 |
| Disposals | **-** | **-** | **-** | (434) | - | (434) |
| Exchange differences | **(309)** | **(10)** | **(319)** | (120) | (3) | (123) |
| At 31 December | **27,556** | **181** | **27,737** | 24,407 | 183 | 24,590 |
| **Net book value at 31 December** | **26,425** | **-** | **26,425** | 23,762 | 7 | 23,769 |

# 18 Retirement benefit schemes

**Defined contribution pension plans**

The Group operates a number of defined contribution pension plans, for which contributions by the Group are disclosed in note 13.

**Defined benefit pension plans**

The Group's defined benefit plan is operated by the parent company in the UK. The plan closed to new entrants on 5 April 2006. The terms of the plan for future service changed in August 2011 from a non-contributory final salary scheme to a contributory scheme in which benefits are based on career average revalued earnings. The scheme closed to future accrual on 30 June 2019. Active members in employment at this date retained certain enhanced benefits after the plan closed to future accrual, including benefits in relation to death in service and ill health retirement. They also retain the link to final salary whilst they remain employed by the parent company. From 1 July 2019, active members in employment joined one of the Group's defined contribution plans. The scheme previously had two discrete sections: the EIO Section and the Ansvar Section. With effect from 1 January 2021, the two discrete sections of the scheme have been combined.

The assets of the defined benefit plan are held separately from those of the Group by the Trustee of the Ecclesiastical Insurance Office plc Staff Retirement Benefit Fund (the 'Fund'). The Fund is subject to the Statutory Funding Objective under the Pensions Act 2004. An independent qualified actuary appointed by the Trustee is responsible for undertaking triennial valuations to determine whether the Statutory Funding Objective is met. Pension costs for the plan are determined by the Trustee, having considered the advice of the actuary and having consulted with the employer. The most recent triennial valuation was at 31 December 2022. No contribution is expected to be paid by the Group in 2025.

Actuarial valuations were reviewed and updated by an actuary at 31 December 2024 for IAS 19 purposes. The surplus in the scheme attributable to the former EIO Section has been assessed against the economic benefit available to the Parent as a reduction in future contributions in accordance with IFRIC 14. This has resulted in the recognisable surplus being restricted by £70.7m. The Parent has an unconditional right to a refund of the surplus attributable to the former Ansvar Section of the Fund, which has been recognised in full in accordance with IFRIC 14.

On 25 July 2024, the Court of Appeal's judgement in the case of Virgin Media v NTL Trustees was released. A legal review of the deeds of the Ecclesiastical defined benefit scheme was instructed by the trustee of the pension scheme. This review has been completed, no allowance has been made and there is no impact on the year end valuation of the scheme.

In the current year, actuarial gains arising from changes in financial assumptions of £26.8m (2023: losses of £8.0m) have been recognised in the statement of other comprehensive income. This includes a £28.9m gain arising from a 0.97% increase in the discount rate, partially offset by a £2.1m loss due an increase in inflation. In the prior year, a £9.0m loss arising from a 0.27% decrease in the discount rate was partially offset by a £0.9m gain due to inflation linked pension increases.

The experience loss on the defined benefit obligation of £0.2m (2023: £2.3m) was predominantly due to actual inflation exceeding the inflation assumptions. In the prior year, the experience loss was the result of updating for actual member experience and from actual inflation exceeding the inflation assumptions. A review and update to certain demographic assumptions resulted in an actuarial gain of £0.5m (2023: £5.5m) being recognised in the current year.

The defined benefit plan typically exposes the Group to risks such as:

- Investment risk: The Fund holds some of its investments in asset classes, such as equities, which have volatile market values and, while these assets are expected to provide the best returns over the long term, any short-term volatility could cause funding to be required if a deficit emerges. Derivative contracts are used from time to time, which would limit losses in the event of a fall in equity markets;

- Interest rate risk: Scheme liabilities are assessed using market rates of interest to discount the liabilities and are therefore subject to any volatility in the movement of the market rate of interest. The net interest income or expense recognised in profit or loss is also calculated using the market rate of interest. The Group's defined benefit plan holds Liability Driven Investments (LDIs) to hedge part of the exposure of the scheme's liabilities to movements in interest rates;

- Inflation risk: A significant proportion of scheme benefits are linked to inflation. Although scheme assets are expected to provide a good hedge against inflation over the long term, movements over the short term could lead to a deficit emerging. The Group's defined benefit plan holds LDIs to hedge part of the exposure of the scheme's liabilities to movements in inflation expectations;

- Mortality risk: In the event that members live longer than assumed the liabilities may be understated originally, and a deficit may emerge if funding has not adequately provided for the increased life expectancy; and

# Notes to the financial statements

## 18 Retirement benefit schemes (continued)

- Currency risk: The Fund holds some of its investments in foreign denominated assets. As scheme liabilities are denominated in sterling, short-term fluctuations in exchange rates could cause funding to be required if a deficit emerges. Currency derivative contracts are used from time to time, which would limit losses in the event of adverse movements in exchange rates.

The Trustees set the investment objectives and strategy for the Fund based on independent advice and in consultation with the employer. Key factors addressed in setting strategy include the Fund's liability profile, funding level and strength of employer covenant. Their key objectives are to ensure the Fund can meet members' guaranteed benefits as they fall due, reduce the risk of assets failing to meet its liabilities over the long term and manage the volatility of returns and overall funding level.

A blend of diversified growth assets comprising equities, listed infrastructure and property and protection assets - bonds, gilts and cash - are deployed to balance the level of risk to that required to provide, with confidence, a sufficient return and liquidity to continue to meet members' obligations as they fall due. The Trustees have identified the key risks faced by the Fund in meeting this objective to be equity price risk, falls in bond yields and rising inflation.

A liability-driven investment allocation is maintained as a risk management tool to provide some future protection for the Fund against falling yields and rising inflation. Exposure of the Fund's assets to interest rates and inflation counter-balances exposure of the Fund's liabilities to these factors and has suppressed, but not eliminated, volatility in the funding position.

The Trustees regularly monitor investment performance and strategy to ensure the structure adopted continues to meet their objectives and to highlight opportunities to reduce investment risk and volatility where practical and affordable. Their aim is to achieve a long-term funding target in line with guidance from the Pensions Regulator. The Trustees intend that this long-term target will be reached through investment performance only and without requiring further contributions from the employer. During 2024 the investment strategy has continued to evolve, to align more closely to the liability profile and improve interest rate and inflation matching.

The Trustees adopt a Responsible and Sustainable Investment Policy in relation to the Fund's equities. This includes an 'absence of harm' exclusion policy, as well as an aspiration to reduce the portfolio's carbon intensity over time.

| **Group and Parent** | **2024**<br>**£000** | 2023<br>£000 |
|---|---|---|
| **The amounts recognised in the statement of financial position are determined as follows:** | | |
| Present value of funded obligations | **(208,987)** | (235,583) |
| Fair value of plan assets | **297,212** | 305,644 |
| | **88,225** | 70,061 |
| Restrictions on asset recognised | **(70,673)** | (50,273) |
| Net defined benefit pension scheme surplus in the statement of financial position | **17,552** | 19,788 |
| **Movements in the net defined benefit pension scheme asset recognised in the statement of financial position are as follows:** | | |
| At 1 January | **19,788** | 15,338 |
| Expense charged to profit or loss | **(111)** | (533) |
| Amounts recognised in other comprehensive income | **(2,125)** | 4,983 |
| At 31 December | **17,552** | 19,788 |
| **The amounts recognised through profit or loss are as follows:** | | |
| Current service cost | **(255)** | (257) |
| Administration cost | **(642)** | (809) |
| Interest expense on liabilities | **(10,382)** | (10,721) |
| Interest income on plan assets | **13,509** | 14,144 |
| Past service cost | **(79)** | (167) |
| Effect of interest on asset ceiling | **(2,262)** | (2,723) |
| Total, included in employee benefits expense | **(111)** | (533) |
| **The amounts recognised in the statement of other comprehensive income are as follows:** | | |
| Return on plan assets, excluding interest income | **(11,038)** | 219 |
| Experience losses on liabilities | **(227)** | (2,290) |
| Gains from changes in demographic assumptions | **510** | 5,489 |
| Gains/(losses) from changes in financial assumptions | **26,768** | (7,977) |
| Change in asset ceiling | **(18,138)** | 9,542 |
| Total included in other comprehensive income | **(2,125)** | 4,983 |

The actuarial losses on retirement benefit plans of £1.6m (2023: gains of £5.1m) in the statement of other comprehensive income include gains of £0.5m (2023: gains of £0.1m) in relation to the post-employment medical benefits plan.

# Notes to the financial statements

## 18 Retirement benefit schemes (continued)

The following is the analysis of the defined benefit pension balances:

| Group and Parent | 2024 £000 | 2023 £000 |
|---|---|---|
| Pension surplus | **17,552** | 19,788 |

The principal actuarial assumptions (expressed as weighted averages) were as follows*:

| | % | % |
|---|---|---|
| Discount rate | **5.47** | 4.50 |
| Inflation (RPI) | **3.26** | 3.14 |
| Inflation (CPI) | **2.80** | 2.65 |
| Future salary increases | **4.05** | 3.90 |
| Future increase in pensions in deferment | **3.28** | 3.30 |
| Future average pension increases (linked to RPI) | **3.09** | 3.01 |
| Future average pension increases (linked to CPI) | **2.10** | 2.07 |

*Single-equivalent rates are disclosed for the current year.

Mortality rate

The average life expectancy in years of a pensioner retiring at age 65, at the year-end date, is as follows:

| | | |
|---|---|---|
| Male | **22.2** | 22.2 |
| Female | **23.8** | 23.7 |

The average life expectancy in years of a pensioner retiring at age 65, 20 years after the year-end date, is as follows:

| | | |
|---|---|---|
| Male | **23.0** | 23.0 |
| Female | **24.8** | 24.7 |

Plan assets are weighted as follows:

| | £000 | £000 |
|---|---|---|
| Cash and other[1] | **6,390** | 12,887 |
| Equity instruments | | |
| UK quoted | **19,796** | 41,541 |
| Overseas quoted | **25,609** | 49,307 |
| | **45,405** | 90,848 |
| Liability driven investments - unquoted | **86,329** | 54,095 |
| Debt instruments | | |
| UK public sector quoted - fixed interest | **12,784** | 9,768 |
| UK non-public sector quoted - fixed interest | **90,361** | 79,699 |
| UK quoted - index-linked | **18,638** | 20,559 |
| | **121,783** | 110,026 |
| Derivative financial instruments - unquoted | **(592)** | (144) |
| Property | **37,897** | 37,932 |
| | **297,212** | 305,644 |

[1] Includes accrued income, prepayments and other debtors and creditors.

The actual return on plan assets was a gain of £2.5m (2023: a gain of £14.4m).

The underlying assets of the LDIs are primarily UK government bonds and interest rate repurchase agreements at various rates and terms.

The fair value of unquoted securities is measured using inputs for the asset that are not based on observable market data. The fair value is estimated and approved by the Trustee based on the advice of investment managers. Property is valued annually by independent qualified surveyors using standard industry methodology to determine a fair market value. All other investments either have a quoted price in active markets or are valued based on observable market data.

# Notes to the financial statements

## 18 Retirement benefit schemes (continued)

The movements in the fair value of plan assets and the present value of the defined benefit obligation over the year are as follows:

| | **2024 £000** | 2023 £000 |
|---|---|---|
| **Plan assets** | | |
| At 1 January | **305,644** | 301,773 |
| Interest income | **13,509** | 14,144 |
| Actual return on plan assets, excluding interest income | **(11,038)** | 219 |
| Pension benefits paid and payable | **(10,261)** | (9,683) |
| Administration cost | **(642)** | (809) |
| At 31 December | **297,212** | 305,644 |
| **Defined benefit obligation** | | |
| At 1 January | **235,583** | 229,343 |
| Current service cost | **255** | 257 |
| Past service cost | **79** | 167 |
| Interest cost | **10,382** | 10,721 |
| Pension benefits paid and payable | **(10,261)** | (9,683) |
| Experience losses on liabilities | **227** | 2,290 |
| Gains from changes in demographic assumptions | **(510)** | (5,489) |
| (Gains)/losses from changes in financial assumptions | **(26,768)** | 7,977 |
| At 31 December | **208,987** | 235,583 |
| **Asset ceiling** | | |
| At 1 January | **50,273** | 57,092 |
| Effect of interest on the asset ceiling | **2,262** | 2,723 |
| Change in asset ceiling | **18,138** | (9,542) |
| At 31 December | **70,673** | 50,273 |

| **History of plan assets and liabilities** | **2024 £000** | 2023 £000 | 2022 £000 | 2021 £000 | 2020 £000 |
|---|---|---|---|---|---|
| Present value of defined benefit obligations | **(208,987)** | (235,583) | (229,343) | (377,113) | (403,709) |
| Fair value of plan assets | **297,212** | 305,644 | 301,773 | 422,885 | 394,356 |
| | **88,225** | 70,061 | 72,430 | 45,772 | (9,353) |
| Restrictions on asset recognised | **(70,673)** | (50,273) | (57,092) | (17,468) | - |
| Surplus/(deficit) | **17,552** | 19,788 | 15,338 | 28,304 | (9,353) |

The weighted average duration of the defined benefit obligation at the end of the reporting year is 13.7 years (2023: 15.2 years).

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, inflation, expected salary increases and mortality. The sensitivity analysis below has been determined based on reasonably possible changes in the assumptions occurring at the end of the reporting year assuming that all other assumptions are held constant.

| **Assumption** | **Change in assumption** | **(Decrease)/increase in plan liabilities** | |
|---|---|---|---|
| | | **2024 £000** | 2023 £000 |
| Discount rate | Increase by 0.5% | **(12,543)** | (15,923) |
| | Decrease by 0.5% | **14,026** | 17,857 |
| Inflation | Increase by 0.5% | **8,095** | 10,456 |
| | Decrease by 0.5% | **(8,056)** | (10,302) |
| Salary increase | Increase by 0.5% | **865** | 1,193 |
| | Decrease by 0.5% | **(900)** | (1,128) |
| Life expectancy | Increase by 1 year | **5,836** | 6,608 |
| | Decrease by 1 year | **(5,851)** | (6,617) |

**Post-employment medical benefits**

The Parent operates a post-employment medical benefit plan, for which it chooses to self-insure. The method of accounting, assumptions and the frequency of valuation are similar to those used for the defined benefit pension plan.

# Notes to the financial statements

## 18 Retirement benefit schemes (continued)

The provision of the plan leads to a number of risks as follows:

- Interest rate risk: The reserves are assessed using market rates of interest to discount the liabilities and are therefore subject to volatility in the movement of the market rates of interest. A reduction in the market rate of interest would lead to an increase in the reserves required to be held;
- Medical expense inflation risk: Future medical costs are influenced by a number of factors including economic trends and advances in medical technology and sciences. An increase in medical expense inflation would lead to an increase in the reserves required to be held;
- Medical claims experience: Claims experience can be volatile, exposing the Company to the risk of being required to pay over and above the assumed reserve. If future claims experience differs significantly from that experienced in previous years, this will increase the risk to the Company;
- Spouse and widows' contributions: The self-insured benefit includes a potential liability for members who pay contributions in respect of their spouse and for widows who pay contributions. There is the possibility that the contributions charged may not be sufficient to cover the medical costs that fall due; and
- Mortality risk: If members live longer than expected, the Company is exposed to the expense of medical claims for a longer period, with increased likelihood of needing to pay claims.

The amounts recognised in the statement of financial position are determined as follows:

| **Group and Parent** | **2024 £000** | 2023 £000 |
|---|---|---|
| Present value of unfunded obligations and net obligations in the statement of financial position | **4,332** | 4,801 |
| **Movements in the net obligations recognised in the statement of financial position are as follows:** | | |
| At 1 January | **4,801** | 4,960 |
| Total expense charged to profit or loss | **209** | 230 |
| Net actuarial gains during the year, recognised in other comprehensive income | **(495)** | (120) |
| Benefits paid | **(183)** | (269) |
| At 31 December | **4,332** | 4,801 |
| **The amounts recognised through profit or loss are as follows:** | | |
| Interest cost | **209** | 230 |
| Total, included in employee benefits expense | **209** | 230 |

The weighted average duration of the net obligations at the end of the reporting year is 9.0 years (2023: 10.0 years).

The main actuarial assumptions for the plan are a long-term increase in medical costs of 7.26% (2023: 7.14%) and a discount rate of 5.47% (2023: 4.50%). The actuarial gain recognised in the current year has been driven by a £0.5m actuarial gain due to the increase in discount rate. This has been partially offset by an actuarial loss of £0.1m arising from a 0.12% increase in the medical cost inflation assumption. In the prior year, an actuarial loss of £0.2m was recognised as a result of a decrease in the discount rate. This was offset by an actuarial gain of £0.2m arising from changes in mortality assumptions, and a £0.1m gain due to changes in inflation. The sensitivity analysis below has been determined based on reasonably possible changes in the assumptions occurring at the end of the accounting year assuming that all other assumptions are held constant.

| **Assumption** | **Change in assumption** | **(Decrease)/increase in plan liabilities** | |
|---|---|---|---|
| | | **2024 £000** | 2023 £000 |
| Discount rate | Increase by 0.5% | **(258)** | (286) |
| | Decrease by 0.5% | **285** | 315 |
| Medical expense inflation | Increase by 1.0% | **537** | 595 |
| | Decrease by 1.0% | **(456)** | (506) |
| Life expectancy | Increase by 1 year | **325** | 360 |
| | Decrease by 1 year | **(303)** | (336) |

# 19 Property, plant and equipment

| Group | Land and buildings £000 | Motor vehicles £000 | Furniture, fittings and equipment £000 | Computer equipment £000 | Right-of-use asset £000 | Total £000 |
|---|---|---|---|---|---|---|
| **Cost or valuation** | | | | | | |
| At 1 January 2024 | **2,350** | **17** | **15,851** | **11,601** | **32,140** | **61,959** |
| Additions | **-** | **-** | **1,788** | **1,549** | **5,534** | **8,871** |
| Disposals | **(1,750)** | **-** | **(447)** | **(865)** | **(951)** | **(4,013)** |
| Exchange differences | **-** | **-** | **(276)** | **(121)** | **(454)** | **(851)** |
| At 31 December 2024 | **600** | **17** | **16,916** | **12,164** | **36,269** | **65,966** |
| **Accumulated depreciation** | | | | | | |
| At 1 January 2024 | **-** | **15** | **7,719** | **9,414** | **10,628** | **27,776** |
| Charge for the year | **-** | **-** | **1,631** | **1,549** | **3,177** | **6,357** |
| Disposals | **-** | **-** | **(445)** | **(865)** | **(744)** | **(2,054)** |
| Exchange differences | **-** | **-** | **(113)** | **(93)** | **(191)** | **(397)** |
| At 31 December 2024 | **-** | **15** | **8,792** | **10,005** | **12,870** | **31,682** |
| **Net book value at 31 December 2024** | **600** | **2** | **8,124** | **2,159** | **23,399** | **34,284** |
| | | | | | | |
| **Cost or valuation** | | | | | | |
| At 1 January 2023 | 1,465 | 17 | 14,397 | 11,091 | 27,063 | 54,033 |
| Additions | - | - | 1,780 | 577 | 5,933 | 8,290 |
| Disposals | - | - | (237) | (12) | (706) | (955) |
| Revaluation | 885 | - | - | - | - | 885 |
| Exchange differences | - | - | (89) | (55) | (150) | (294) |
| At 31 December 2023 | 2,350 | 17 | 15,851 | 11,601 | 32,140 | 61,959 |
| **Accumulated depreciation** | | | | | | |
| At 1 January 2023 | - | 15 | 6,736 | 7,843 | 8,034 | 22,628 |
| Charge for the year | - | - | 1,251 | 1,623 | 3,005 | 5,879 |
| Disposals | - | - | (226) | (9) | (348) | (583) |
| Exchange differences | - | - | (42) | (43) | (63) | (148) |
| At 31 December 2023 | - | 15 | 7,719 | 9,414 | 10,628 | 27,776 |
| **Net book value at 31 December 2023** | 2,350 | 2 | 8,132 | 2,187 | 21,512 | 34,183 |

# Notes to the financial statements

## 19 Property, plant and equipment (continued)

| Parent | Land and buildings £000 | Motor vehicles £000 | Furniture, fittings and equipment £000 | Computer equipment £000 | Right of use asset £000 | Total £000 |
|---|---|---|---|---|---|---|
| **Cost or valuation** | | | | | | |
| At 1 January 2024 | **2,350** | **14** | **14,949** | **10,791** | **30,014** | **58,118** |
| Additions | **-** | **-** | **1,724** | **1,549** | **5,534** | **8,807** |
| Disposals | **(1,750)** | **-** | **(443)** | **(865)** | **(951)** | **(4,009)** |
| Exchange differences | **-** | **-** | **(205)** | **(59)** | **(291)** | **(555)** |
| At 31 December 2024 | **600** | **14** | **16,025** | **11,416** | **34,306** | **62,361** |
| **Accumulated depreciation** | | | | | | |
| At 1 January 2024 | **-** | **14** | **7,683** | **8,813** | **10,038** | **26,548** |
| Charge for the year | **-** | **-** | **1,427** | **1,445** | **2,756** | **5,628** |
| Disposals | **-** | **-** | **(443)** | **(865)** | **(744)** | **(2,052)** |
| Exchange differences | **-** | **-** | **(102)** | **(42)** | **(128)** | **(272)** |
| At 31 December 2024 | **-** | **14** | **8,565** | **9,351** | **11,922** | **29,852** |
| **Net book value at 31 December 2024** | **600** | **-** | **7,460** | **2,065** | **22,384** | **32,509** |
| **Cost or valuation** | | | | | | |
| At 1 January 2023 | 1,465 | 14 | 14,375 | 10,380 | 26,390 | 52,624 |
| Additions | - | - | 888 | 443 | 3,941 | 5,272 |
| Disposals | - | - | (223) | (12) | (197) | (432) |
| Revaluation | 885 | - | - | - | - | 885 |
| Exchange differences | - | - | (91) | (20) | (120) | (231) |
| At 31 December 2023 | 2,350 | 14 | 14,949 | 10,791 | 30,014 | 58,118 |
| **Accumulated depreciation** | | | | | | |
| At 1 January 2023 | - | 14 | 6,714 | 7,300 | 7,690 | 21,718 |
| Charge for the year | - | - | 1,233 | 1,537 | 2,518 | 5,288 |
| Disposals | - | - | (223) | (9) | (125) | (357) |
| Exchange differences | - | - | (41) | (15) | (45) | (101) |
| At 31 December 2023 | - | 14 | 7,683 | 8,813 | 10,038 | 26,548 |
| **Net book value at 31 December 2023** | 2,350 | - | 7,266 | 1,978 | 19,976 | 31,570 |

Included within land and buildings at 31 December 2023 was a property held for sale with a value of £1.8m.

All properties of the Group and Parent, other than those held for sale, were last revalued at 31 December 2023. Valuations were carried out by Cluttons LLP, an independent professional firm of chartered surveyors who have recent experience in the location and type of properties. Valuations were carried out using standard industry methodology to determine a fair value. All properties are classified as level 3 assets.

Movements in fair values are taken to the revaluation reserve within equity, net of deferred tax. When such properties are sold, the accumulated revaluation surpluses are transferred from this reserve to retained earnings. Where the fair value of an individual property is below original cost, any revaluation movement arising during the year is recognised within net investment return in the statement of profit or loss.

The value of land and buildings of the Group on a historical cost basis is £0.9m (2023: £1.5m). The value of land and buildings of the Parent on a historical cost basis is £0.9m (2023: £1.5m).

Depreciation expense has been charged in other operating expenses.

## 20 Investment property

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | **Group** | **Parent** | Group | Parent |
| | **£000** | **£000** | £000 | £000 |
| Fair value at 1 January | **130,813** | **130,813** | 140,846 | 140,846 |
| Disposals | **(2,541)** | **(2,541)** | (3,382) | (3,382) |
| Fair value gains/(losses) recognised in profit or loss | **291** | **291** | (6,651) | (6,651) |
| Fair value at 31 December | **128,563** | **128,563** | 130,813 | 130,813 |

The Group's investment properties were last revalued at 31 December 2024 by Cluttons LLP, an independent professional firm of chartered surveyors who have recent experience in the location and type of properties. Valuations were carried out using standard industry methodology to determine a fair value. There has been no change in the valuation technique during the year. All properties are classified as level 3 assets. There have been no transfers between investment categories in the current year.

Investment properties are held for long-term capital appreciation rather than short-term sale. Rental income arising from the investment properties owned by both the Group and Parent amounted to £8.7m (2023: £8.6m) and is included in net investment return.

## 21 Financial investments

Financial investments summarised by measurement category are as follows:

| | 2024 | | *Restated** 2023 | |
|---|---|---|---|---|
| | **Group** | **Parent** | Group | Parent |
| | **£000** | **£000** | £000 | £000 |
| **Financial investments at fair value through profit or loss** | | | | |
| Equity securities | | | | |
| - listed | **247,342** | **231,574** | 250,106 | 237,033 |
| - unlisted | **84,939** | **84,939** | 76,898 | 76,898 |
| Debt securities | | | | |
| - government bonds | **266,434** | **137,438** | 258,479 | 83,163 |
| - listed | **255,210** | **173,579** | 260,444 | 217,942 |
| Structured notes | **123,912** | **-** | 94,970 | - |
| Derivative financial instruments | | | | |
| - forwards | **4,150** | **4,150** | 824 | 824 |
| | **981,987** | **631,680** | 941,721 | 615,860 |
| **Loans and receivables** | | | | |
| Other loans | **14** | **14** | 34 | 34 |
| **Parent investments in subsidiary undertakings** | | | | |
| Shares in subsidiary undertakings | **-** | **42,707** | - | 42,707 |
| Total financial investments | **982,001** | **674,401** | 941,755 | 658,601 |
| Current | **538,759** | **349,204** | 476,559 | 337,748 |
| Non-current | **443,242** | **325,197** | 465,196 | 320,853 |

* Prior year comparatives have been re-presented to reflect bonds previously included in debt securities but relating to government bonds to better reflect the nature of the assets and requirements of IFRS 7.

All investments in subsidiary undertakings are unlisted.

The Group's exposure to interest rate risk is detailed in note 4(c).

## 22 Derivative financial instruments

The Group utilises derivatives to mitigate equity price risk arising from investments held at fair value, foreign exchange risk arising from investments denominated in foreign currencies, and foreign exchange risk arising from investments denominated in Sterling that contain underlying foreign currency exposure. These 'non-hedge' derivatives either do not qualify for hedge accounting or the option to hedge account has not been taken.

The Group has also formally designated certain derivatives as a hedge of its net investments in Australia and Canada. A gain of £8.8m (2023: gain of £4.9m) in respect of these 'hedge' derivatives has been recognised in the hedging reserve within shareholders' equity, as disclosed in note 26. The Group has formally assessed and documented the effectiveness of derivatives that qualify for hedge accounting in accordance with IFRS 9 *Financial Instruments* .

| **Group** | | **2024** | | | 2023 | |
|---|---|---|---|---|---|---|
| | **Contract/ notional amount £000** | **Fair value asset £000** | **Fair value liability £000** | Contract/ notional amount £000 | Fair value asset £000 | Fair value liability £000 |
| **Non-hedge derivatives** | | | | | | |
| ***Foreign exchange contracts*** | | | | | | |
| Forwards (Euro) | **134,525** | **1,098** | **-** | 120,115 | 824 | - |
| Forwards (US dollar) | **35,902** | **-** | **215** | - | - | - |
| **Hedge derivatives** | | | | | | |
| ***Foreign exchange contracts*** | | | | | | |
| Forwards (Australian dollar) | **53,551** | **1,993** | **-** | 54,584 | - | 1,155 |
| Forwards (Canadian dollar) | **64,573** | **1,059** | **-** | 52,960 | - | 1,225 |
| | **288,551** | **4,150** | **215** | 227,659 | 824 | 2,380 |

All derivatives in the current and prior year expire within one year.

The derivative financial instruments of the Parent are the same as the Group, with the exception of the Australian dollar foreign exchange contract which is classified as a non-hedge derivative.

All contracts designated as hedging instruments were fully effective in the current and prior year.

The notional amounts above reflect the aggregate of individual derivative positions on a gross basis and so give an indication of the overall scale of the derivative transactions. They do not reflect current market values of the open positions.

Derivative fair value assets are recognised within financial investments (note 21) and derivative fair value liabilities are recognised within other liabilities (note 30).

# Notes to the financial statements

## 23 Other assets

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | **Group** | **Parent** | Group | Parent |
| | **£000** | **£000** | £000 | £000 |
| Accrued interest and rent | **4,025** | **2,754** | 3,957 | 2,696 |
| Other prepayments and accrued income | **9,466** | **7,308** | 9,174 | 6,603 |
| Amounts owed by related parties | **137,287** | **139,406** | 145,441 | 147,330 |
| Other debtors | **5,990** | **3,869** | 6,532 | 4,002 |
| | **156,768** | **153,337** | 165,104 | 160,631 |
| Current | **17,708** | **15,695** | 24,670 | 17,498 |
| Non-current | **139,060** | **137,642** | 140,434 | 143,133 |

Included within amounts owed by related parties of the Group and Parent is a loan of £133.3m (2023: £135.1m) due from Benefact Group plc. The expected credit loss provision held on this loan is £0.3m (2023: £0.3m). Included within amounts owed by related parties of the Parent is £2.3m (2023: £6.0m) pledged as collateral in respect of an insurance liability.

Included within other debtors of the Group and Parent is a letter of credit for £2.0m (2023: £2.0m).

Included within other debtors of the Group is £0.9m (2023: £1.0m) classified as contract assets in accordance with IFRS 15.

## 24 Cash and cash equivalents

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | **Group** | **Parent** | Group | Parent |
| | **£000** | **£000** | £000 | £000 |
| Cash at bank and in hand | **56,572** | **45,679** | 62,900 | 46,811 |
| Short-term bank deposits | **49,189** | **34,651** | 49,182 | 36,625 |
| | **105,761** | **80,330** | 112,082 | 83,436 |

Included within short-term bank deposits of the Group and Parent are cash deposits of £3.8m (2023: £3.8m) pledged as collateral by way of cash margins on open derivative contracts to cover derivative liabilities. Included within cash at bank and in hand of the Group and Parent are amounts of £0.9m (2023: £0.9m) held in accordance with the third country branch requirements of the European Union.

Included within Group cash at bank and in hand are amounts of £9.2m (2023: £12.6m) pledged as collateral by way of cash calls from reinsurers.

## 25 Share capital

| | Issued, allotted and fully paid | |
|---|---|---|
| | **2024** **£000** | 2023 £000 |
| Ordinary shares of 4p each | **14,027** | 14,027 |
| 8.625% Non-Cumulative Irredeemable Preference shares of £1 each | **106,450** | 106,450 |
| | **120,477** | 120,477 |

| | **2024** **No. '000** | 2023 No. '000 |
|---|---|---|
| **The number of shares in issue are as follows:** | | |
| Ordinary shares of 4p each | | |
| At 1 January and 31 December | **350,678** | 350,678 |
| 8.625% Non-Cumulative Irredeemable Preference shares of £1 each | | |
| At 1 January and 31 December | **106,450** | 106,450 |

On winding up, the assets of the Company remaining after payment of its liabilities are to be applied to holders of the Non-Cumulative Irredeemable Preference shares in repaying the nominal capital sum paid up on the shares and an amount equal to all arrears of accrued and unpaid dividends up to the date of the commencement of the winding up. The residual interest in the assets of the Company after deducting all liabilities belongs to the Ordinary shareholders.

Holders of the Non-Cumulative Irredeemable Preference shares are not entitled to receive notice of, or to attend, or vote at any general meeting of the Company unless at the time of the notice convening such meeting, the dividend on such shares which is most recently payable on such shares shall not have been paid in full, or where a resolution is proposed varying any of the rights of such shares, or for the winding up of the Company.

# 26 Translation and hedging reserve

| Group | Translation reserve £000 | Hedging reserve £000 | Total £000 |
|---|---|---|---|
| **At 1 January 2024** | **14,814** | **4,890** | **19,704** |
| Losses on currency translation differences | **(9,325)** | **-** | **(9,325)** |
| Gains on net investment hedges | **-** | **8,807** | **8,807** |
| Attributable tax | **-** | **(1,381)** | **(1,381)** |
| **At 31 December 2024** | **5,489** | **12,316** | **17,805** |
| **At 1 January 2023** | 18,838 | 718 | 19,556 |
| Losses on currency translation differences | (4,024) | - | (4,024) |
| Gains on net investment hedges | - | 4,860 | 4,860 |
| Attributable tax | - | (688) | (688) |
| **At 31 December 2023** | 14,814 | 4,890 | 19,704 |
| **Parent** | | | |
| **At 1 January 2024** | **8,706** | **(371)** | **8,335** |
| Losses on currency translation differences | **(5,105)** | **-** | **(5,105)** |
| Gains on net investment hedges | **-** | **4,420** | **4,420** |
| Attributable tax | **-** | **(1,105)** | **(1,105)** |
| **At 31 December 2024** | **3,601** | **2,944** | **6,545** |
| **At 1 January 2023** | 9,618 | (1,386) | 8,232 |
| Losses on currency translation differences | (912) | - | (912) |
| Gains on net investment hedges | - | 1,353 | 1,353 |
| Attributable tax | - | (338) | (338) |
| **At 31 December 2023** | 8,706 | (371) | 8,335 |

The translation reserve arises on consolidation of the Group's and Parent's foreign operations. The hedging reserve represents the cumulative amount of gains and losses on hedging instruments in respect of net investments in foreign operations.

## 27 Insurance liabilities and reinsurance assets

The Group has not disaggregated the following disclosures by geographical segment as it is one of a combination of factors for determining portfolios and would significantly increase the volume of disclosures without providing material additional insights to users of the financial statements.

| | 2024 | | *Restated** 2023 | |
|---|---|---|---|---|
| | **Group** | **Parent** | Group | Parent |
| | **£000** | **£000** | £000 | £000 |
| **Gross** | | | | |
| General insurance contract liabilities for incurred claims | **635,317** | **487,036** | 634,819 | 494,445 |
| General insurance contract liabilities for remaining coverage | **94,896** | **80,536** | 90,994 | 75,388 |
| Life insurance contract liabilities for remaining coverage | **49,205** | **-** | 56,029 | - |
| Total gross insurance contract liabilities | **779,418** | **567,572** | 781,842 | 569,833 |
| **Reinsurance assets** | | | | |
| General reinsurance contract assets for incurred claims | **205,518** | **162,256** | 198,768 | 152,958 |
| General reinsurance contract assets for remaining coverage | **33,935** | **15,887** | 21,340 | 1,812 |
| Total reinsurers' share of insurance liabilities | **239,453** | **178,143** | 220,108 | 154,770 |
| **Net** | | | | |
| General insurance contract liabilities for incurred claims | **429,799** | **324,780** | 436,051 | 341,487 |
| General insurance contract liabilities for remaining coverage | **60,961** | **64,649** | 69,654 | 73,576 |
| Life insurance contract liabilities for remaining coverage | **49,205** | **-** | 56,029 | - |
| Total net insurance liabilities | **539,965** | **389,429** | 561,734 | 415,063 |
| **Gross insurance liabilities** | | | | |
| Current | **285,766** | **217,586** | 312,171 | 239,679 |
| Non-current | **493,652** | **349,986** | 469,671 | 330,154 |
| **Reinsurance assets** | | | | |
| Current | **130,213** | **90,249** | 127,365 | 81,218 |
| Non-current | **109,240** | **87,894** | 92,743 | 73,552 |

*The comparative financial statements have been restated to reflect the correct current year presentation of reinsurance contract assets between general reinsurance contract assets for incurred claims and general reinsurance contract assets for remaining coverage. Amounts recoverable from reinsurers in respect of claims previously included in general reinsurance contract assets for remaining coverage have been re-presented in general reinsurance contract assets for incurred claims.

# Notes to the financial statements

## 27 Insurance liabilities and reinsurance assets (continued)

| Group | Insurance contract liabilities: General liabilities for remaining coverage £000 | Insurance contract liabilities: General liabilities for incurred claims £000 | Insurance contract liabilities: Life liabilities for remaining coverage £000 | *Restated** Reinsurance contract assets: General assets for remaining coverage £000 | *Restated** Reinsurance contract assets: General assets for incurred claims £000 | Total £000 |
|---|---|---|---|---|---|---|
| **At 1 January 2023** | 93,140 | 636,638 | 59,263 | (14,098) | (226,026) | 548,917 |
| **Insurance revenue** | (579,975) | - | (6,509) | - | - | (586,484) |
| Incurred claims and other insurance service expenses | - | 308,069 | - | - | - | 308,069 |
| Changes that relate to current service | - | - | 5,702 | - | - | 5,702 |
| Changes that relate to past service | - | (24,547) | - | - | - | (24,547) |
| Losses on onerous contracts and reversal of those losses | 155 | - | - | - | - | 155 |
| Insurance acquisition cash flows amortisation | 119,205 | - | - | - | - | 119,205 |
| **Insurance service expenses** | 119,360 | 283,522 | 5,702 | - | - | 408,584 |
| **Insurance service result before reinsurance contracts held** | (460,615) | 283,522 | (807) | - | - | (177,900) |
| Allocation of reinsurance premiums | - | - | - | 148,094 | - | 148,094 |
| Recoveries of incurred claims and other insurance service expenses | - | - | - | 5,013 | (77,048) | (72,035) |
| Changes that relate to past service | - | - | - | - | 31,024 | 31,024 |
| Recoveries of losses on onerous contracts and reversal of those losses | - | - | - | 91 | - | 91 |
| **Net expense/(income) from reinsurance contracts** | - | - | - | 153,198 | (46,024) | 107,174 |
| Finance expense from insurance contracts issued | - | 24,102 | 2,628 | - | - | 26,730 |
| Finance income from reinsurance contracts held | - | - | - | - | (7,190) | (7,190) |
| **Net insurance financial result** | - | 24,102 | 2,628 | - | (7,190) | 19,540 |
| **Total amounts recognised in statement of profit or loss** | (460,615) | 307,624 | 1,821 | 153,198 | (53,214) | (51,186) |
| **Exchange differences** | (1,661) | (13,309) | - | 929 | 5,220 | (8,821) |
| Premiums received | 596,793 | - | - | - | - | 596,793 |
| Insurance acquisition cash flows | (136,663) | - | - | - | - | (136,663) |
| Claims and other directly attributable expenses paid | - | (296,134) | (5,055) | - | - | (301,189) |
| Premiums paid | - | - | - | (161,369) | - | (161,369) |
| Amounts received | - | - | - | - | 75,252 | 75,252 |
| **Total cash flows** | 460,130 | (296,134) | (5,055) | (161,369) | 75,252 | 72,824 |
| **At 31 December 2023** | 90,994 | 634,819 | 56,029 | (21,340) | (198,768) | 561,734 |

*The comparative financial statements have been restated to reflect the correct current year presentation of reinsurance contract assets between general reinsurance contract assets for incurred claims and general reinsurance contract assets for remaining coverage. Amounts recoverable from reinsurers in respect of claims previously included in general reinsurance contract assets for remaining coverage have been re-presented in general reinsurance contract assets for incurred claims.

# Notes to the financial statements

## 27 Insurance liabilities and reinsurance assets (continued)

| Group | Insurance contract liabilities | | | Reinsurance contract assets | | |
|---|---|---|---|---|---|---|
| | General liabilities for remaining coverage £000 | General liabilities for incurred claims £000 | Life liabilities for remaining coverage £000 | General assets for remaining coverage £000 | General assets for incurred claims £000 | Total £000 |
| **At 1 January 2024** | 90,994 | 634,819 | 56,029 | (21,340) | (198,768) | 561,734 |
| **Insurance revenue** | (623,875) | - | (6,078) | - | - | (629,953) |
| Incurred claims and other insurance service expenses | - | 306,938 | - | - | - | 306,938 |
| Changes that relate to current service | - | - | 5,032 | - | - | 5,032 |
| Changes that relate to past service | - | 15,898 | - | - | - | 15,898 |
| Losses on onerous contracts and reversal of those losses | (784) | - | - | - | - | (784) |
| Insurance acquisition cash flows amortisation | 134,733 | - | - | - | - | 134,733 |
| **Insurance service expenses** | 133,949 | 322,836 | 5,032 | - | - | 461,817 |
| **Insurance service result before reinsurance contracts held** | (489,926) | 322,836 | (1,046) | - | - | (168,136) |
| Allocation of reinsurance premiums | - | - | - | 150,849 | - | 150,849 |
| Recoveries of incurred claims and other insurance service expenses | - | - | - | 2,643 | (93,132) | (90,489) |
| Changes that relate to past service | - | - | - | - | 23,603 | 23,603 |
| Recoveries of losses on onerous contracts and reversal of those losses | - | - | - | 627 | - | 627 |
| **Net expense/(income) from reinsurance contracts** | - | - | - | 154,119 | (69,529) | 84,590 |
| Finance expense/(income) from insurance contracts issued | - | 11,828 | (319) | - | - | 11,509 |
| Finance income from reinsurance contracts held | - | - | - | - | (4,647) | (4,647) |
| **Net insurance financial result** | - | 11,828 | (319) | - | (4,647) | 6,862 |
| **Total amounts recognised in statement of profit or loss** | (489,926) | 334,664 | (1,365) | 154,119 | (74,176) | (76,684) |
| **Exchange differences** | (2,386) | (20,357) | - | 2,066 | 5,692 | (14,985) |
| Premiums received | 624,768 | - | - | - | - | 624,768 |
| Insurance acquisition cash flows | (128,554) | - | - | - | - | (128,554) |
| Claims and other directly attributable expenses paid | - | (313,809) | (5,459) | - | - | (319,268) |
| Premiums paid | - | - | - | (168,780) | - | (168,780) |
| Amounts received | - | - | - | - | 61,734 | 61,734 |
| **Total cash flows** | 496,214 | (313,809) | (5,459) | (168,780) | 61,734 | 69,900 |
| **At 31 December 2024** | 94,896 | 635,317 | 49,205 | (33,935) | (205,518) | 539,965 |

# Notes to the financial statements

## 27 Insurance liabilities and reinsurance assets (continued)

| Parent | Insurance contract liabilities | | *Restated** Reinsurance contract assets | | |
|---|---|---|---|---|---|
| | General liabilities for remaining coverage £000 | General liabilities for incurred claims £000 | General assets for remaining coverage £000 | General assets for incurred claims £000 | Total £000 |
| **At 1 January 2023** | 72,734 | 465,508 | 106 | (146,529) | 391,819 |
| **Insurance revenue** | (487,431) | - | - | - | (487,431) |
| Incurred claims and other insurance service expenses | - | 261,609 | - | - | 261,609 |
| Changes that relate to past service | - | (11,126) | - | - | (11,126) |
| Losses on onerous contracts and reversal of those losses | (89) | - | - | - | (89) |
| Insurance acquisition cash flows amortisation | 97,215 | - | - | - | 97,215 |
| **Insurance service expenses** | 97,126 | 250,483 | - | - | 347,609 |
| **Insurance service result before reinsurance contracts held** | (390,305) | 250,483 | - | - | (139,822) |
| Allocation of reinsurance premiums | - | - | 104,627 | - | 104,627 |
| Recoveries of incurred claims and other insurance service expenses | - | - | 5,615 | (48,896) | (43,281) |
| Changes that relate to past service | - | - | - | 7,234 | 7,234 |
| Recoveries of losses on onerous contracts and reversal of those losses | - | - | 42 | - | 42 |
| **Net expense/(income) from reinsurance contracts** | - | - | 110,284 | (41,662) | 68,622 |
| Finance expense from insurance contracts issued | - | 16,427 | - | - | 16,427 |
| Finance income from reinsurance contracts held | - | - | - | (3,991) | (3,991) |
| **Net insurance financial result** | - | 16,427 | - | (3,991) | 12,436 |
| **Total amounts recognised in statement of profit or loss** | (390,305) | 266,910 | 110,284 | (45,653) | (58,764) |
| **Exchange differences** | (651) | (4,612) | 225 | 1,136 | (3,902) |
| Premiums received | 497,490 | - | - | - | 497,490 |
| Insurance acquisition cash flows | (103,880) | - | - | - | (103,880) |
| Claims and other directly attributable expenses paid | - | (233,361) | - | - | (233,361) |
| Premiums paid | - | - | (112,427) | - | (112,427) |
| Amounts received | - | - | - | 38,088 | 38,088 |
| **Total cash flows** | 393,610 | (233,361) | (112,427) | 38,088 | 85,910 |
| **At 31 December 2023** | 75,388 | 494,445 | (1,812) | (152,958) | 415,063 |

*The comparative financial statements have been restated to reflect the correct current year presentation of reinsurance contract assets between general reinsurance contract assets for incurred claims and general reinsurance contract assets for remaining coverage. Amounts recoverable from reinsurers in respect of claims previously included in general reinsurance contract assets for remaining coverage have been re-presented in general reinsurance contract assets for incurred claims.

# Notes to the financial statements

## 27 Insurance liabilities and reinsurance assets (continued)

| Parent | Insurance contract liabilities: General liabilities for remaining coverage £000 | Insurance contract liabilities: General liabilities for incurred claims £000 | Reinsurance contract assets: General assets for remaining coverage £000 | Reinsurance contract assets: General assets for incurred claims £000 | Total £000 |
|---|---|---|---|---|---|
| **At 1 January 2024** | 75,388 | 494,445 | (1,812) | (152,958) | 415,063 |
| **Insurance revenue** | (530,330) | - | - | - | (530,330) |
| Incurred claims and other insurance service expenses | - | 246,148 | - | - | 246,148 |
| Changes that relate to past service | - | 29,484 | - | - | 29,484 |
| Insurance acquisition cash flows amortisation | 110,960 | - | - | - | 110,960 |
| **Insurance service expenses** | 110,960 | 275,632 | - | - | 386,592 |
| **Insurance service result before reinsurance contracts held** | (419,370) | 275,632 | - | - | (143,738) |
| Allocation of reinsurance premiums | - | - | 109,571 | - | 109,571 |
| Recoveries of incurred claims and other insurance service expenses | - | - | 2,011 | (41,294) | (39,283) |
| Changes that relate to past service | - | - | - | (7,387) | (7,387) |
| **Net expense/(income) from reinsurance contracts** | - | - | 111,582 | (48,681) | 62,901 |
| Finance expense from insurance contracts issued | - | 6,264 | - | - | 6,264 |
| Finance income from reinsurance contracts held | - | - | - | (2,812) | (2,812) |
| **Net insurance financial result** | - | 6,264 | - | (2,812) | 3,452 |
| **Total amounts recognised in statement of profit or loss** | (419,370) | 281,896 | 111,582 | (51,493) | (77,385) |
| **Exchange differences** | (1,196) | (8,803) | 572 | 2,148 | (7,279) |
| Premiums received | 538,371 | - | - | - | 538,371 |
| Insurance acquisition cash flows | (112,657) | - | - | - | (112,657) |
| Claims and other directly attributable expenses paid | - | (280,502) | - | - | (280,502) |
| Premiums paid | - | - | (126,229) | - | (126,229) |
| Amounts received | - | - | - | 40,047 | 40,047 |
| **Total cash flows** | 425,714 | (280,502) | (126,229) | 40,047 | 59,030 |
| **At 31 December 2024** | 80,536 | 487,036 | (15,887) | (162,256) | 389,429 |

# Notes to the financial statements

## 27 Insurance liabilities and reinsurance assets (continued)

**(a) General business insurance contracts**
**(i) Reconciliation of the liability for remaining coverage**

| Insurance contracts issued | PAA | | GMM | |
|---|---|---|---|---|
| **Group** | **Excluding loss component £000** | **Loss component £000** | **Liability for remaining coverage £000** | **Total £000** |
| **At 1 January 2023** | 89,773 | 2,667 | 700 | 93,140 |
| **Insurance revenue** | (579,975) | - | - | (579,975) |
| Losses on onerous contracts and reversal of those losses | - | 155 | - | 155 |
| Insurance acquisition cash flows amortisation | 119,205 | - | - | 119,205 |
| **Insurance service expenses** | 119,205 | 155 | - | 119,360 |
| **Total amounts recognised in statement of profit or loss** | (460,770) | 155 | - | (460,615) |
| **Exchange differences** | (1,531) | (130) | - | (1,661) |
| Premiums received | 596,793 | - | - | 596,793 |
| Insurance acquisition cash flows | (136,663) | - | - | (136,663) |
| **Total cash flows** | 460,130 | - | - | 460,130 |
| **At 31 December 2023** | 87,602 | 2,692 | 700 | 90,994 |
| **Insurance revenue** | **(623,875)** | **-** | **-** | **(623,875)** |
| Losses on onerous contracts and reversal of those losses | **-** | **(784)** | **-** | **(784)** |
| Insurance acquisition cash flows amortisation | **134,733** | **-** | **-** | **134,733** |
| **Insurance service expenses** | **134,733** | **(784)** | **-** | **133,949** |
| **Total amounts recognised in statement of profit or loss** | **(489,142)** | **(784)** | **-** | **(489,926)** |
| **Exchange differences** | **(2,214)** | **(172)** | **-** | **(2,386)** |
| Premiums received | **624,768** | **-** | **-** | **624,768** |
| Insurance acquisition cash flows | **(128,554)** | **-** | **-** | **(128,554)** |
| **Total cash flows** | **496,214** | **-** | **-** | **496,214** |
| **At 31 December 2024** | **92,460** | **1,736** | **700** | **94,896** |

# Notes to the financial statements

## 27 Insurance liabilities and reinsurance assets (continued)

| Parent | PAA Excluding loss component £000 | PAA Loss component £000 | GMM Liability for remaining coverage £000 | Total £000 |
|---|---|---|---|---|
| **At 1 January 2023** | 71,945 | 89 | 700 | 72,734 |
| **Insurance revenue** | (487,431) | - | - | (487,431) |
| Losses on onerous contracts and reversal of those losses | - | (89) | - | (89) |
| Insurance acquisition cash flows amortisation | 97,215 | - | - | 97,215 |
| **Insurance service expenses** | 97,215 | (89) | - | 97,126 |
| **Total amounts recognised in statement of profit or loss** | (390,216) | (89) | - | (390,305) |
| **Exchange differences** | (651) | - | - | (651) |
| Premiums received | 497,490 | - | - | 497,490 |
| Insurance acquisition cash flows | (103,880) | - | - | (103,880) |
| **Total cash flows** | 393,610 | - | - | 393,610 |
| **At 31 December 2023** | 74,688 | - | 700 | 75,388 |
| **Insurance revenue** | **(530,330)** | **-** | **-** | **(530,330)** |
| Insurance acquisition cash flows amortisation | **110,960** | **-** | **-** | **110,960** |
| **Insurance service expenses** | **110,960** | **-** | **-** | **110,960** |
| **Total amounts recognised in statement of profit or loss** | **(419,370)** | **-** | **-** | **(419,370)** |
| **Exchange differences** | **(1,196)** | **-** | **-** | **(1,196)** |
| Premiums received | **538,371** | **-** | **-** | **538,371** |
| Insurance acquisition cash flows | **(112,657)** | **-** | **-** | **(112,657)** |
| **Total cash flows** | **425,714** | **-** | **-** | **425,714** |
| **At 31 December 2024** | **79,836** | **-** | **700** | **80,536** |

# Notes to the financial statements

## 27 Insurance liabilities and reinsurance assets (continued)

**(ii) Reconciliation of the liability for incurred claims**

| **Insurance contracts issued**<br><br>**Group** | **Estimates of present value of future cash flows £000** | **Risk adjustment for non-financial risk £000** | **Total £000** |
|---|---|---|---|
| **At 1 January 2023** | 548,505 | 88,133 | 636,638 |
| Incurred claims and other insurance service expenses | 293,641 | 14,542 | 308,183 |
| Changes that relate to past service | (3,659) | (20,888) | (24,547) |
| **Insurance service expenses** | 289,982 | (6,346) | 283,636 |
| **Insurance service result before reinsurance contracts held** | 289,982 | (6,346) | 283,636 |
| Finance expense from insurance contracts issued | 24,102 | - | 24,102 |
| **Net insurance financial result** | 24,102 | - | 24,102 |
| **Total amounts recognised in statement of profit or loss** | 314,084 | (6,346) | 307,738 |
| **Exchange differences** | (11,362) | (1,947) | (13,309) |
| Claims and other directly attributable expenses paid | (296,248) | - | (296,248) |
| **Total cash flows** | (296,248) | - | (296,248) |
| **At 31 December 2023** | 554,979 | 79,840 | 634,819 |
| Incurred claims and other insurance service expenses | **294,320** | **12,618** | **306,938** |
| Changes that relate to past service | **28,346** | **(12,448)** | **15,898** |
| **Insurance service expenses** | **322,666** | **170** | **322,836** |
| **Insurance service result before reinsurance contracts held** | **322,666** | **170** | **322,836** |
| Finance expense from insurance contracts issued | **11,828** | **-** | **11,828** |
| **Net insurance financial result** | **11,828** | **-** | **11,828** |
| **Total amounts recognised in statement of profit or loss** | **334,494** | **170** | **334,664** |
| **Exchange differences** | **(17,740)** | **(2,617)** | **(20,357)** |
| Claims and other directly attributable expenses paid | **(313,809)** | **-** | **(313,809)** |
| **Total cash flows** | **(313,809)** | **-** | **(313,809)** |
| **At 31 December 2024** | **557,924** | **77,393** | **635,317** |

# Notes to the financial statements

## 27 Insurance liabilities and reinsurance assets (continued)

| Parent | Estimates of present value of future cash flows £000 | Risk adjustment for non-financial risk £000 | Total £000 |
|---|---|---|---|
| **At 1 January 2023** | 403,543 | 61,965 | 465,508 |
| Incurred claims and other insurance service expenses | 250,501 | 11,108 | 261,609 |
| Changes that relate to past service | 1,916 | (13,042) | (11,126) |
| **Insurance service expenses** | 252,417 | (1,934) | 250,483 |
| **Insurance service result before reinsurance contracts held** | 252,417 | (1,934) | 250,483 |
| Finance expense from insurance contracts issued | 16,427 | - | 16,427 |
| **Net insurance financial result** | 16,427 | - | 16,427 |
| **Total amounts recognised in statement of profit or loss** | 268,844 | (1,934) | 266,910 |
| **Exchange differences** | (3,997) | (615) | (4,612) |
| Claims and other directly attributable expenses paid | (233,361) | - | (233,361) |
| **Total cash flows** | (233,361) | - | (233,361) |
| **At 31 December 2023** | 435,029 | 59,416 | 494,445 |
| Incurred claims and other insurance service expenses | **237,936** | **8,212** | **246,148** |
| Changes that relate to past service | **38,741** | **(9,257)** | **29,484** |
| **Insurance service expenses** | **276,677** | **(1,045)** | **275,632** |
| **Insurance service result before reinsurance contracts held** | **276,677** | **(1,045)** | **275,632** |
| Finance expense from insurance contracts issued | **6,264** | **-** | **6,264** |
| **Net insurance financial result** | **6,264** | **-** | **6,264** |
| **Total amounts recognised in statement of profit or loss** | **282,941** | **(1,045)** | **281,896** |
| **Exchange differences** | **(7,791)** | **(1,012)** | **(8,803)** |
| Claims and other directly attributable expenses paid | **(280,502)** | **-** | **(280,502)** |
| **Total cash flows** | **(280,502)** | **-** | **(280,502)** |
| **At 31 December 2024** | **429,677** | **57,359** | **487,036** |

# Notes to the financial statements

## 27 Insurance liabilities and reinsurance assets (continued)

**(iii) Reconciliation of the asset for remaining coverage**

| **Reinsurance contracts held**<br><br>**Group** | *Restated** **Excluding loss recovery component £000** | **Loss recovery component £000** | **Total £000** |
|---|---|---|---|
| **At 1 January 2023** | 11,737 | 2,361 | 14,098 |
| Allocation of reinsurance premiums | (148,094) | - | (148,094) |
| Recoveries of incurred claims and other insurance service expenses | (5,013) | - | (5,013) |
| Recoveries of losses on onerous contracts and reversal of those losses | - | (91) | (91) |
| **Net expense from reinsurance contracts** | (153,107) | (91) | (153,198) |
| **Total amounts recognised in statement of profit or loss** | (153,107) | (91) | (153,198) |
| **Exchange differences** | (812) | (117) | (929) |
| Premiums paid | 161,369 | - | 161,369 |
| **Total cash flows** | 161,369 | - | 161,369 |
| **At 31 December 2023** | 19,187 | 2,153 | 21,340 |
| Allocation of reinsurance premiums | **(150,849)** | **-** | **(150,849)** |
| Recoveries of incurred claims and other insurance service expenses | **(2,643)** | **-** | **(2,643)** |
| Recoveries of losses on onerous contracts and reversal of those losses | **-** | **(627)** | **(627)** |
| **Net expense from reinsurance contracts** | **(153,492)** | **(627)** | **(154,119)** |
| **Total amounts recognised in statement of profit or loss** | **(153,492)** | **(627)** | **(154,119)** |
| **Exchange differences** | **(1,928)** | **(138)** | **(2,066)** |
| Premiums paid | **168,780** | **-** | **168,780** |
| **Total cash flows** | **168,780** | **-** | **168,780** |
| **At 31 December 2024** | **32,547** | **1,388** | **33,935** |

*The comparative financial statements have been restated to reflect the correct current year presentation of reinsurance contract assets between general reinsurance contract assets for incurred claims and general reinsurance contract assets for remaining coverage. Amounts recoverable from reinsurers in respect of claims previously included in general reinsurance contract assets for remaining coverage have been re-presented in general reinsurance contract assets for incurred claims.

# Notes to the financial statements

## 27 Insurance liabilities and reinsurance assets (continued)

| Parent | *Restated** **Excluding loss recovery component £000** | **Loss recovery component £000** | **Total £000** |
|---|---|---|---|
| **At 1 January 2023** | (148) | 42 | (106) |
| Allocation of reinsurance premiums | (104,627) | - | (104,627) |
| Recoveries of incurred claims and other insurance service expenses | (5,615) | - | (5,615) |
| Recoveries of losses on onerous contracts and reversal of those losses | - | (42) | (42) |
| **Net expense from reinsurance contracts** | (110,242) | (42) | (110,284) |
| **Total amounts recognised in statement of profit or loss** | (110,242) | (42) | (110,284) |
| **Exchange differences** | (225) | - | (225) |
| Premiums paid | 112,427 | - | 112,427 |
| **Total cash flows** | 112,427 | - | 112,427 |
| **At 31 December 2023** | 1,812 | - | 1,812 |
| Allocation of reinsurance premiums | **(109,571)** | **-** | **(109,571)** |
| Recoveries of incurred claims and other insurance service expenses | **(2,011)** | **-** | **(2,011)** |
| **Net expense from reinsurance contracts** | **(111,582)** | **-** | **(111,582)** |
| **Total amounts recognised in statement of profit or loss** | **(111,582)** | **-** | **(111,582)** |
| **Exchange differences** | **(572)** | **-** | **(572)** |
| Premiums paid | **126,229** | **-** | **126,229** |
| **Total cash flows** | **126,229** | **-** | **126,229** |
| **At 31 December 2024** | **15,887** | **-** | **15,887** |

*The comparative financial statements have been restated to reflect the correct current year presentation of reinsurance contract assets between general reinsurance contract assets for incurred claims and general reinsurance contract assets for remaining coverage. Amounts recoverable from reinsurers in respect of claims previously included in general reinsurance contract assets for remaining coverage have been re-presented in general reinsurance contract assets for incurred claims.

# Notes to the financial statements

## 27 Insurance liabilities and reinsurance assets (continued)

**(iv) Reconciliation of the asset for incurred claims**

**Reinsurance contracts held**

| **Group** | *Restated** **Estimates of present value of future cash flows £000** | **Risk adjustment for non-financial risk £000** | **Total £000** |
|---|---|---|---|
| **At 1 January 2023** | 200,272 | 25,754 | 226,026 |
| Recoveries of incurred claims and other insurance service expenses | 71,621 | 5,427 | 77,048 |
| Changes that relate to past service | (19,275) | (11,749) | (31,024) |
| **Net income/(expense) from reinsurance contracts** | 52,346 | (6,322) | 46,024 |
| Finance income from reinsurance contracts held | 7,190 | - | 7,190 |
| **Net insurance financial result** | 7,190 | - | 7,190 |
| **Total amounts recognised in statement of profit or loss** | 59,536 | (6,322) | 53,214 |
| **Exchange differences** | (4,385) | (835) | (5,220) |
| Amounts received | (75,252) | - | (75,252) |
| **Total cash flows** | (75,252) | - | (75,252) |
| **At 31 December 2023** | 180,171 | 18,597 | 198,768 |
| Recoveries of incurred claims and other insurance service expenses | **88,767** | **4,365** | **93,132** |
| Changes that relate to past service | **(11,797)** | **(11,806)** | **(23,603)** |
| **Net income/(expense) from reinsurance contracts** | **76,970** | **(7,441)** | **69,529** |
| Finance income from reinsurance contracts held | **4,647** | **-** | **4,647** |
| **Net insurance financial result** | **4,647** | **-** | **4,647** |
| **Total amounts recognised in statement of profit or loss** | **81,617** | **(7,441)** | **74,176** |
| **Exchange differences** | **(5,152)** | **(540)** | **(5,692)** |
| Amounts received | **(61,734)** | **-** | **(61,734)** |
| **Total cash flows** | **(61,734)** | **-** | **(61,734)** |
| **At 31 December 2024** | **194,902** | **10,616** | **205,518** |

*The comparative financial statements have been restated to reflect the correct current year presentation of reinsurance contract assets between general reinsurance contract assets for incurred claims and general reinsurance contract assets for remaining coverage. Amounts recoverable from reinsurers in respect of claims previously included in general reinsurance contract assets for remaining coverage have been re-presented in general reinsurance contract assets for incurred claims.

# Notes to the financial statements

## 27 Insurance liabilities and reinsurance assets (continued)

**Reinsurance contracts held**

| **Parent** | *Restated** **Estimates of present value of future cash flows £000** | **Risk adjustment for non-financial risk £000** | **Total £000** |
|---|---|---|---|
| **At 1 January 2023** | 133,325 | 13,204 | 146,529 |
| Recoveries of incurred claims and other insurance service expenses | 45,294 | 3,602 | 48,896 |
| Changes that relate to past service | (2,242) | (4,992) | (7,234) |
| **Net income/(expense) from reinsurance contracts** | 43,052 | (1,390) | 41,662 |
| Finance income from reinsurance contracts held | 3,991 | - | 3,991 |
| **Net insurance financial result** | 3,991 | - | 3,991 |
| **Total amounts recognised in statement of profit or loss** | 47,043 | (1,390) | 45,653 |
| **Exchange differences** | (947) | (189) | (1,136) |
| Amounts received | (38,088) | - | (38,088) |
| **Total cash flows** | (38,088) | - | (38,088) |
| **At 31 December 2023** | 141,333 | 11,625 | 152,958 |
| Recoveries of incurred claims and other insurance service expenses | **39,130** | **2,164** | **41,294** |
| Changes that relate to past service | **11,456** | **(4,069)** | **7,387** |
| **Net income/(expense) from reinsurance contracts** | **50,586** | **(1,905)** | **48,681** |
| Finance income from reinsurance contracts held | **2,812** | **-** | **2,812** |
| **Net insurance financial result** | **2,812** | **-** | **2,812** |
| **Total amounts recognised in statement of profit or loss** | **53,398** | **(1,905)** | **51,493** |
| **Exchange differences** | **(1,906)** | **(242)** | **(2,148)** |
| Amounts received | **(40,047)** | **-** | **(40,047)** |
| **Total cash flows** | **(40,047)** | **-** | **(40,047)** |
| **At 31 December 2024** | **152,778** | **9,478** | **162,256** |

*The comparative financial statements have been restated to reflect the correct current year presentation of reinsurance contract assets between general reinsurance contract assets for incurred claims and general reinsurance contract assets for remaining coverage. Amounts recoverable from reinsurers in respect of claims previously included in general reinsurance contract assets for remaining coverage have been re-presented in general reinsurance contract assets for incurred claims.

**(v) Reserving methodology**

Reserving for non-life insurance claims is a complex process and the Group adopts recognised actuarial methods and, where appropriate, other calculations and statistical analysis. Actuarial methods used include the chain ladder, Bornhuetter-Ferguson and average cost methods.

Chain ladder methods extrapolate paid amounts, incurred amounts (paid claims plus case estimates) and the number of claims or average cost of claims, to ultimate claims based on the development of previous years. This method assumes that previous patterns are a reasonable guide to future developments. Where this assumption is felt to be unreasonable, adjustments are made or other methods such as Bornhuetter-Ferguson or average cost are used. The Bornhuetter-Ferguson method places more credibility on expected loss ratios for the most recent loss years. For smaller portfolios the materiality of the business and data available may also shape the methods used in reviewing reserve adequacy.

The selection of results for each accident year and for each portfolio depends on an assessment of the most appropriate method. Sometimes a combination of techniques is used. The average weighted term to payment is calculated separately by class of business and is based on historical settlement patterns.

# Notes to the financial statements

## 27 Insurance liabilities and reinsurance assets (continued)

**(vi) Risk Adjustment for non-financial risk**
The Risk Adjustment for non-financial risk is the compensation the Group requires for bearing the uncertainty about the amount and timing of the cash flows that arise from non-financial risk as it fulfils insurance contracts. Uncertainty is assessed using actuarial methods to quantify the variability in undiscounted net outcomes on an ultimate horizon.

The Group's risk appetite is to hold claims reserves, including a net Risk Adjustment, equating to at least a 75% probability of sufficiency. This approach generally results in a favourable release of provisions in the current financial year, arising from the settlement of claims relating to previous financial years.

Overall, it is estimated that the booked net Risk Adjustment provides for a confidence level of approximately 90% (2023: 90%), which is established by comparing the uplift for the booked net Risk Adjustment to the uncertainty distribution. Percentile estimates for loss distributions are highly uncertain as they contain a large number of judgements on possible future outcomes. This means that the percentile may see some fluctuation year on year due to inherent volatility.

**(vii) Calculation of provisions for latent claims**
The Group adopts commonly used industry methods including those based on claims frequency and severity and benchmarking.

**(viii) Discounting**
General insurance outstanding claims provisions have been discounted by applying currency and term specific discount rates in the following territories:

| | Discount rate | |
|---|---|---|
| **Geographical territory** | **2024** | 2023 |
| UK and Ireland | **4.6% to 6.2%** | 4.0% to 5.3% |
| Canada | **3.0% to 4.9%** | 3.5% to 4.7% |
| Australia | **4.5%** | 3.9% |

Parent consists of UK, Ireland and Canada. Group also includes Australia.

The above rates of interest are based on government bond yields of the relevant currency and term at the reporting date. Adjustments are made, where appropriate, to reflect the illiquidity of the liabilities.

The impact of discount rate changes on the outstanding claims liability is presented within the net insurance financial result (note 8).

The sensitivity of Group profit or loss and other equity reserves to interest rate risk, taking into account the mitigating effect on asset values, is provided in note 4(h).

**(ix) Assumptions**
The Group follows a process of reviewing its reserves for outstanding claims on a regular basis. This involves an appraisal of each reserving class with respect to ultimate claims liability for the recent exposure period as well as for earlier periods, together with a review of the factors that have the most significant impact on the assumptions used to determine the reserving methodology. The work conducted is subject to an internal peer review and management sign-off process.

The most significant assumptions in determining the undiscounted general insurance reserves are the anticipated number and ultimate settlement cost of claims, and the extent to which reinsurers will share in the cost. Factors which influence decisions on assumptions include legal and judicial changes, significant weather events, other catastrophes, subsidence events, exceptional claims or substantial changes in claims experience and developments in older or latent claims. Significant factors influencing assumptions about reinsurance are the terms of the reinsurance treaties, the anticipated time taken to settle a claim and the incidence of large individual and aggregated claims.

**(x) Changes in assumptions**
There are no significant changes in approach but we continue to evolve estimates in light of underlying experience.

# Notes to the financial statements

## 27 Insurance liabilities and reinsurance assets (continued)

**(xi) Sensitivity of results**

The sensitivity of profit before tax to reasonably possible final settlement assumptions used to calculate the general insurance liabilities is shown in the following table. No account has been taken of any correlation between the assumptions.

| | **Change in variable** | **Potential (decrease)/ increase in the result** | | | |
|---|---|---|---|---|---|
| | | | | *Restated** | |
| | | **2024** | | 2023 | |
| | | **Gross** | **Net** | Gross | Net |
| **Variable** | | **£000** | **£000** | £000 | £000 |
| Deterioration in loss ratio | +1% | **(6,232)** | **(3,634)** | (5,791) | (3,301) |
| Improvement in loss ratio | -1% | **6,232** | **3,634** | 5,791 | 3,301 |
| Increase in net liability for incurred claims excluding risk adjustment | +10% | **(55,792)** | **(36,304)** | (55,498) | (37,481) |
| Decrease in net liability for incurred claims excluding risk adjustment | -10% | **55,792** | **36,304** | 55,498 | 37,481 |
| Increase in risk adjustment** | +1% | **(6,781)** | **(4,674)** | (6,590) | (4,654) |
| Decrease in risk adjustment** | -1% | **6,781** | **4,674** | 6,590 | 4,654 |

*The comparative financial statements have been restated to reflect the correct current year presentation of reinsurance contract assets between general reinsurance contract assets for incurred claims and general reinsurance contract assets for remaining coverage. Amounts recoverable from reinsurers in respect of claims previously included in general reinsurance contract assets for remaining coverage have been re-presented in general reinsurance contract assets for incurred claims.

** Calculated on undiscounted present value of future cash flows

At 31 December 2024, it is estimated that a fall of 1% in the discount rates used would increase the Group's net outstanding claims liabilities and decrease profit before tax and equity by £13.6m (2023: £14.3m).

# Notes to the financial statements

## 27 Insurance liabilities and reinsurance assets (continued)

**(xii) Claims development tables**

The nature of liability classes of business is that claims may take a number of years to settle and before the final liability is known. The tables below show the development of the undiscounted estimate of ultimate net claims cost for these classes across all territories.

**Estimate of ultimate net claims**

| Group | 2015 £000 | 2016 £000 | 2017 £000 | 2018 £000 | 2019 £000 | 2020 £000 | 2021 £000 | 2022 £000 | 2023 £000 | 2024 £000 | Total £000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| At end of year | 42,739 | 47,402 | 45,920 | 44,053 | 44,230 | 45,459 | 47,289 | 47,599 | 52,252 | 51,781 | |
| One year later | 40,397 | 41,631 | 41,706 | 37,456 | 39,842 | 37,509 | 47,102 | 45,575 | 50,629 | | |
| Two years later | 37,740 | 37,740 | 37,797 | 32,867 | 37,243 | 36,193 | 45,079 | 45,547 | | | |
| Three years later | 32,297 | 36,337 | 34,818 | 31,647 | 39,164 | 37,579 | 46,666 | | | | |
| Four years later | 28,506 | 35,217 | 36,431 | 32,884 | 39,248 | 35,694 | | | | | |
| Five years later | 27,418 | 32,993 | 36,550 | 31,722 | 35,836 | | | | | | |
| Six years later | 30,544 | 33,896 | 38,618 | 30,442 | | | | | | | |
| Seven years later | 30,296 | 34,297 | 37,595 | | | | | | | | |
| Eight years later | 29,231 | 33,022 | | | | | | | | | |
| Nine years later | 29,003 | | | | | | | | | | |
| Current estimate of ultimate claims | 29,003 | 33,022 | 37,595 | 30,442 | 35,836 | 35,694 | 46,666 | 45,547 | 50,629 | 51,781 | 396,215 |
| Cumulative payments to date | (23,004) | (25,562) | (26,487) | (19,348) | (24,880) | (17,392) | (15,225) | (9,192) | (5,651) | (1,549) | (168,290) |
| Outstanding liability | 5,999 | 7,460 | 11,108 | 11,094 | 10,956 | 18,302 | 31,441 | 36,355 | 44,978 | 50,232 | 227,925 |
| Effect of discounting | | | | | | | | | | | (40,898) |
| Present value | | | | | | | | | | | 187,027 |
| Discounted liability in respect of earlier years | | | | | | | | | | | 141,365 |
| Total discounted net liability for liability classes | | | | | | | | | | | 328,392 |
| Total discounted net liability for non-liability classes, expenses and reinsurance debtors | | | | | | | | | | | 101,407 |
| Total discounted net liability included in insurance liabilities in the statement of financial position | | | | | | | | | | | 429,799 |

| Parent | 2015 £000 | 2016 £000 | 2017 £000 | 2018 £000 | 2019 £000 | 2020 £000 | 2021 £000 | 2022 £000 | 2023 £000 | 2024 £000 | Total £000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| At end of year | 33,122 | 35,882 | 33,134 | 31,981 | 32,688 | 33,502 | 33,792 | 35,458 | 39,988 | 36,780 | |
| One year later | 31,041 | 30,906 | 30,965 | 27,208 | 29,509 | 26,536 | 32,436 | 33,776 | 39,353 | | |
| Two years later | 29,494 | 28,199 | 28,854 | 23,787 | 27,615 | 24,261 | 27,999 | 32,262 | | | |
| Three years later | 26,981 | 27,493 | 26,774 | 22,651 | 27,572 | 24,634 | 28,318 | | | | |
| Four years later | 23,229 | 26,894 | 27,279 | 21,947 | 27,853 | 23,132 | | | | | |
| Five years later | 22,806 | 24,782 | 26,596 | 21,269 | 25,403 | | | | | | |
| Six years later | 25,061 | 25,440 | 29,261 | 20,935 | | | | | | | |
| Seven years later | 24,614 | 25,928 | 29,420 | | | | | | | | |
| Eight years later | 24,222 | 25,792 | | | | | | | | | |
| Nine years later | 24,358 | | | | | | | | | | |
| Current estimate of ultimate claims | 24,358 | 25,792 | 29,420 | 20,935 | 25,403 | 23,132 | 28,318 | 32,262 | 39,353 | 36,780 | 285,753 |
| Cumulative payments to date | (19,897) | (20,339) | (20,442) | (13,341) | (18,043) | (11,498) | (9,194) | (5,639) | (3,892) | (791) | (123,076) |
| Outstanding liability | 4,461 | 5,453 | 8,978 | 7,594 | 7,360 | 11,634 | 19,124 | 26,623 | 35,461 | 35,989 | 162,677 |
| Effect of discounting | | | | | | | | | | | (27,188) |
| Present value | | | | | | | | | | | 135,489 |
| Discounted liability in respect of earlier years | | | | | | | | | | | 100,967 |
| Total discounted net liability for liability classes | | | | | | | | | | | 236,456 |
| Total discounted net liability for non-liability classes, expenses and reinsurance debtors | | | | | | | | | | | 88,324 |
| Total discounted net liability included in insurance liabilities in the statement of financial position | | | | | | | | | | | 324,780 |

# Notes to the financial statements

## 27 Insurance liabilities and reinsurance assets (continued)

**(b) Life business insurance contracts**
**(i) Reconciliation of the liability for remaining coverage**

| Insurance contracts issued | Estimates of present value of future cash flows £000 | Risk adjustment for non-financial risk £000 | Contractual service margin £000 | Total £000 |
|---|---|---|---|---|
| **At 1 January 2023** | 53,242 | 271 | 5,750 | 59,263 |
| ***Changes that relate to current service*** | | | | |
| CSM recognised in profit or loss for the services provided | - | - | (717) | (717) |
| Experience adjustments | (90) | - | - | (90) |
| | (90) | - | (717) | (807) |
| ***Changes that relate to future service*** | | | | |
| Changes in estimates that adjust the CSM | (1,700) | (20) | 1,720 | - |
| | (1,700) | (20) | 1,720 | - |
| **Insurance service result** | (1,790) | (20) | 1,003 | (807) |
| Finance expense from insurance contracts issued | 2,581 | - | 47 | 2,628 |
| **Net insurance financial result** | 2,581 | - | 47 | 2,628 |
| **Total amounts recognised in statement of profit or loss** | 791 | (20) | 1,050 | 1,821 |
| Claims and other directly attributable expenses paid | (5,035) | (20) | - | (5,055) |
| **Total cash flows** | (5,035) | (20) | - | (5,055) |
| **At 31 December 2023** | 48,998 | 231 | 6,800 | 56,029 |
| ***Changes that relate to current service*** | | | | |
| CSM recognised in profit or loss for the services provided | **-** | **-** | **(712)** | **(712)** |
| Change in the risk adjustment for non-financial risk for the risk expired | **-** | **(16)** | **-** | **(16)** |
| Experience adjustments | **(318)** | **-** | **-** | **(318)** |
| | **(318)** | **(16)** | **(712)** | **(1,046)** |
| ***Changes that relate to future service*** | | | | |
| Changes in estimates that adjust the CSM | **(440)** | **157** | **283** | **-** |
| | **(440)** | **157** | **283** | **-** |
| **Insurance service result** | **(758)** | **141** | **(429)** | **(1,046)** |
| Finance income from insurance contracts issued | **(366)** | **-** | **47** | **(319)** |
| **Net insurance financial result** | **(366)** | **-** | **47** | **(319)** |
| **Total amounts recognised in statement of profit or loss** | **(1,124)** | **141** | **(382)** | **(1,365)** |
| Claims and other directly attributable expenses paid | **(5,474)** | **(5)** | **20** | **(5,459)** |
| **Total cash flows** | **(5,474)** | **(5)** | **20** | **(5,459)** |
| **At 31 December 2024** | **42,400** | **367** | **6,438** | **49,205** |

# Notes to the financial statements

## 27 Insurance liabilities and reinsurance assets (continued)

**(ii) Assumptions**
The most significant assumptions in determining life reserves are as follows:

***Mortality***
An appropriate base table of standard mortality is chosen depending on the type of contract. Where prudent, an allowance is made for future mortality improvements based on trends identified in population data. For both 2024 and 2023 the base tables used were ELF16F and ELT16M with a 1% improvement applied each year.

***Discounting***
The nominal discount rate curve is calculated on a bottom up basis. The risk free curve is based on the UK government bond yield curve. A liquidity premium based on the return on a notional index of fixed interest assets, including gilts and corporate bonds, is added to the risk free curve. The liquidity premium is adjusted for credit risk and differences in liquidity between the notional assets and the liabilities.

| | **2024** | 2023 |
|---|---|---|
| Non-Profit Life Business | **3.7% to 6.0%** | 3.2% to 5.1% |

***Funeral plans renewal expense level and inflation***
Numbers of policies in force and both projected and actual expenses have been considered when setting the base renewal expense level. The unit renewal expense assumption for in-force business is £18.29 per annum (2023: £14.27 per annum).

Expense and benefit inflation curves are set with reference to GBP inflation swaps of various terms, and using linear interpolation between available swap terms.

***Tax***
It has been assumed that current tax legislation and rates enacted at 1 January 2025 will continue to apply. All in-force business is classed as protection business and is expected to be taxed on a profits basis.

**(iii) Changes in assumptions**
Projected investment returns have been revised in line with the changes in the actual yields of the underlying assets. As a result, liabilities have decreased by £2.8m (2023: £0.6m increase).

The assumed future expenses of running the business have been revised based on expenses that are expected to be incurred by the company. The effect on insurance liabilities of the changes to renewal expense assumptions (described above) was a £0.4m increase (2023: £0.5m decrease).

**(iv) Sensitivity analysis**
The sensitivity of profit before tax to changes in the key assumptions used to calculate the life insurance liabilities is shown in the following table. No account has been taken of any correlation between the assumptions.

| | **Change in variable** | **Potential (decrease)/ increase in the result** | |
|---|---|---|---|
| **Variable** | | **2024 £000** | 2023 £000 |
| Deterioration in mortality | +10% | **(857)** | (820) |
| Improvement in mortality | -10% | **1,002** | 960 |
| Increase in fixed interest/cash yields | +1% pa | **(624)** | (340) |
| Decrease in fixed interest/cash yields | -1% pa | **771** | 360 |
| Worsening of base renewal expense level | +10% | **30** | 20 |
| Improvement in base renewal expense level | -10% | **(30)** | (20) |
| Increase in expense inflation | +1% pa | **68** | 50 |
| Decrease in expense inflation | -1% pa | **(54)** | (40) |

# Notes to the financial statements

## 27 Insurance liabilities and reinsurance assets (continued)

**(v) Maturity analysis**

The table below shows the maturity profile of the CSM release.

| | Within 1 year £000 | Between 1 and 5 years £000 | After 5 years £000 | Total £000 |
|---|---|---|---|---|
| **At 31 December 2024** | | | | |
| CSM release after accretion | **764** | **2,316** | **3,358** | **6,438** |
| **At 31 December 2023** | | | | |
| CSM release after accretion | 591 | 1,947 | 4,263 | 6,801 |

## 28 Provisions for other liabilities and contingent liabilities

| **Group** | Regulatory and legal provisions £000 | Other provisions £000 | Total £000 |
|---|---|---|---|
| At 1 January 2024 | **2,398** | **3,932** | **6,330** |
| Additional provisions | **3,741** | **-** | **3,741** |
| Used during year | **(3,441)** | **(141)** | **(3,582)** |
| Not utilised | **(498)** | **(3)** | **(501)** |
| Exchange differences | **-** | **(9)** | **(9)** |
| At 31 December 2024 | **2,200** | **3,779** | **5,979** |
| Current | **2,200** | **1,789** | **3,989** |
| Non-current | **-** | **1,990** | **1,990** |
| **Parent** | | | |
| At 1 January 2024 | **2,398** | **3,779** | **6,177** |
| Additional provisions | **3,741** | **-** | **3,741** |
| Used during year | **(3,441)** | **(88)** | **(3,529)** |
| Not utilised | **(498)** | **(3)** | **(501)** |
| Exchange differences | **-** | **(2)** | **(2)** |
| At 31 December 2024 | **2,200** | **3,686** | **5,886** |
| Current | **2,200** | **1,775** | **3,975** |
| Non-current | **-** | **1,911** | **1,911** |

**Regulatory and legal provisions**

The Group operates in the financial services industry and is subject to regulatory requirements in the normal course of business, including contributing towards any levies raised on UK general and life business. The provisions reflect an assessment by the Group of its share of the total potential levies.

In addition, from time to time, the Group receives complaints from customers and, while the majority relate to cases where there has been no customer detriment, we recognise that we have provided, and continue to provide, advice and services across a wide spectrum of regulated activities. We therefore believe that it is prudent to hold a provision for the estimated costs of customer complaints relating to services provided. The Group continues to reassess the ultimate level of complaints expected and the appropriateness of the provision, which reflects the expected redress and associated administration costs that would be payable in relation to any complaints we may uphold.

**Dilapidations provisions**

The provision for other costs relates to costs in respect of dilapidations. Dilapidations provisions are based on the Group's best estimate of future expense required to restoring a leased property to its original state on completion of the lease.

## 29 Deferred tax

An analysis and reconciliation of the movement of the key components of the net deferred tax liability during the current and prior reporting year is as follows:

| Group | Unrealised gains on investments £000 | Net retirement benefit assets £000 | IFRS 17 transition adjustment £000 | Other differences £000 | Total £000 |
|---|---|---|---|---|---|
| At 1 January 2023 | 32,065 | 2,592 | (1,069) | (6,499) | 27,089 |
| (Credited)/charged to profit or loss | (638) | (116) | 22 | 994 | 262 |
| (Credited)/charged to profit or loss | | | | | |
| - Impact of change in deferred tax rate | (119) | (7) | - | 23 | (103) |
| Charged to other comprehensive income | - | 1,200 | - | 535 | 1,735 |
| Charged to other comprehensive income | | | | | |
| - Impact of change in deferred tax rate | - | 75 | - | 20 | 95 |
| Exchange differences | 115 | - | (21) | 183 | 277 |
| At 31 December 2023 | 31,423 | 3,744 | (1,068) | (4,744) | 29,355 |
| Charged/(credited) to profit or loss | **1,267** | **(34)** | **(293)** | **2,180** | **3,120** |
| Credited to profit or loss | | | | | |
| - Impact of change in deferred tax rate | **-** | **-** | **-** | **(1)** | **(1)** |
| (Credited)/charged to other comprehensive income | **-** | **(408)** | **-** | **819** | **411** |
| Exchange differences | **64** | **-** | **(8)** | **309** | **365** |
| At 31 December 2024 | **32,754** | **3,302** | **(1,369)** | **(1,437)** | **33,250** |
| **Parent** | | | | | |
| At 1 January 2023 | 34,228 | 2,595 | (185) | (949) | 35,689 |
| (Credited)/charged to profit or loss | (2,164) | (116) | 171 | 1,184 | (925) |
| Credited to profit or loss | | | | | |
| - Impact of change in deferred tax rate | (140) | (7) | - | (19) | (166) |
| Charged to other comprehensive income | - | 1,200 | - | 535 | 1,735 |
| Charged to other comprehensive income | | | | | |
| - Impact of change in deferred tax rate | - | 75 | - | 20 | 95 |
| Exchange differences | - | - | 14 | - | 14 |
| At 31 December 2023 | 31,924 | 3,747 | - | 771 | 36,442 |
| Charged/(credited) to profit or loss | **992** | **(34)** | **-** | **1,487** | **2,445** |
| Credited to profit or loss | | | | | |
| - Impact of change in deferred tax rate | **-** | **-** | **-** | **(1)** | **(1)** |
| (Credited)/charged to other comprehensive income | **-** | **(408)** | **-** | **819** | **411** |
| Exchange differences | **-** | **-** | **-** | **4** | **4** |
| At 31 December 2024 | **32,916** | **3,305** | **-** | **3,080** | **39,301** |

Certain deferred tax assets and liabilities have been offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

| | **2024** | | 2023 | |
|---|---|---|---|---|
| | **Group £000** | **Parent £000** | Group £000 | Parent £000 |
| Deferred tax liabilities | **40,615** | **39,307** | 37,838 | 36,671 |
| Deferred tax assets | **(7,365)** | **(6)** | (8,483) | (229) |
| | **33,250** | **39,301** | 29,355 | 36,442 |

Included in the above are unused tax losses of £7.3m (2023: £10.1m) arising from life business, which are available for offset against future tax profits and can be carried forward indefinitely.

## 30 Other liabilities

| | **2024** | | 2023 | |
|---|---|---|---|---|
| | **Group** | **Parent** | Group | Parent |
| | **£000** | **£000** | £000 | £000 |
| Derivative liabilities | **215** | **215** | 2,380 | 2,380 |
| Other creditors | **28,468** | **18,510** | 27,644 | 16,343 |
| Amounts owed to related parties | **673** | **18,760** | 1,485 | 1,460 |
| Accruals | **32,487** | **29,155** | 25,770 | 22,737 |
| | **61,843** | **66,640** | 57,279 | 42,920 |
| Current | **61,353** | **66,640** | 56,723 | 42,920 |
| Non-current | **490** | **-** | 556 | - |

Derivative liabilities are in respect of foreign exchange contracts and are detailed in note 22.

## 31 Subordinated liabilities

| | **2024** | 2023 |
|---|---|---|
| **Group and Parent** | **£000** | £000 |
| 6.3144% EUR 30m subordinated debt | **25,112** | 25,853 |
| | **25,112** | 25,853 |

Subordinated debt consists of a privately-placed issue of 20-year subordinated bonds, maturing in February 2041 and callable after February 2031. The Group's subordinated debt ranks below its senior debt and ahead of its preference shares and ordinary share capital.

Subordinated debt is stated at amortised cost.

## 32 Investment contract liabilities

| | **2024** | 2023 |
|---|---|---|
| **Group** | **£000** | £000 |
| Investment contract liabilities | **133,706** | 95,886 |
| | **133,706** | 95,886 |

Investment contract liabilities represents amounts due to policyholders and, if applicable, the cost of the minimum repayment guarantee. Investment contract liabilities are repayable on demand or at short notice and therefore classified as current. These liabilities are matched with highly liquid investments.

# 33 Leases

**Group as a lessee**

The Group has lease contracts for various items of property, motor vehicles and other equipment used in its operations. Leases of property generally have terms of up to 15 years, while motor vehicles and other equipment generally have lease terms between 2 and 6 years. Lease terms are negotiated on an individual basis and contain different terms and conditions, but do not impose any covenants other than security interests. The Group's obligations under its leases are secured by the lessor's title to the leased assets, and leased assets may not be used as security for borrowing purposes.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year.

| **Group** | **Land and buildings £000** | **Motor vehicles £000** | **Other equipment £000** | **Total £000** |
|---|---|---|---|---|
| At 1 January 2024 | **20,630** | **843** | **39** | **21,512** |
| Additions | **5,283** | **91** | **160** | **5,534** |
| Disposals | **-** | **(177)** | **(30)** | **(207)** |
| Depreciation expense | **(2,951)** | **(184)** | **(42)** | **(3,177)** |
| Exchange differences | **(263)** | **-** | **-** | **(263)** |
| At 31 December 2024 | **22,699** | **573** | **127** | **23,399** |
| At 1 January 2023 | 17,944 | 973 | 112 | 19,029 |
| Additions | 5,787 | 143 | 3 | 5,933 |
| Disposals | (284) | (74) | - | (358) |
| Depreciation expense | (2,731) | (199) | (75) | (3,005) |
| Exchange differences | (86) | - | (1) | (87) |
| At 31 December 2023 | 20,630 | 843 | 39 | 21,512 |

| **Parent** | **Land and buildings £000** | **Motor vehicles £000** | **Other equipment £000** | **Total £000** |
|---|---|---|---|---|
| At 1 January 2024 | **19,094** | **842** | **40** | **19,976** |
| Additions | **5,283** | **91** | **160** | **5,534** |
| Disposals | **-** | **(176)** | **(31)** | **(207)** |
| Depreciation expense | **(2,530)** | **(184)** | **(42)** | **(2,756)** |
| Exchange differences | **(163)** | **-** | **-** | **(163)** |
| At 31 December 2024 | **21,684** | **573** | **127** | **22,384** |
| At 1 January 2023 | 17,623 | 965 | 112 | 18,700 |
| Additions | 3,795 | 143 | 3 | 3,941 |
| Disposals | - | (72) | - | (72) |
| Depreciation expense | (2,250) | (194) | (74) | (2,518) |
| Exchange differences | (74) | - | (1) | (75) |
| At 31 December 2023 | 19,094 | 842 | 40 | 19,976 |

Set out below are the carrying amounts of lease obligations:

| | **2024** | | 2023 | |
|---|---|---|---|---|
| | **Group £000** | **Parent £000** | Group £000 | Parent £000 |
| Current | **1,971** | **1,971** | 4,833 | 4,833 |
| Non-current | **22,602** | **20,935** | 16,854 | 14,718 |
| | **24,573** | **22,906** | 21,687 | 19,551 |

# Notes to the financial statements

## 33 Leases (continued)

Group profit for the year has been arrived at after charging the following amounts in respect of lease contracts:

| | **2024** | 2023 |
|---|---|---|
| | **£000** | £000 |
| Depreciation expense of right-of-use assets | **3,177** | 3,005 |
| Interest expense on lease liabilities | **996** | 745 |
| Expenses relating to short-term leases | **-** | 4 |
| Expenses relating to low value leases | **-** | 4 |
| | **4,173** | 3,758 |

The Group had total cash outflows for leases, including interest paid, of £3.1m (2023: £3.9m). The Parent had total cash outflows for leases, including interest paid, of £2.8m (2023: £3.7m). The future cash outflows relating to leases that have not yet commenced are disclosed in note 34.

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs.

**Group as a lessor**

The Group has entered into operating leases on its investment property portfolio. These leases have terms of up to 50 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. The lessee is also required to provide a residual value guarantee on the properties. Rental income on these properties recognised by the Group during the year is disclosed in note 20.

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

| | **2024** | | 2023 | |
|---|---|---|---|---|
| | **Group** | **Parent** | Group | Parent |
| | **£000** | **£000** | £000 | £000 |
| Year 1 | **7,586** | **7,586** | 8,245 | 8,245 |
| Year 2 | **6,324** | **6,324** | 6,973 | 6,973 |
| Year 3 | **5,644** | **5,644** | 5,584 | 5,584 |
| Year 4 | **4,490** | **4,490** | 5,005 | 5,005 |
| Year 5 | **2,617** | **2,617** | 3,941 | 3,941 |
| After 5 years | **9,936** | **9,936** | 13,397 | 13,397 |
| Total undiscounted cashflows | **36,597** | **36,597** | 43,145 | 43,145 |

# 34 Commitments

At the year end, the Group and Parent had capital commitments of £0.4m (2023: £2.4m) relating to development costs.

The Group and Parent have lease contracts for right-of-use assets that had not commenced at 31 December 2024. These leases will commence in 2025. Leases for motor vehicles have a term of 4 years with expected cash outflow of £11,000 per annum.

# 35 Related undertakings

**Ultimate parent company and controlling party**

The Company is a wholly-owned subsidiary of Benefact Group plc. Its ultimate parent and controlling company is Benefact Trust Limited. Both companies are incorporated in England and Wales and copies of their financial statements are available from the registered office as shown in the Directors and Company Information section of this Annual Report and Accounts. The parent companies of the smallest and largest groups for which group financial statements are drawn up are Ecclesiastical Insurance Office plc and Benefact Trust Limited, respectively.

**Related undertakings**

The Company's interest in related undertakings at 31 December 2024 is as follows:

| Company | Company Registration Number | Share Capital | 2024 Holding of shares by Company | 2024 Holding of shares by Group | 2023 Holding of shares by Company | 2023 Holding of shares by Group | Activity |
|---|---|---|---|---|---|---|---|
| **Subsidiary undertakings** | | | | | | | |
| ***Incorporated in the United Kingdom*** | | | | | | | |
| Ecclesiastical Group Healthcare Trustees Limited [1,3] | 10988127 | Ordinary | 100% | - | 100% | - | Trustee company |
| Ecclesiastical Life Limited [1] | 0243111 | Ordinary | 100% | - | 100% | - | Life insurance |
| E.I.O. Trustees Limited [1,4] | 0941199 | Ordinary | 100% | - | 100% | - | Trustee company |
| ***Incorporated in Australia*** | | | | | | | |
| Ansvar Insurance Limited [2] | 007216506 | Ordinary | 100% | - | 100% | - | Insurance |
| Ansvar Insurance Services Pty Limited [2,5] | 162612286 | Ordinary | - | 100% | - | 100% | Dormant company |
| Ansvar Risk Management Services Pty Limited [2] | 623695054 | Ordinary | - | - | - | 100% | Dormant company |

1 Registered office: Benefact House, 2000 Pioneer Avenue, Gloucester Business Park, Brockworth, Gloucester, GL3 4AW, United Kingdom
2 Registered office: Level 5, 1 Southbank Boulevard, Melbourne, VIC 3006, Australia
3 Exempt from audit under s479 of the Companies Act 2006
4 Exempt from audit under s480 of the Companies Act 2006
5 Exempt from audit

# 36 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not included in the Group analysis, but are included within the Parent analysis below.

Benefact Group plc is the Group and Parent's immediate parent company. Other related parties, of both Group and Parent, include subsidiary undertakings of Benefact Group plc, the ultimate parent undertaking and the Group's pension plans.

| | Benefact Group plc £000 | Subsidiaries £000 | Other related parties £000 |
|---|---|---|---|
| **2024** | | | |
| **Group** | | | |
| Trading, investment and other income, including recharges, and amounts received | **8,707** | **-** | **56,966** |
| Trading, investment and other expenditure, including recharges, and amounts paid | **58,144** | **-** | **9,028** |
| Amounts owed by related parties* | **133,913** | **-** | **3,276** |
| Amounts owed to related parties | **-** | **-** | **156,186** |
| **Parent** | | | |
| Trading, investment and other income, including recharges, and amounts received | **8,707** | **8,396** | **22,594** |
| Trading, investment and other expenditure, including recharges, and amounts paid | **58,144** | **24,792** | **8,525** |
| Amounts owed by related parties* | **133,913** | **2,365** | **3,276** |
| Amounts owed to related parties | **-** | **18,157** | **637** |
| **2023** | | | |
| **Group** | | | |
| Trading, investment and other income, including recharges, and amounts received | 7,175 | - | 56,970 |
| Trading, investment and other expenditure, including recharges, and amounts paid | 14,500 | - | 14,877 |
| Amounts owed by related parties* | 142,085 | - | 4,117 |
| Amounts owed to related parties | - | - | 135,094 |
| **Parent** | | | |
| Trading, investment and other income, including recharges, and amounts received | 7,175 | 12,113 | 23,537 |
| Trading, investment and other expenditure, including recharges, and amounts paid | 14,500 | 12,766 | 7,791 |
| Amounts owed by related parties* | 142,085 | 2,052 | 4,117 |
| Amounts owed to related parties | - | - | 688 |

* Included within amounts owed by related parties of the Group and Parent is a loan of £133.3m (2023: £135.1m) due from Benefact Group plc.

On 3 January 2023 two wholly-owned subsidiaries of Ecclesiastical Insurance Office plc, EdenTree Investment Management Limited and Ecclesiastical Financial Advisory Services Limited, were transferred to direct ownership of the Benefact Group for £5.2m, recognising a gain after tax of £0.7m, as detailed in note 16.

During the year, the Company received premiums, commission and reinsurance recoveries via a related party insurance agency amounting to £nil (2023: £0.3m) and paid reinsurance protection, commission and claims amounting to £nil (2023: £0.8m).

Trading, investment and other expenditure, including recharges, and amounts paid in the current year includes loans totalling £28.1m (2023: £14.1m), general business claims of £23.5m (2023: £12.4m), funeral plan liability movements of £6.6m (2023: £nil) and a dividend paid to Benefact Group plc of £30.0m (2023: £nil).

Trading, investment and other income, including recharges, and amounts received in the current year includes general business premiums totalling £5.9m (2023: £5.2m), funeral plan liability movements of £2.5m (2023: £nil) and deposits received for life business totalling £27.8m (2023: £30.2m).

Amounts owed to related parties by the Group and by the Parent include insurance liabilities which are included in note 27. Amounts owed to related parties by the Group also includes investment contract liabilities which are included in note 32.

# Notes to the financial statements

## 36 Related party transactions (continued)

Transactions and services within the Group are made on commercial terms. With the exception of some insurance liabilities, amounts outstanding between Group companies are unsecured, are not subject to guarantees, and will be settled in cash. No provisions have been made in respect of these balances.

The total aggregate remuneration of the directors of the Company in respect of qualifying services during 2024 was £3.6m (2023: £2.8m). After inclusion of amounts receivable under long-term incentive schemes and pension benefits, the total aggregate emoluments of the directors was £4.6m (2023: £3.7m).

The key management personnel is defined as the Group Management Board (Ecclesiastical's leadership team), Executive and Non-executive directors. The remuneration is shown below.

| | **2024** | | 2023 | |
|---|---|---|---|---|
| | **Group** | **Parent** | Group | Parent |
| | **£000** | **£000** | £000 | £000 |
| **Key management personnel** | | | | |
| Wages and salaries | **8,175** | **8,175** | 6,126 | 6,126 |
| Social security costs | **796** | **796** | 677 | 677 |
| Pension costs - defined contribution plans | **355** | **355** | 340 | 340 |
| Fees and benefits for non-executive directors | **759** | **759** | 648 | 648 |
| | **10,085** | **10,085** | 7,791 | 7,791 |

Remuneration of the directors and key management personnel represents their total remuneration and has not been attributed according to their work across the Benefact Group.

Charitable grants paid to the Group's ultimate Parent undertaking are disclosed in note 15. Contributions paid to and amounts received from the Group's defined benefits schemes are disclosed in note 18.

# 37 Reconciliation of Alternative Performance Measures

The Group uses alternative performance measures (APMs) in addition to the figures which are prepared in accordance with IFRS. The financial measures in our key financial performance data include gross written premiums and the combined operating ratio and are used to manage the Group's general insurance business. Similar measures are commonly used in the industries we operate in and we believe they provide useful information and enhance the understanding of our results. No life insurance premiums were written in the year (2023: none) and the life insurance revenue is the earning of the legacy business over its life, expected to be in excess of 10 years.

Users of the accounts should be aware that similarly titled APM reported by other companies may be calculated differently. For that reason, the comparability of APM across companies might be limited.

The tables below provide a reconciliation of the gross written premiums, net written premiums, net earned premiums and the combined operating ratio to their most directly reconcilable line items in the financial statements.

**Group**

| General insurance | | 2024 £000 |
|---|---|---|
| **Insurance revenue** | [1] | 623,195 |
| Deduct change in the gross unearned premium provision | | 17,406 |
| **Gross written premiums** | | 640,601 |
| Outward reinsurance premiums written | | (261,194) |
| **Net written premiums** | | 379,407 |
| Change in the net unearned premium provision | | (16,050) |
| **Net earned premiums** | [3] | 363,357 |

Gross written premiums refers to the total premiums written and invoiced by the Group during the reporting year before deducting any outwards reinsurance premiums or adjustments for unearned premiums. It reflects the total premium income generated by the Group's underwriting activities. Net written premiums are the gross written premiums after deducting any outwards reinsurance premiums. Net earned premiums are the net written premiums after adjusting for unearned premiums based on the elapsed time of the policy period.

| | | 2024 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Insurance | | Inv'mnt return | | Corporate costs | Other income and charges | Total |
| | | General £000 | Life £000 | £000 | | £000 | £000 | £000 |
| Insurance revenue | [1] | 623,195 | 6,078 | 735 | * | - | (55) | 629,953 |
| Insurance service expenses | | (465,905) | (5,033) | 9,066 | ** | - | 55 | (461,817) |
| **Insurance service result before reinsurance contracts held** | | 157,290 | 1,045 | 9,801 | | - | - | 168,136 |
| Net expense from reinsurance contracts | | (84,590) | - | - | | - | - | (84,590) |
| **Insurance service result** | | 72,700 | 1,045 | 9,801 | | - | - | 83,546 |
| Net insurance financial result | | - | 319 | (7,181) | | - | - | (6,862) |
| Net investment result | | - | 1,318 | 70,532 | | - | - | 71,850 |
| Fee and commission income | | - | - | - | | - | 544 | 544 |
| Other operating expenses | | (25,058) | (1,276) | (3,219) | | (33,152) | (796) | (63,501) |
| Other finance costs | | - | - | - | | - | (3,102) | (3,102) |
| **Profit/(loss) before tax** | [2] | 47,642 | 1,406 | 69,933 | | (33,152) | (3,354) | 82,475 |

* instalment handling charges
** discounting on non-latent claims provisions

**Combined operating ratio = ( [3] - [2] ) / [3]** **86.9%**

The underwriting profit/(loss) of the Group is defined as the profit/(loss) before tax of the general insurance business.

The Group uses the net combined operating ratio as a measure of underwriting efficiency. The combined operating ratio expresses the total underwriting costs of the general insurance business as a percentage of net earned premiums. It is calculated as ( [3] - [2] ) / [3].

# Notes to the financial statements

## 37 Reconciliation of Alternative Performance Measures (continued)

**Group**

| **General insurance** | | **2023 £000** |
|---|---|---|
| **Insurance revenue** | [1] | 579,146 |
| Deduct change in the gross unearned premium provision | | 35,861 |
| **Gross written premiums** | | 615,007 |
| Outward reinsurance premiums written | | (263,667) |
| **Net written premiums** | | 351,340 |
| Change in the net unearned premium provision | | (21,285) |
| **Net earned premiums** | [3] | 330,055 |

| | | **2023** | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | **Insurance** | | **Inv'mnt return** | | **Corporate costs** | **Other income and charges** | **Total** |
| | | **General £000** | **Life £000** | **£000** | | **£000** | **£000** | **£000** |
| Insurance revenue | [1] | 579,146 | 6,509 | 832 | * | - | (3) | 586,484 |
| Insurance service expenses | | (415,686) | (5,702) | 12,801 | ** | - | 3 | (408,584) |
| **Insurance service result before reinsurance contracts held** | | 163,460 | 807 | 13,633 | | - | - | 177,900 |
| Net expense from reinsurance contracts | | (107,174) | - | - | | - | - | (107,174) |
| **Insurance service result** | | 56,286 | 807 | 13,633 | | - | - | 70,726 |
| Net insurance financial result | | - | (2,628) | (16,912) | | - | - | (19,540) |
| Net investment result | | - | 4,274 | 53,195 | | - | - | 57,469 |
| Other operating expenses | | (31,766) | (1,213) | (3,780) | | (24,079) | 87 | (60,751) |
| Other finance costs | | - | - | - | | - | (3,151) | (3,151) |
| **Profit/(loss) before tax** | [2] | 24,520 | 1,240 | 46,136 | | (24,079) | (3,064) | 44,753 |

* instalment handling charges
** discounting on non-latent claims provisions

**Combined operating ratio = ( [3] - [2] ) / [3]** 92.6%