Ecclesiastical Insurance Office plc announces results for the year ended 31 December 2022

Ecclesiastical Insurance Office plc ("Ecclesiastical"), the specialist financial services group, today announces its full year 2022 results. A copy of the results will be available on the Company's website at www.ecclesiastical.com

Group overview

- Driven by our purpose to contribute to the greater good of society, Ecclesiastical continued to give to good causes in 2022, amounting to £22.7m. We are now proud to be the third largest corporate donor in the UK[1].
- Despite the challenging external environment, our businesses performed strongly in 2022. Gross Written Premiums (GWP) grew 15% from £486m to £559m, driven by new business wins, strong retention and rate strengthening, along with the impacts from the inflationary environment.
- Strong underwriting profit of £27.4m, a significant increase on the previous year of £8.8m.
- Operating performance was offset by fair value losses on our investment portfolio due to stock market falls and higher interest rates which was partially offset by the impact of discounting on reserves, leading to an overall group loss before tax of £4.8m (2021: £79.2m profit).
- We remain in a strong capital position and our credit rating agencies affirmed our excellent and strong credit ratings in the second half of 2022. We recently exited our relationship with S&P and added Moody's to join AM Best as our agencies.
- We continue to lead the industry in service with 98% of customers satisfied with the service they receive from Ecclesiastical. For a second year running, independent research consultancy Gracechurch put Ecclesiastical ahead of all other insurers for claims service.
- We continued to receive external awards, recognising the Group as a trusted and specialist financial services organisation. This included being named as the UK's most trusted home insurer for the 16th time by independent ratings agency Fairer Finance, and our Canadian team was named one of the Top Employers for Young People for the ninth consecutive year.

Mark Hews, Group Chief Executive Officer of Ecclesiastical, said:

"Last year was a transformational year for our Ecclesiastical Group family. We launched a new brand, prepared for a new Group structure, new strategy, new governance framework, new systems, and strengthened our leadership. Our immediate owner, Ecclesiastical Insurance Group, became Benefact Group, heralding an exciting new chapter for our family of businesses, united by a common goal to give all available profits to good causes.

"Despite the challenging external environment, our businesses performed strongly in 2022. In general insurance we saw excellent premium growth of 15%, driven by new business wins, strong retention and inflationary pressures. The GI Underwriting result was £27.4m, a significant increase on the previous year of £8.8m, which was lower due to strengthening of PSA reserves. This gives a combined operating ratio of 91%[2], which compares favourably in the insurance market.

"Our strong operating performance was offset by fair value losses on our investment portfolio, caused by volatility on the stock markets. In addition to these fair value losses, the results include a credit from a fair value gain on an equity investment and a credit arising from a change to our discounting accounting policy. This led to an overall group loss before tax of £4.8m (2021: £79.2m profit).

"We were able to give a further £22.7m to charitable causes in 2022. Our combined giving with Benefact Trust has helped thousands of charities in recent years, changing countless lives and communities for the better. Many of those charities, along with His Majesty King Charles III, joined us at Westminster Abbey last summer for a Service of Thanksgiving to celebrate our £100m giving milestone. It was a proud moment for our business, and we have therefore raised our ambition, and have set a new cumulative target to give £250m to good causes by the end of 2025. We are now the third largest corporate donor in the UK, with an ambition to be first.

"Inspired by the impact of our giving on so many, we are extremely ambitious for the future. This year will see continued investment in new systems, helping to deliver even better service and value for our customers and brokers. We will pursue growth opportunities, both in our existing sectors and in new niches where we can leverage our specialist expertise. We will make significant investment in digital propositions, helping to build our distribution capability and reach, as we seek to find ways to meet our customers' changing needs. We will also continue to prioritise risk management innovation, exploring new ways to protect our customers from losses, particularly from the growing threat of climate change.

“On behalf of the Board and thousands of our beneficiaries, we say a heartfelt, sincere “thank you” to all our customers, business partners and dedicated colleagues for their exceptional support. With a new brand, a clear strategy for growth and a renewed sense of confidence, we go into 2023 energised and inspired to work together for our customers and society.”

1. Directory of Social Change Guide to UK Company Giving 2023/24

2. Alternative performance measure, refer to note 9 to this announcement for further explanation

ECCLESIASTICAL INSURANCE OFFICE PLC

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The Company has now approved its annual report and accounts for 2022.

This Annual Financial Report announcement contains the information required to comply with the Disclosure and Transparency Rules, and extracts of the Strategic Report and Directors’ Report forming part of the full financial statements.

The financial information set out below does not constitute the Company’s statutory accounts for the year ended 31 December 2022. The annual report and accounts will be available on or before 28 April 2023 on the Company’s website at www.ecclesiastical.com. Copies of the audited financial statements are also available from the registered office at Benefact House, 2000 Pioneer Avenue, Gloucester Business Park, Brockworth, Gloucester GL3 4AW.

A copy of the Company’s statutory accounts for the year ended 31 December 2022 will be submitted to the National Storage Mechanism and will shortly be available for inspection at https://data.fca.org.uk/#/nsm/nationalstoragemechanism.

Chair’s statement

Despite the challenging environment, 2022 was a year of celebration for Ecclesiastical Insurance. We marked the achievement of giving £100m to good causes over the past five years, with a service of thanksgiving at Westminster Abbey - an incredible moment in the company’s 136-year history that saw hundreds of beneficiaries and supporters, among them King Charles III, come together to celebrate our movement for good.

It also saw the successful launch of the Benefact brand, providing not just a new name for Ecclesiastical’s parent Group and Trust, but a renewed sense of energy and focus on our purpose to contribute to the greater good of society. Speaking to customers and brokers over the past few months, it’s clear the new name resonates and has landed well in our markets. It’s a fantastic achievement that we should all be proud of.

Of course, 2022 also brought its challenges. The return to prosperity that many of us hoped for after the pandemic failed to materialise as economic and political events pushed us into a cost of living crisis, while the devastating war in Ukraine continues to take its toll on innocent lives. In these difficult times, our mission to help those most in need in society is more important than ever.

In response to both challenges, our charitable owner the Benefact Trust moved swiftly to support charities on the frontline. In March it announced £1m of funding to give immediate and longer-term support to people fleeing the devastating conflict in Ukraine. In December, the Trust announced a £500,000 funding package to support charities working to keep people safe and warm this winter.

This giving is only possible thanks to the customers, brokers and colleagues that support Ecclesiastical Insurance Office Group, which gives all its available profits to charities and good causes. I’m pleased to say we granted £20m to Benefact Trust in 2022. Alongside this we gave £2.7m through our direct giving programmes in the UK, Ireland and Canada, helping thousands of charities to make a difference in their communities.

This combined giving brings us closer to our ambition of being the UK’s biggest corporate donor with a cumulative target of giving £250m to good causes by the end of 2025.

Results

Despite the challenging economic conditions, our businesses performed well in 2022. We continued to attract and retain prestigious customers across all divisions, which helped to drive double-digit premium growth. We also reported an improved underwriting result, with a profit of £27.4m. We reported an overall loss before tax of £4.8m as our results were affected by investment losses, due to falls in global markets.

Achievements and reflections

I’m now in my fourth year as Chairman and I’m delighted with the progress we’ve made as a business. We’ve invested considerably over the past few years, from launching new brands for the General Insurance business and the Group, a new head office, and new systems and technology to improve the broker and customer experience. The launch of our new General Insurance system last year was a major milestone and an incredible achievement by everyone involved in the project.

I’m also pleased that we announced our climate commitments in spring last year, outlining our roadmap to achieve net zero by 2040. In my report last year, I talked about the importance of responding to the issues of sustainability and climate change and as a responsible business, we are committed to making a positive environmental impact in the world. Much work has taken place over the past 12 months to understand our climate impact and identify the measures we need to take to reduce our carbon emissions. This has included training sessions for the Board, which have helped deepen our understanding of how we can do the right thing as a business.

None of our achievements would be possible without the commitment of our colleagues and I want to thank them for all their efforts in 2022. Our customer satisfaction and Net Promoter Scores remain high and the Group again achieved Best Companies two-star status, demonstrating outstanding employee engagement. It’s always pleasing to see this commitment and effort is recognised by others and this was reflected in 18 awards last year including products, service quality, risk management, marketing and customer engagement.

I was fortunate to visit our offices in Australia and Ireland and spent time with our excellent teams, learning how they’re working hard to improve our services to our brokers and customers.

Looking ahead

While some companies are retrenching in the face of economic difficulties, Ecclesiastical has set itself an ambitious target to double in size. The strategy announced last year provides a clear roadmap to achieve this stretching goal and I’m excited by the potential within the business to grow.

Across our businesses, we have identified new areas of growth, both in existing segments and in new ones, and we have the ambition and capacity to benefit from these opportunities.

This year will see continued investment in new systems to improve the customer and broker experience, and we will continue to invest in new technology to drive innovation and growth to enable yet more giving to charities and communities. In particular, we will continue to invest in our risk management offering so that we can help to protect our customers from new and emerging threats.

We will also continue to invest in our people as we seek to become a world-class employer. We want to build a workplace where everyone feels welcome and can realise their full potential, while helping to make a difference to the lives of our customers and communities.

Board activity

For the first time since I became Chairman, there have been no changes to the board in the past 12 months. It is a genuine pleasure to work with such a talented group of individuals who bring a range of different experience and perspectives. I would like to thank all of them for their service over the past year.

The future

It is an immense privilege to be a part of a business with such a special purpose of contributing to the greater good of society. With the new strategy in place, I believe we are well positioned to grow our business so that we can give more to help those most in need.

Chief executive’s statement

For over 135 years, Ecclesiastical has understood what matters most to our customers and communities.

Trusted to protect and preserve much of the nation’s irreplaceable heritage and history, we’re distinguished in the financial services industry by our specialist expertise, our caring approach and our unique charitable purpose. Unlike many other businesses, we prefer to measure success not in sales or profits but in the amount we give to communities to help transform lives for the better. Guided by this purpose, we are driven to grow the business, so that we may give even more to good causes.

Last year was a transformational year for our Ecclesiastical Group family. We launched a new brand, prepared for a new Group structure, new strategy, new governance framework, new systems, and strengthened our leadership.

In particular, our immediate owner, Ecclesiastical Insurance Group, became Benefact Group, and our ultimate parent, Allchurches Trust, became Benefact Trust.

The launch of the Benefact brand is a momentous occasion for our charity-owned Group and at the start of 2023 Benefact Group announced a simplified structure to build on this to help us realise our growth ambitions. This new structure, which aligns our businesses to our three divisions - specialist expert Insurance, responsible and sustainable Investment Management and Broking & Advisory - provides the foundation for our family of businesses to grow even more, to give even more.

By simplifying and streamlining the Benefact Group structure, we have created dynamic, empowered businesses with clarity of focus, a compelling purpose, and the ideal operating environment for each of our new operating divisions to thrive. This is in stark contrast to some other business models where decision making can be centralised, slow and prioritise profits ahead of customer's interests.

Ecclesiastical Insurance is now proudly part of the Benefact Group, a family of financial services businesses with a common goal to give all available profits to good causes. We are here to protect communities and transform lives.

Building a movement for good

A few years ago we set ourselves (and subsequently met) a stretching ambition to give £100m to charity. This level of giving means that Benefact Group is now the third largest corporate donor to charity in the UK. An amazing achievement when you consider that there are over five million companies.

It means that our ultimate parent company, Benefact Trust, is now one of the biggest grant making charities in the UK and is able to provide transformative funding to charities both in the UK and abroad as, for example, they did in response to the crisis in Ukraine. We thank the Trust enormously for the outstanding work they undertake.

Indeed, our combined giving has helped more than 10,000 charities in recent years, changing countless lives and communities for the better. Many of those charities, along with His Majesty King Charles III, joined us at Westminster Abbey last summer for a Service of Thanksgiving to celebrate our £100m giving milestone. It was a proud moment for our business and, for me, a rare moment to reflect on our incredible progress.

Hearing moving testimonials about the life changing work of the charities we support, and taking inspiration from the Parable of the Good Samaritan, we would like to go further and hold out a hand to many, many more.

We have therefore raised our ambition, and have set a new cumulative target to give £250m for good causes by the end of 2025.

Delivering for our customers

Our giving is only possible thanks to the support of our brokers, customers, investors, business partners, and the tremendous efforts of our colleagues. For generations, we have been trusted to protect many of the UK's iconic treasures, from palaces, castles and stately homes to cathedrals, churches and schools. Today we insure world-renowned buildings such as St Pauls Cathedral, Royal Albert Hall, Chatsworth House and Westminster Abbey, the home of the coronation. We pride ourselves on our specialist expertise in our markets and our commitment to customer service.

As an insurance company, our goal is to protect our customers through our specialist risk-management advice and insurance cover. But as a trusted expert committed to creating a movement for good, our dedication to our customers goes beyond that.

Many of our church and charity customers have seen their incomes fall due to the challenging economic climate and we recognise the difficulties they face. We have established resources to help these organisations raise much-needed funds and we invest significantly in our risk management services to help customers reduce the risk of losses occurring. And if the worst happens, our expert claims team are always there for our customers when they need us most.

As the UK's leading insurer of Grade I listed buildings, we are passionate about protecting Britain's heritage. We know the key to protecting our built environment from climate change is adaptation and resilient repairs. However, the challenge for heritage buildings, compared to modern properties, is that adaptation can be more complicated to do sensitively. We are working to be at the forefront of this issue and collaborating with partners like English Heritage to research and understand this important issue better. The threat of climate change is one of the biggest challenges facing our customers and communities. We are committed to making a positive environmental impact and we recognise the importance of reducing our own climate impact as well as supporting our customers to reduce theirs. Last year we announced our climate commitments to achieve net zero by 2040 and we are making good progress against our targets, which are detailed in our Responsible Business Report.

Providing exceptional service

Our customers tell us that our expert service and our compassion makes us stand out in the insurance industry. In the UK, Ecclesiastical retained its top spot in the Fairer Finance Home Insurance league table for a record sixteenth time and remains the UK's most trusted home insurance provider. It was also named Risk Management Specialist Company of the Year – Large in the CIR Risk-Management Awards. Ecclesiastical Canada was named one of Canada's Top Employers for Young people for the 10th consecutive year and won Excellence in Claims Service in the Insurance Business Canada Awards.

Also, for a second year, I'm delighted the independent research consultancy, Gracechurch, put Ecclesiastical ahead of all other insurers for claims service. In addition, an incredible 98% of customers are satisfied with the service they receive from Ecclesiastical, whether that is making a claim or experiencing our risk management service. The Net Promoter Score, which measures how likely a customer is to recommend a company's products and services, for Ecclesiastical Insurance puts us ahead of many well-known and respected brands.

Financial performance

Despite the challenging external environment, our businesses performed strongly in 2022. In general insurance we saw excellent premium growth of 15%, driven by new business wins, strong retention and inflationary pressures. In Investment Management we saw record gross inflows of over £1.2bn as we launched new funds; net inflows place us well inside the top 10 fastest growing asset managers in 2022.

Given our overall financial strength and excellent solvency position, we hold a significant portion of our investment portfolio in real assets such as property and infrastructure. Whilst we expect this to lead to positive real returns over the long term, it can introduce some volatility into annual reported results.

With our long term approach we look through and beyond this short term volatility, however it did mean that, in 2022, our strong operating performance was offset by fair value losses from our assets of around £94.1m on our investment portfolio, leading to an overall Group loss before tax of £4.8m (2021: £79.2m profit). In addition to these fair value losses, the results include a total credit of £30m from a fair value gain on an equity investment and a credit arising from a change to our discounting accounting policy. More detail on these items is included within the Chief Financial Officer's Report.

The GI Underwriting result was a profit of £27.4m, a significant increase on the previous year of £8.8m, which was lower due to strengthening of PSA reserves. This gives a combined operating ratio of 91%, which compares favourably in the insurance market.

We were able to give a further £22.7m to charitable causes, including Benefact Trust, in 2022. This takes our cumulative giving to £198.2m against our £250m target.

We remain in a strong capital position and I'm pleased that our credit rating agencies affirmed our excellent and strong credit ratings in the second half of 2022. In line with normal business practice, we routinely review our rating agencies and we have now appointed Moody's to join AM Best as our two agencies for the next period.

Strategic ambitions

To paraphrase T.S. Eliot...

It is only when one tries to go too far, that one finds out how far it is possible to go.

Inspired by the impact of our giving on so many, we are extremely ambitious for the future. We have launched an exciting new strategy to invest, energise and grow our Group across all our divisions and all our territories. With a strengthened rate environment, tightened insurance capacity and an increasing market focus on Environmental, Social and Governance (ESG) performance, the timing to push for growth has arguably never been better.

This year will see continued investment in new systems, helping to deliver even better service and value for our customers and brokers. We will pursue growth opportunities, both in our existing sectors and in new niches where we can leverage our specialist expertise. We will make significant investment in digital propositions, helping to build our distribution capability and reach, as we seek to find ways to meet our customers' changing needs. We will also continue to prioritise risk management innovation, exploring new ways to protect our customers from losses, particularly from the growing threat of climate change.

To achieve all of this we need to be at our best personally and professionally and we will continue to foster a culture where all our colleagues have the space to grow and perform to their full potential.

For a second year running, we were named an "Outstanding" company to work for by Best Companies following the results of our annual engagement survey. Our ambition is to become a world-class employer, attracting, retaining and developing the best talent in the industry by creating career opportunities for every colleague, no matter what their background.

On behalf of the Board and thousands of our beneficiaries, we say a heartfelt, sincere "thank you" to all our customers, business partners and dedicated colleagues for their exceptional support. I very much hope that they are inspired when they look back at what has been achieved, and the positive impact that they have had. I certainly am.

Join our movement for good

With a new brand, a clear strategy for growth and a renewed sense of confidence, we go into 2023 energised and inspired to work together for our customers and society.

To those who are reading about Benefact Group for the first time, I invite you to join us, whether as a colleague, customer or business partner, and experience for yourself how it is possible to do business differently. There is no doubt that, together, we are creating something very special – a movement for good that touches and transforms lives in our homes, in our communities, in this country and abroad.

As we said when we filled Westminster Abbey in the presence of His Majesty King Charles III in June last year… "Individually we can all make a difference. Together, we can perform miracles."

Chief Financial Officer's Report

The Group reported a loss before tax of £4.8m (2021: £79.2m profit), largely due to fair value investment losses resulting from the challenging economic environment, with the net investment return of £4.1m being £98.8m lower than in 2021.

There were a number of specific items affecting the results, both before and after tax. Before tax, and included within the net investment return, a credit of £66.9m (2021: £14.5m) arose from an increase in the discount on general insurance liabilities. A fair value gain was also recognised for £16.8m (2021: £9.3m) on an unlisted equity investment benefiting from the buoyant reinsurance market, and fair value losses of £21.2m (2021: £20.2m gains) were recognised on investment properties.

During the year, the Group changed its approach to discounting to include all general insurance liabilities. This change in discounting accounting policy ensured the effects of higher interest rates and high inflation were being reflected across both our short and longer term insurance liabilities and so as to more consistently match the effects of changes in interest rates on both insurance liabilities and the assets held to match them. This contributed £13.2m towards the total 2022 impact of discounting and £2.6m in the prior year, which has been restated. More information on these items is included in the investments section below.

In December 2022 and January 2023 the Group made a number of structural changes to support the wider Benefact Group's alignment of businesses across its three main divisions. The impact from these structural changes, including the results of these businesses, was a profit of £13.7m and is presented after tax. Further information on these changes can be found below.

We have continued and will continue to manage our businesses with a long-term view of risk. As a result we have a strong capital position that can withstand short term volatility and our excellent and strong credit ratings with AM Best and S&P was reaffirmed during the year. Following a routine review of our credit rating agencies, we added Moody's alongside AM Best as our agencies, who have also affirmed our excellent credit rating. Given that businesses of our size and type would typically have two rating agencies, we agreed with S&P to exit our relationship with them. S&P reiterated an exit rating of A- (stable). Our Solvency II regulatory capital position remains above regulatory requirements and risk appetite.

Structural changes

Ecclesiastical is part of the Benefact Group, a charitably owned financial services group. Across this wider Benefact Group we have made a number of changes to the legal entity structure to better align and optimise our businesses to the way in which we manage and achieve our growth ambitions across our specialist insurance, investment management and broking and advisory divisions.

On 30 December 2022, Ecclesiastical disposed of South Essex Insurance Holdings Limited and its wholly owned subsidiary SEIB Insurance Brokers Limited (together 'SEIB') to the Lloyd & Whyte Group Limited (Lloyd & Whyte) for

£45.2m, recognising a gain after tax of £14.3m. Lloyd & Whyte is an associate of the Benefact Group in whom we are taking an increased share of ownership over time, with full ownership expected to occur in 2026. They provide a range of expert financial planning and specialist insurance services. This disposal took us another step closer to our longer term growth ambitions for our broking and advisory division and will provide synergies and opportunities for closer co-operation in the areas these businesses operates in.

On 3 January 2023 two wholly-owned subsidiaries, EdenTree Investment Management Limited (EdenTree) and Ecclesiastical Financial Advisory Services Limited (EFAS) were transferred to the Benefact Group. The assets and liabilities of these businesses are presented in the Group's balance sheet as amounts held for distribution and represented net assets transferred of £4.5m.

The results of SEIB, EdenTree and EFAS contributed a net loss before tax of £0.2m (2021: profit of £0.5m) and are presented within the Group's financial statements as discontinued operations in the current and prior year after tax. The gain on disposal of SEIB is also presented within discontinued operations.

General insurance

The Group's underwriting businesses have performed in line with expectations in most territories, resulting in a Group Combined Operating Ratio[1] (COR) of 91.0% (2021: 96.8%). We have delivered steady underwriting profits despite adverse flooding and freeze events across territories, and some unusually large claims in the UK. Prior year releases have been modest overall as we have strengthened reserves for latent claims. Our strategy to focus on profitable growth opportunities has continued to deliver, with new business of £34.7m contributing to almost half of our overall GWP growth of 15% to £559m (2021: £486m). The strong growth also reflects targeted rate increases as well as strong retention and excellent service delivered to brokers and customers.

Our programme of investment has continued, particularly across our technology platforms and with our colleagues. Our investments in these platforms are an important part in supporting the growth of our business and our customers' needs for the long term.

United Kingdom and Ireland

In the UK and Ireland, underwriting profits fell slightly to £24.2m (2021: £25.0m) resulting in a COR of 86.7% (2021: 85.3%). GWP grew by 16.0% to £344.8m (2021: £297.2m). The current year performance was profitable despite a run of weather events and large claims which affected the UK and Ireland in 2022.

Heritage, Real Estate and Schemes were particularly strong growth areas in 2022 as pricing remained robust in these areas, partly due to reduced insurance capacity and strong propositions in these markets, and we continued to focus on consistent service and delivery of expertise across the business. We expect trading conditions to become more competitive in 2023 with the outlook becoming increasingly unpredictable. Inflationary pressures in the economy, the Ukrainian war, global economics, and the potential for more frequent and intense weather events due to climate change all contribute to this uncertainty. However, our Net Promoter Scores across brokers and customers are robust and provide resilience enabling us to carry positive rate change where appropriate and contribute to the high levels of retention experienced. GWP in respect of our Faith business remained in line with prior year reflecting a good result in challenging competitive conditions specific to this market.

Our strategy over the medium term is to deliver GWP growth, while maintaining our strong underwriting discipline, as our philosophy is to seek only profitable growth. We will continue to deepen our specialist capabilities through investment in technology and innovation together with the propositions, specialism, and excellent service that our customers value.

Ansvar Australia

Our Australian business reported an underwriting loss of AUD$5.1m resulting in a COR of 107.3% (2021: AUD$24.4m loss, COR of 156.9%). GWP grew by 3.9% in local currency to AUD$177.8m (2021: AUD$171.2m) with strong rate increases combined with moderate new business growth offset by a lower retention rate. The performance of the underlying business in the current year has been good and continues to improve in light of positive underwriting actions. The underwriting result for 2022 was impacted by a very high level of catastrophe claims and the strengthening of prior year casualty reserves. The level of historic physical and sexual abuse (PSA) claims being notified stabilised in 2022, following increases in previous years. This risk is internally reinsured within the Group (reported on below). The overall result in the prior year had been adversely impacted by PSA reserve strengthening.

The Australia operation contributed an underwriting loss of £1.0m (2021: £10.0m) to the Group internal reinsurance portfolio, with the relative improvement reflecting the levelling of PSA claims reporting.

Canada

Our Canadian business continued its track record of delivering double digit premium growth, reporting GWP of CAD$175.4m (2021: CAD$158.0m), an 11.0% increase, which was supported by strong retention and rate increases as well as new business.

Canada reported an underwriting profit of CAD$11.3m resulting in a COR of 90.6% (2021: CAD$12.2m profit, COR of 88.6%). Despite an increase in the number of large losses and Hurricane Fiona, the property book performed well due to lighter than expected attritional losses. The performance of the liability book was impacted by adverse development on prior year claims and the resultant strengthening of the reserves provision.

Investments

Our results include fair value losses of £94.1m (2021: £58.3m gains) on our investment portfolio, which contributed to a lower net investment gain of £4.1m (2021: £102.9m). Investment income of £32.1m (2021: £30.9m) stood up well and comparably with prior year.

Investment markets have been impacted by macroeconomic disruptions, exacerbated by the geopolitical turmoil in Ukraine and the cost of living crisis shadowing the economic outlook. Higher food and energy prices are pushing inflation to a 40 year high in the UK and other parts of the world, as central banks respond with tighter monetary policy in an effort to bring this under control. Whilst we may have now passed a peak in inflation, the outlook drove down financial asset prices compared to last year.

The past three years highlights the impact economic and political uncertainty can have on the performance of our investments, however, we remain confident in our long-term investment philosophy, and are well-diversified and relatively defensively positioned.

Fair value losses on financial instruments of £72.9m (2021: £38.1m gains) included a gain on an unlisted equity investment of £16.8m (2021: £9.3m). We recognised fair value losses of £21.2m (2021: £20.2m gains) on our investment properties, driven by a fall in the value of industrial sector capital values in the portfolio, as investors continue to adjust to the new reality of higher interest rates.

The Group's investment strategy includes the objective of matching assets with insurance liabilities when managing exposure to interest rate risk. Insurance liabilities expected future cash flows are discounted at an interest rate which is set to reflect the risk free yields available on a suitable portfolio of illiquid assets. During the year, an upward movement in interest rates led to an increase in the discount applied to insurance liabilities. This resulted in an overall gain of £66.9m (2021: £14.5m) which is recognised within the net investment return. Whilst the majority of this arose from our longer term liabilities, £13.2m related to our shorter term liabilities.

We recognise the importance of our role in tackling climate change and that we have a duty to invest responsibly. Our responsible and sustainable investment policy plays an important part in how we invest responsibly, informing our investment strategy and helping understand and mitigate the risks of climate change. Our strategy includes a focus on responsible investment and encompasses action to respond to climate risk and operations, investing in ways that support the transition to a low-carbon economy. The Group is expected to be aligned with the Sustainable Development Scenario by 2050, representing a temperature increase of 1.5 degrees by 2050, well ahead of the 3.1 degree benchmark. More information on the Group's approach to responsible investment including actions we take to mitigate the risks of transitioning to a low carbon economy can be found in our Responsible Business Report.

Long-term business

Our life business, Ecclesiastical Life Limited, reopened to business during 2021, launching a new product providing guaranteed funeral planning products sold by Ecclesiastical Planning Services, a business within the wider Benefact group. The legacy book within our life insurance business remains closed to new business. Profit before tax was £3.6m for the year (2021: £1.1m), driven by a reduction in liabilities due primarily to an increase in interest rates. Assets and liabilities in relation to the life insurance business remain well matched.

IFRS 17

The new IFRS 17 insurance accounting standard has been adopted by the Group and was effective from January 2023. This new accounting standard will make the financial statements of public insurance companies more comparable and transparent. The Group's first set of results reported under IFRS 17 will be published in Autumn within the Group's 2023 interim results. Further information about the application of this new accounting standard is included within the notes to the financial statements.

Outlook

Despite the challenges faced during the year and as inflation accelerates across many countries, the underlying resilience of our businesses means we will continue to grow sustainably and invest for the future. It also enabled us to give over £22m to Benefact Trust and other charities in the year. As part of the Benefact Group, we have many exciting opportunities ahead as we look to achieve our ambition of giving £250m cumulatively since 2014 to charitable causes by the end of 2025.

[1] The Group uses APMs to help explain performance. More information on APMs is included in note 8 to this announcement.

Directors' Report

Principal activities

The Group operates principally as a provider of general insurance in addition to offering a range of financial services, with offices in the UK, Ireland, Canada, and Australia

Ownership

At the date of this report, the entire issued Ordinary share capital of the Company and 4.35% of the issued 8.625% Non-Cumulative Irredeemable Preference Shares of £1 each ('Preference shares') were 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.

Dividends

Dividends paid on the Preference shares were £9,181,000 (2021: £9,181,000).

The directors do not recommend a final dividend on the Ordinary shares (2021: £nil), and no interim dividends were paid in 2022 and 2021. An interim dividend in specie of the entire issued share capital of EdenTree Investment Management Limited of £4,651,000 and Ecclesiastical Financial Advisory Services Limited of £572,000 was made on 3 January 2023.

Charitable and political donations

Charitable donations made in the year amounted to £22.7 million (2021: £23.5million).

It is the Company's policy not to make political donations. No political donations were made in the year (2021: £nil).

Principal risks and uncertainties

The directors have carried out a robust assessment of the principal risks facing the Group including those that threaten its business model, future performance, solvency and liquidity. The principal risks and uncertainties, together with the financial risk management objectives and policies of the Group are included in the Risk Management section of this announcement.

Going concern

The Group has considerable financial resources: financial investments of £870.7m, 84% of which are liquid (2021: financial investments of £883.8m, 90% liquid) and cash and cash equivalents of £104.7m (2021: £114.0m) 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 the continuing and expected economic pressures and challenges, given the Group's operations, robust capital strength, liquidity and in conjunction with forecast projections and stress testing, which were considered severe but plausible downside scenarios, 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.

Risk Management Report

Introduction

Strong governance is fundamental to what we do and drives the ongoing embedding of our Enterprise-Wide Risk Management Framework. This provides the tools, guidance, policies, standards and defined responsibilities that enable us to achieve our strategy and objectives, whilst ensuring that individual and aggregated risks to our objectives are identified and managed on a consistent basis.

The Risk Management Framework is integrated into the culture of the Group and is owned by the Board. Responsibility for facilitation of the implementation and oversight is delegated via the Group Chief Executive to the Group Risk Function, led by the Group Chief Risk and Compliance Officer.

The Risk Management process demands accountability and is embedded in performance measurement and reward, thus promoting clear ownership for risk and operational efficiency at all levels. On an annual basis, the Group Risk Committee ("GRC"), on behalf of the Board, carries out a formal review of the key strategic risks for the Group with input from the Group Management Board ("GMB") and the Strategic Business Units (SBUs). The GRC allocates responsibility for each of the risks to individual members of the Group's Executive Management team. Formal monitoring of the key strategic risks is undertaken quarterly, which includes progress of Risk Management actions and is overseen by Executive Risk Committees.

Ecclesiastical has clearly defined the accountabilities, roles and responsibilities of all key stakeholders in implementing and maintaining its Risk Management Framework. These are defined, documented and implemented through the Terms of Reference of Board Sub Committees, Management and Executive Forums, Statement of Responsibilities and Functional Charters.

The Group's Risk Management Framework is part of a wider Internal Control Framework. Systems of internal control are designed to manage rather than eliminate the risk of failure to achieve business objectives, and provide reasonable, but not absolute, assurance as to the prevention and detection of financial misstatements, errors, fraud or violation of law or regulations.

Key to the successful operation of the internal control framework is the deployment of a strong Three Lines of Defence Model whereby:

- 1st Line (Business Management) is responsible for strategy execution, performance and identification and management of risks and application of appropriate controls;

- 2nd Line (Reporting, Oversight and Guidance) is responsible for assisting the Board in formulating risk appetite, establishing minimum standards, developing appropriate risk management tools, providing oversight and challenge of risk profiles and risk management activities within each of the business units and providing risk reporting to Executive Management and the Board.

- 3rd Line (Assurance) provides independent and objective assurance of the effectiveness of the Group's systems of internal control. This activity principally comprises the Internal Audit function, which is subject to oversight and challenge by the Group Audit Committee.

We seek to develop and improve our Risk Management Framework and strategy on an ongoing basis to ensure it continues to support the delivery of our strategy and objectives.

The Group Risk Appetite defines the level of risk-taking that the Board considers to be appropriate for the Group as we pursue our business objectives. It is defined in line with the different categories of risk that the Group faces, and provides the backdrop against which the business plan is developed and validated. This ensures that the risk profile resulting from the business plan is in line with the risk-taking expectations of the Board. Compliance with the risk appetite is formally monitored every quarter and reported to GRC at each meeting.

The risk appetite is formally reviewed annually with approval and sign-off by the Board and there are ongoing assessments to ensure its continued appropriateness for the business.

The Own Risk and Solvency Assessment (ORSA) process is carried out at least once a year and is a key part of the business management and governance structure. This integrates the risk management, business planning and capital management activities and ensures that risk, capital and solvency considerations are built into the development and monitoring of the Group's business strategy and plans and all key decision making.

The Group has Regulatory approval for the use of an Internal Model to determine our Regulatory Capital requirement. In addition, the Internal Model's capability to quantify material risks and assess the impacts on Capital requirements across a range of scenarios allows us to gain a deeper insight into the relationship between Risk and Capital Management.

The Internal Model is used extensively to inform key business decisions across the Group, including setting business strategies and objectives, producing risk profiles and capital requirements for different scenarios, informing risk taking guidelines, informing and defining the Group Risk Appetite and Investment Strategy, determining risk mitigation mechanisms and responses to regulatory capital requirements.

Risk environment

The Risk environment is monitored on an ongoing basis and key areas of concern are escalated to GRC.
Whilst we felt significant pressure on the cost and availability of reinsurance, we were able to complete our placement effectively, despite this background. Although inflation predictions have settled more recently, this will be a continuing area of focus across the business into 2023.

With market volatility throughout the year, we maintained our existing investment approach and made no material changes to our asset mix, holding a diversified portfolio of assets including equities and property held for prospects of long-term returns. Consequently, we continue to choose to take a relatively high level of market risk, which is well understood and closely monitored and managed.

The profitable management of our insurance businesses on a portfolio basis in hardening markets continues to be a key area of focus for the Group; ensuring that the business written and retained is profitable and sustainable. Competitor activity remains a risk across all our business operations and chosen niches and 2022 was no exception. Our strategy remains to achieve controlled and profitable growth within our defined specialist markets. During 2022 we have maintained our strong underwriting discipline and risk appetite.

The potential for adverse development of long-tail liability claims, particularly in respect of PSA claims, remains a key risk that we continue to actively manage. A further report was issued in relation to the Independent Inquiry into Child Sexual Abuse in the UK in October 2022. Continued elevated claims volumes in Australia and a combination of greater frequency and a higher assumed severity of claims in Canada has led to increases in levels of reserves held in both of those territories. We continue to monitor the experience and claims environment in all of the territories in which we operate.

The impact of the Covid-19 pandemic continued into the start of 2022 and the wide-ranging impacts, both direct and indirect, continued on the Group, and especially in regards the economic environment in which we operate. Although there were reduced implications on the Group's operations through 2022, there were continued impacts on the insurance policies written by Group companies and on the Group's investment assets. These were further impacted by the inflationary pressures felt across the economy.

The Covid-19 pandemic was the trigger for a high volume of regulatory guidance issued in all territories during the prior years, some other elements of regulatory change had therefore been delayed. However, focus in 2022 has been heavily on Consumer Duty across the group. Management of change in the regulatory environment will remain a key focus area to ensure that we operate within relevant legal, regulatory and consumer protection requirements and guidelines and that our people maintain the highest standards of conduct with continued commitment to placing customers at the centre of everything we do.

Cyber risk remains a constantly evolving threat due to the threat of zero day attack. We hold customer data, and therefore any event involving a significant loss of such data could result in harm to the data subjects, significant operational disruption and an impact on our service to customers, as well as sizeable regulatory fines and reputational damage. The increased societal focus on data security and appropriateness of use, together with regulations such as GDPR, results in increased scrutiny and prominence. Hybrid working continues, and this is seen as an exploitable opportunity for external attackers, and there continues to be a general increase in social engineering and phishing attacks across the financial sector.

Employee awareness and vigilance is therefore highly important at this time, and the Group operates an ongoing programme of training and awareness exercises for its staff.

The Group aims to be the most trusted, specialist insurer and therefore maintaining a positive reputation is critical. Our reputation could potentially be damaged as a result of a range of factors including poor business practices and behaviours. High standards of conduct are a core part of the Group's brand, values and culture and there is an ongoing focus on ensuring this is maintained.

Climate change presents increasing levels of risk to our businesses and our customers. Whilst the greatest impacts of these risks are expected to materialise in the medium to long-term, it is important that we take actions to mitigate and manage these risks now. Our exposures to climate change risk include transition risk, primarily related to our investment portfolio, and physical risk that additionally affects the insurance risks that we cover.

Principal risks

There is an ongoing risk assessment process which has identified the current principal risks for the Group as follows:

Insurance risk

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 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 to the Group. Disciplined underwriting is vital to ensure that only business within the Company's risk appetite and desired niches is written.	• A robust pricing process is in place • The Underwriting Licencing process has been refreshed • A documented underwriting strategy and risk appetite is in place together with standards and guidance and monitored by SBUs • This is supported by formally documented authority levels for all underwriters which must be adhered to. Local checking procedures ensure compliance • Monitoring of rate strength compared with technical rate is undertaken on a regular basis within SBUs • There are ongoing targeted nderwriting training programmes in place • A portfolio management framework is in place to ensure clear understanding and allow targeted actions to be taken	There have not been material changes to this risk during the year, with soft market conditions continuing in all territories, though the impact of increased claims inflation has needed careful management.
Reserving risk Reserving risk is the risk of actual claims payments exceeding the amounts we are holding in reserves. This arises primarily from our long-tail liability business. Failure to interpret emerging experience or fully understand the risks written could result in the Group holding insufficient reserves to meet our obligations.	• Claims development and reserving levels are closely monitored by the Group Reserving team • For statutory and financial reporting purposes, prudential margins are added to a best estimate outcome to allow for uncertainties • Claims reserves are reviewed and signed-off by the Board acting on the advice and recommendations of the Group Chief Actuary following review by the Reserving Committee • An independent review is also conducted by the Actuarial Function Director with reporting to the Board	This risk is not considered to have changed materially during the year, with inflationary impacts being a key consideration in the reserving process during 2022. A rise in numbers of Physical and Sexual Abuse claims in the Australian and Canadian businesses over the past year has led to an increase in reserves.
Catastrophe risk 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 is undertaken to understand the risk profile and inform the purchase of reinsurance • There is a comprehensive reinsurance programme in place to protect against extreme events. All placements are reviewed and approved by the Group Reinsurance Board • Exposure monitoring is undertaken on a regular basis • A Catastrophe Risk Management Group provides oversight and sign off of reinsurance modelling • The Group Risk Appetite specifies the reinsurance purchase levels and retention levels for such events	There have been no material changes to this risk. We continue to monitor our aggregations and exposures to such events and ensure careful management utilising appropriate protections.

	• Local risk appetite limits have been established to manage concentrations of risk and these are monitored by SBUs	
Reinsurance risk 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 • A well-diversified panel of reinsurers is maintained for each element of the programme • A Group Reinsurance Board approves all strategic reinsurance decisions	The level of this risk has not materially changed, however reinsurance markets have experienced increasing challenges in recent years due to the impact of Covid-19 claims and global catastrophe events, as well as the volatile economic challenges in 2022. This has resulted in tightening of criteria and capacity in certain areas. We continue to take a long-term approach to our reinsurance relationships.

Other financial risks
The risk that proceeds from financial assets are not sufficient to fund the obligations arising from insurance contracts.

Risk detail	Key mitigants	Change from last year
Market and investment risk The risk of adverse movements in net asset values arising from a change in interest rates, equity and property prices, credit spreads and foreign exchange rates. This principally arises from investments held by the Group. We actively take such risks to seek enhanced returns on these investments. The Group's balance sheet is also exposed to market risk within the	• An investment strategy is in place which is reviewed at least annually and signed off by the Finance and Investment Committee (F&I). This includes consideration of the Group's liabilities and capital requirements • A Market and Investment Risk Committee is in place and provides oversight and challenge of these risks and the agreed actions. There is a formalised escalation process to GMB and F&I in place • 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 • Derivative instruments are used to hedge elements of market risk, notably equity and currency. Their use is monitored to ensure effective management of risk • There is tracking of risk metrics to provide early warning indicators of changes in the market environment The Pension Scheme Trustee Board has an Investment Committee that oversees the market risks in the pension fund. The company, as employer sponsor of the fund maintains regular communication with this committee.	Overall the market risk profile has not materially changed and we remain invested for the long term. We continue to monitor market conditions and the socio-political environment.

defined benefit pension fund.	Further information on this risk is given in note 4 to this announcement.	
Credit risk The risk that a counterparty, for example a reinsurer, fails to perform its financial obligations to the company or does not perform them in a timely manner resulting in a loss for the Group. The principal exposure to credit risk arises from reinsurance, which is central to our business model. Other elements are our investment in debt securities, cash deposits and amounts owed to us by intermediaries and policyholders.	• Strict ratings criteria are in place for the reinsurers that we contract with and a Reinsurance Security Committee approves all of our reinsurance partners • Group Reinsurance monitors the market to identify changes in the credit standing of reinsurers • There are risk appetite limits in place in respect of reinsurance counterparties which are agreed by the Board • Strong credit control processes are in place to manage broker and policyholder exposures Further information on this risk is given in note 4 to this announcement.	The level of this risk has remained broadly similar to the previous year, although we are cognisant to the challenges of the current cost of living crisis, and the potential knock-on impacts.
Liquidity risk The risk that the Group, although solvent, either does not have sufficient financial resources available to enable it to meet its obligations as they fall due, or can secure them only at excessive cost. We may need to pay significant amounts of claims at short notice if there is a natural catastrophe or other large event in order to deliver on our promise to our customers.	• We hold a high proportion of our assets in readily realisable investments to ensure we could respond to such a scenario • We maintain cash balances that are spread over several banks • We have arrangements within our reinsurance contracts for reinsurers to pay recoverables on claims in advance of the claim settlement	There have been no material changes to this risk since last year.
Climate change The financial risks arising through climate change. 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	• Catastrophe risk is managed through reinsurance models • We consider flood risk and other weather-related risk factors in insurance risk selection • There is an ESG overlay on the Investment Strategy	A programme of work continues to fully analyse the impact on the Group and to develop appropriate risk management responses. The Group has effected changes to its investment policy to:

with the potential for litigation arising from an inadequate response.		• exclude investment in companies that are wholly or mainly involved in fossil fuel exploration and production and thermal coal • Monitor the overall carbon profile and intensity of companies and, through its Fund Manager, engage with the highest emitters, and urge the setting of science-based targets aligned with the Paris Agreement • Seek opportunities to invest in areas that are leading the transition to a low carbon economy, where these also meet robust investment criteria

Operational risk

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
Systems risk The risk of inadequate, ageing or unsupported systems and infrastructure and system failure preventing processing efficiency. Systems are critical to enable us to provide excellent service to our customers.	• A defined IT Strategy is in place • Systems monitoring is in place together with regular systems and data backups • A strategic systems programme is underway to deliver improved systems, processes and data • Business recovery plans are in place for all critical systems and are tested according to risk appetite	This level of risk remains stable, as the Group continues to invest in IT infrastructure to maintain and improve future stability
Cyber risk The risk of criminal or unauthorised use of electronic information, either belonging to the Group or its stakeholders e.g. customers, employees etc. Cyber security threats from malicious	• A number of security measures are deployed to ensure protected system access • Security reviews and assessments are performed on an ongoing basis • There is ongoing maintenance and monitoring of our systems and infrastructure in order to prevent and detect cyber security attacks • There is an ongoing Information Security training and awareness programme	Cyber risk remains a constantly evolving threat, with malicious threat attackers continuing to seek to exploit businesses returning from the Covid-19 related business disruption,

parties continue to increase in both number and sophistication across all industries.		including a more hybrid approach to working. Employee awareness and vigilance is therefore highly important at this time, which is continuing to be proactively managed.
Change risk The risk of failing to manage the change needed to transform the business. A number of strategic initiatives are underway under three themes, Support and protect, Innovate and grow and Transform and thrive. These include a transformation of our core system and key processes, which will deliver significant change for the company over the next few years. There are a number of material risks associated with major transformation, not only on the risks to project delivery itself, but the potential disruption to business as usual, or delays to planned benefits.	• We have a clearly articulated Group Strategic Programme, identifying areas of priority across the Group • We ensure that there is adequate resourcing for change projects using internal and external skills where appropriate • A Change Board and change governance processes are in place and operate on an ongoing basis • The GMB undertakes close monitoring and oversight of the delivery of the strategic initiatives and key Group change programmes	The level of this risk has not materially changed. There continues to be a significant volume of change within the business, which is monitored closely, relating to both IT systems and to meet the ever changing Regulatory landscape, including the successful implementation of the required changes from IFRS 17. Appropriate strengthening of expertise has continued in the year to reflect and meet this volume of change.
Operational resilience The risk that the Group does not prevent, respond to, recover and learn from operational disruptions. The Group provides a wide range of services to a diverse customer base and has a reputation for delivering excellent service. Therefore, we seek to minimise the potential for any such disruption that would impact on the service provided to our customers.	• A recovery and resilience framework is in place aligned to the delivery of customer services • Recovery exercises including IT systems are regularly performed across the company with actions identified addressed within an agreed timescale • All suppliers are subject to ongoing due diligence • There is ongoing maintenance and monitoring of our systems and infrastructure in order to prevent and detect issues	Operational Resilience continues to have been successfully tested during the year, with the continued need to meet the needs of our customers, alongside working in a new hybrid environment. Focus in 2022, and into the coming couple of years, remains on meeting the enhanced Regulatory requirements around Resilience.

Data management and governance 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 if this is compromised or is found to be inaccurate.	• A Group Data Governance and Management Committee is in place • Group Data Governance and Group Data Management and Information Security Policies are in place • A Group Data Optimisation Programme is in place which is responsible for ensuring the delivery of the data strategy and all aspects relating to the governance, management, use and control of the Group's data in line with regulatory requirements	Enhancements continue to be made to the governance, management, use and control of data, in order to meet the evolving requirements. It continues to be monitored and managed within the context of major change programmes.

Regulatory and conduct risk

The risk of regulatory sanction, operational disruption or reputational damage from non-compliance with legal and regulatory requirements or the risk that Ecclesiastical's behaviour may result in poor outcomes for the customer.

Risk detail	Key mitigants	Change from last year
Regulatory risk The risk of regulatory sanction, operational disruption or reputational damage from non-compliance with legal and regulatory requirements. We operate in a highly regulated environment which is experiencing a period of significant change.	• We undertake close monitoring of regulatory developments and use dedicated project teams supported by in-house and external legal experts to ensure appropriate actions to achieve compliance • An ongoing compliance monitoring programme is in place across all our SBUs • Regular reporting to the Board of regulatory compliance issues and key developments is undertaken	There continues to be a significant volume of regulatory change. We remain focused on the management of regulatory change and therefore the overall risk level is unchanged.
Conduct risk 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. We place customers at the centre of the business, aiming to treat them fairly and ethically, while safeguarding the interests of all other key stakeholders.	• There is ongoing staff training to that customer outcomes are fully considered in all business decisions • Customer charters have been implemented in all SBUs • Conduct Risk Reporting to relevant governing bodies is undertaken on a regular basis • Customer and conduct measures are used to assess remuneration	The probability of such risks crystallising increased during the Covid-19 pandemic, which continued into the start of the financial year. However, we remain committed to placing customers at the centre of our practices and decision making, governed by our internal Conduct & Compliance Committees, and demonstrated by our wide-ranging industry awards and customer satisfaction scores. Overall the level of this

		risk is unchanged from last year.

Reputation risk

The risk that our actions lead to reputational damage in the eyes of customers, brokers, or other key stakeholders.

Risk detail	Key mitigants	Change from last year
Brand and reputation risk 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. 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 ongoing training of core customer facing staff to ensure high skill levels in handling sensitive claims • We adopt a values led approach to ensure customer-centric outcomes • There is a dedicated Marketing and PR function responsible for the implementation of the marketing and communication strategy • Ongoing monitoring of various media is in place to ensure appropriate responses	Maintaining a positive reputation is critical to the Group's vision of being the most trusted and ethical specialist financial services group. Risks to our brand and reputation are inherently high in an increasingly interconnected environment, with the risks of external threats such as cyber security attacks, and viral campaigns through social media always present. The external environment continues to drive a high inherent probability of reputational issues across all financial services companies. We continued to focus on serving our customers and ensuring fair treatment and clear communication, and are proud of the volume of Industry Awards we continue to win, and of the successful Benefact brand launch in 2022.

<u>Statement of directors' responsibilities in respect of the financial statements</u>

The following statement is extracted from page the Directors' report of the 2022 Annual Report & Accounts, and is repeated here for the purposes of the Disclosure and Transparency Rules. The statement relates solely to the Company's 2022 Annual Report & Accounts and is not connected to the extracted information set out in this announcement. The names and functions of the directors making the responsibility statement are set out in the Governance section of the full Annual Report & Accounts.

The Directors consider that the 2022 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 the Governance section of the full Annual Report and Accounts confirm that, to the best of their knowledge:
The directors confirm 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 loss before tax of the Group in the year; 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.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2022

	2022 £000	*Restated** 2021 £000
Revenue		
Gross written premiums	**558,551**	486,211
Outward reinsurance premiums	**(238,069)**	(198,601)
Net change in provision for unearned premiums	**(16,505)**	(14,620)
Net earned premiums	**303,977**	272,990
Fee and commission income	**63,533**	55,417
Other operating income	**2,020**	1,136
Net investment return	**4,058**	102,897
Total revenue	**373,588**	432,440
Expenses		
Claims and change in insurance liabilities	**(285,680)**	(269,633)
Reinsurance recoveries	**136,507**	123,822
Fees, commissions and other acquisition costs	**(108,696)**	(95,649)
Other operating and administrative expenses	**(118,036)**	(109,514)
Total operating expenses	**(375,905)**	(350,974)
Operating (loss)/profit	**(2,317)**	81,466
Finance costs	**(2,456)**	(2,288)
(Loss)/profit before tax from continuing operations	**(4,773)**	79,178
Tax credit/(expense)	**3,015**	(18,021)
(Loss)/profit for the year from continuing operations	**(1,758)**	61,157
Net profit attributable to discontinued operations	**13,696**	338
Profit for the year (attributable to equity holders of the Parent)	**11,938**	61,495

* The Group's accounting policy for general insurance outstanding claims provisions has previously been to apply discounting only to certain longer term liabilities. The accounting policy has been changed to include discounting of the general insurance liabilities that have not previously been discounted. The comparative financial statements have been restated to the revised basis, detailed in note 11 to this announcement.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2022

	2022 £000	*Restated** 2021 £000
Profit for the year	**11,938**	61,495
Other comprehensive (expense)/income		
Items that will not be reclassified to profit or loss:		
Actuarial (losses)/gains on retirement benefit plans	**(10,171)**	38,660
Attributable tax	**2,543**	(8,098)
	(7,628)	30,562
Items that may be reclassified subsequently to profit or loss:		
Gains/(losses) on currency translation differences	**5,392**	(2,356)
(Losses)/gains on net investment hedges	**(4,514)**	1,912
Attributable tax	**825**	(183)
	1,703	(627)
Net other comprehensive (expense)/income	**(5,925)**	29,935
Total comprehensive income (attributable to equity holders of the Parent)	**6,013**	91,430

*The comparative financial statements have been restated as detailed in note 11 to this announcement.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

	Share capital £000	Share premium £000	Revaluation reserve £000	Translation and hedging reserve £000	Retained earnings £000	Total £000
At 1 January 2022	**120,477**	**4,632**	**268**	**17,603**	**491,981**	**634,961**
Profit for the year	-	-	-	-	***11,938***	***11,938***
Other net income/(expense)	-	-	-	***1,703***	***(7,628)***	***(5,925)***
Total comprehensive income	-	-	-	**1,703**	**4,310**	**6,013**
Dividends	-	-	-	-	**(9,181)**	**(9,181)**
Gross charitable grant	-	-	-	-	**(20,000)**	**(20,000)**
Tax relief on charitable grant	-	-	-	-	**3,800**	**3,800**
Reserve transfers	-	-	**(46)**	-	**46**	-
At 31 December 2022	**120,477**	**4,632**	**222**	**19,306**	**470,956**	**615,593**
At 31 December 2020 (as reported)	120,477	4,632	599	18,230	425,290	569,228
Restatement	-	-	-	-	494	494
At 1 January 2021 (as restated*)	20,477	4,632	599	18,230	425,784	569,722
Profit for the year	-	-	-	-	*61,495*	*61,495*
Other net (expense)/income	-	-	*(18)*	*(627)*	*30,580*	*29,935*
Total comprehensive (expense)/income	-	-	(18)	(627)	92,075	91,430
Dividends	-	-	-	-	(9,181)	(9,181)
Gross charitable grant	-	-	-	-	(21,000)	(21,000)
Tax relief on charitable grant	-	-	-	-	3,990	3,990
Reserve transfers	-	-	(313)	-	313	-
At 31 December 2021 (as restated*)	120,477	4,632	268	17,603	491,981	634,961

*The comparative financial statements have been restated as detailed in note 11 to this announcement.

The revaluation reserve represents cumulative net fair value gains on owner-occupied property. Further details of the translation and hedging reserve are included in note 6 to this announcement.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2022

	2022	*Restated** 2021
	£000	£000
Assets		
Goodwill and other intangible assets	**30,255**	52,512
Deferred acquisition costs	**52,526**	46,027
Deferred tax assets	**8,565**	8,480
Pension surplus	**15,338**	28,304
Property, plant and equipment	**31,405**	35,245
Investment property	**140,846**	163,355
Financial investments	**870,749**	883,770
Reinsurers' share of contract liabilities	**306,962**	253,436
Current tax recoverable	**4,212**	5
Other assets	**310,788**	240,910
Cash and cash equivalents	**104,664**	114,036
Assets classified as held for distribution	**14,999**	-
Total assets	**1,891,309**	1,826,080
Equity		
Share capital	**120,477**	120,477
Share premium account	**4,632**	4,632
Retained earnings and other reserves	**490,484**	509,852
Total shareholders' equity	**615,593**	634,961
Liabilities		
Insurance contract liabilities	**979,300**	939,069
Investment contract liabilities	**58,479**	15,519
Lease obligations	**19,062**	22,738
Provisions for other liabilities	**5,961**	6,373
Retirement benefit obligations	**4,960**	7,058
Deferred tax liabilities	**36,723**	48,965
Current tax liabilities	**308**	1,232
Deferred income	**33,167**	28,385
Subordinated liabilities	**25,818**	24,433
Other liabilities	**101,443**	97,347
Liabilities classified as held for distribution	**10,495**	-
Total liabilities	**1,275,716**	1,191,119
Total shareholders' equity and liabilities	**1,891,309**	1,826,080

*The comparative financial statements have been restated as detailed in note 11 to this announcement.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2022

	2022	Restated* 2021
	£000	£000
(Loss)/profit before tax from continuing operations	**(4,773)**	79,178
Profit before tax from discontinued operations	**14,115**	459
Adjustments for:		
Depreciation of property, plant and equipment	**6,261**	6,155
(Profit)/loss on disposal of property, plant and equipment	**(9)**	24
Amortisation and impairment of intangible assets	**3,558**	856
Loss on disposal of intangible assets	**-**	4,765
Profit on disposal of subsidiary	**(14,293)**	-
Net fair value losses/(gains) on financial instruments and investment property	**94,121**	(58,340)
Dividend and interest income	**(22,906)**	(21,802)
Finance costs	**2,528**	2,364
Adjustment for pension funding	**695**	1,646
Changes in operating assets and liabilities:		
Net increase in insurance contract liabilities	**21,449**	81,352
Net decrease in reinsurers' share of contract liabilities	**42,961**	15,519
Net increase in reinsurers' share of contract liabilities	**(47,597)**	(49,513)
Net increase in deferred acquisition costs	**(5,349)**	(4,376)
Net increase in other assets	**(84,292)**	(25,891)
Net increase in operating liabilities	**21,944**	8,472
Net decrease in other liabilities	**(159)**	(234)
Cash generated by operations	**28,254**	40,634
Purchases of financial instruments and investment property	**(208,588)**	(186,514)
Sale of financial instruments and investment property	**156,110**	157,614
Dividends received	**7,177**	7,427
Interest received	**17,022**	14,068
Tax paid	**(6,487)**	(3,142)
Net cash (used by)/from operating activities	**(6,512)**	30,087
Cash flows from investing activities		
Purchases of property, plant and equipment	**(3,234)**	(3,634)
Proceeds from the sale of property, plant and equipment	**28**	48
Purchases of intangible assets	**(3,900)**	(3,914)
Disposal of subsidiary, net of cash disposed	**36,355**	-
Net cash from/(used by) investing activities	**29,249**	(7,500)
Cash flows from financing activities		
Interest paid	**(2,528)**	(2,364)
Payment of lease liabilities	**(3,267)**	(3,209)
Proceeds from issue of subordinate debt, net of expenses	**-**	25,014
Dividends paid to Company's shareholders	**(9,181)**	(9,181)
Charitable grant paid to ultimate parent undertaking	**(15,000)**	(21,000)
Net cash used by financing activities	**(29,976)**	(10,740)
Net (decrease)/increase in cash and cash equivalents	**(7,239)**	11,847
Cash and cash equivalents at beginning of year	**114,036**	104,429

Cash classified as held for distribution	**(5,177)**	-
Exchange gains/(losses) on cash and cash equivalents	**3,044**	(2,240)
Cash and cash equivalents at end of year	**104,664**	114,036

*The comparative financial statements have been restated as detailed in note 11 to this announcement.

NOTES TO THIS ANNUAL FINANCIAL REPORT ANNOUNCEMENT OF RESULTS
for the year ended 31 December 2022

1. Accounting policies

The Company has prepared this announcement of its consolidated results using the same accounting policies and methods of computation as the full financial statements for the year ended 31 December 2022 as prepared in accordance with UK adopted IAS applicable at 31 December 2022 issued by the International Accounting Standards Board (IASB).

A number of amendments and improvements to accounting standards have been issued by the International Accounting Standards Board (IASB), and endorsed by the UK, with an effective date of on or after 1 January 2022, and are therefore applicable for the 31 December 2022 financial statements. None had a significant impact on the Group.

2. General Information

Whilst the financial information included in this announcement has been prepared in accordance with the recognition and measurement criteria of IFRS, this announcement does not itself contain sufficient information to comply with IFRS. Full financial statements that comply with IFRS were approved by the Board of Directors on 16 March 2023.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2022 or 2021, but is derived from those accounts. Statutory accounts for 2021 have been delivered to the Registrar of Companies and those for 2022 will be delivered following the Company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under sections 498(2) and 498(3) of the Companies Act 2006.

This announcement was approved at a meeting of the Board of Directors held on 16 March 2023.

Ecclesiastical Insurance Office plc is a subsidiary of Benefact Group plc which is an investment holding company whose ordinary shares are not listed.

The ordinary shares of Ecclesiastical Insurance Office plc are not listed.

Copies of the audited financial statements are available from the registered office at Benefact House, 2000 Pioneer Avenue, Gloucester Business Park, Brockworth, Gloucester, GL3 4AW.

The following information is included in this announcement in compliance with the Disclosure and Transparency Rules and has been extracted from the full financial statements for 2022.

3. Insurance Risk

Through its general and life insurance operations, the Group is exposed to a number of risks, as summarised in the Risk Management section of this announcement. 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:

2022		**General insurance**				**Life insurance**	
		Property £000	**Liability £000**	**Miscellaneous financial loss £000**	**Other £000**	**Whole of life £000**	**Total £000**
Territory							
United Kingdom	Gross	**255,418**	**71,575**	**20,006**	**3,086**	**7**	**350,092**
and Ireland	Net	**119,847**	**68,128**	**10,259**	**100**	**7**	**198,341**
Australia	Gross	**55,266**	**42,978**	**918**	**536**	**-**	**99,698**
	Net	**5,886**	**36,037**	**868**	**101**	**-**	**42,892**
Canada	Gross	**73,779**	**34,982**	**-**	**-**	**-**	**108,761**
	Net	**47,335**	**31,914**	**-**	**-**	**-**	**79,249**
Total	Gross	**384,463**	**149,535**	**20,924**	**3,622**	**7**	**558,551**
	Net	**173,068**	**136,079**	**11,127**	**201**	**7**	**320,482**

2021		**General insurance**				**Life insurance**	
		Property £000	**Liability £000**	**Miscellaneous financial loss £000**	**Other £000**	**Whole of life £000**	**Total £000**
Territory							
United Kingdom	Gross	217,961	62,949	16,941	3,394	(9)	301,236
and Ireland	Net	109,242	60,060	8,883	376	(9)	178,552
Australia	Gross	54,229	37,106	1,290	740	-	93,365
	Net	5,891	31,733	1,238	140	-	39,002
Canada	Gross	64,086	27,524	-	-	-	91,610
	Net	44,750	25,306	-	-	-	70,056
Total	Gross	336,276	127,579	18,231	4,134	(9)	486,211
	Net	159,883	117,099	10,121	516	(9)	287,610

(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 fire, weather damage, escape of water, explosion (after fire), 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 spreading fire 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.

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 28 to the full financial statements 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 and currency risk.

There has been no change from the prior period in the nature of the financial risks to which the Group is exposed. The continued conflict in Ukraine 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

(i) Categories applying IAS 39

	Financial assets				Financial liabilities					
	Designated at fair value £000	Held for trading £000	Loans and receivables £000	Hedge accounted derivatives £000	Designated at fair value £000	Held for trading £000	Financial liabilities* £000	Hedge accounted derivatives £000	Other assets and liabilities £000	Total £000
At 31 December 2022										
Financial investments	**869,880**	**100**	**114**	**655**	**-**	**-**	**-**	**-**	**-**	**870,749**
Other assets	**-**	**-**	**302,685**	**-**	**-**	**-**	**-**	**-**	**8,103**	**310,788**
Cash and cash equivalents	**-**	**-**	**104,664**	**-**	**-**	**-**	**-**	**-**	**-**	**104,664**
Lease obligations	**-**	**-**	**-**	**-**	**-**	**-**	**(19,062)**	**-**	**-**	**(19,062)**
Subordinated liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**(25,818)**	**-**	**-**	**(25,818)**
Other liabilities	**-**	**-**	**-**	**-**	**-**	**(2,475)**	**(84,618)**	**(759)**	**(13,591)**	**(101,443)**
Inv't contract liabilities	**-**	**-**	**-**	**-**	**(58,479)**	**-**	**-**	**-**	**-**	**(58,479)**
Net other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(465,806)**	**(465,806)**
Total	**869,880**	**100**	**407,463**	**655**	**(58,479)**	**(2,475)**	**(129,498)**	**(759)**	**(471,294)**	**615,593**
At 31 December 2021 (restated)**										
Financial investments	882,350	336	670	414	-	-	-	-	-	883,770
Other assets	-	-	232,553	-	-	-	-	-	8,357	240,910
Cash and cash equivalents	-	-	114,036	-	-	-	-	-	-	114,036
Lease obligations	-	-	-	-	-	-	(22,738)	-	-	(22,738)
Subordinated liabilities	-	-	-	-	-	-	(24,433)	-	-	(24,433)
Other liabilities	-	-	-	-	-	(331)	(83,622)	-	(13,394)	(97,347)
Inv't contract liabilities	-	-	-	-	(15,519)	-	-	-	-	(15,519)
Net other	-	-	-	-	-	-	-	-	(443,718)	(443,718)
Total	882,350	336	347,259	414	(15,519)	(331)	(130,793)	-	(448,755)	634,961

*Financial liabilities are held at amortised cost.

**The comparative financial statements have been restated as detailed in note 11 to this announcement and the tables above have been re-presented for the split between financial liabilities and other liabilities.

Assets and liabilities classified as held for distribution are included within net other in the table above.

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.

(ii) Categories of financial assets applying IFRS 9

As disclosed in note 1 to the full financial statements, the Group has chosen to defer application of IFRS 9 and classifies and measures financial instruments using IAS 39. To facilitate comparison with entities applying IFRS 9, the table below sets out the Group's financial assets at the balance sheet date, split between those which have contractual cash flows that are solely payments of principal and interest on the principal outstanding (SPPI), other than those which are held for trading or whose performance is evaluated on a fair value basis, and all other financial assets.

	2022			2021		
	SPPI financial assets	**Other financial assets**	**Total financial assets**	SPPI financial assets	Other financial assets	Total financial assets
	£000	**£000**	**£000**	£000	£000	£000
Financial investments	**114**	**870,635**	**870,749**	670	883,100	883,770
Cash and cash equivalents	**104,664**	**-**	**104,664**	114,036	-	114,036
Other financial assets	**302,685**	**-**	**302,685**	232,553	-	232,553
Total fair value	**407,463**	**870,635**	**1,278,098**	347,259	883,100	1,230,359

(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.

There have been no transfers between investment categories in the current year.

Analysis of fair value measurement bases	**Fair value measurement at the end of the reporting period based on**			
	Level 1	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
At 31 December 2022				
Financial assets at fair value through profit or loss				
Financial investments				
Equity securities	**268,297**	**-**	**85,726**	**354,023**
Debt securities	**458,420**	**1,299**	**-**	**459,719**
Structured notes	**-**	**56,138**	**-**	**56,138**
Derivatives	**-**	**100**	**-**	**100**
	726,717	**57,537**	**85,726**	**869,980**
Financial assets at fair value through other comprehensive income				
Financial investments				
Hedged accounted derivatives	**-**	**655**	**-**	**655**
Total financial assets at fair value	**726,717**	**58,192**	**85,726**	**870,635**

At 31 December 2021				
Financial assets at fair value through profit or loss				
Financial investments				
Equity securities	281,169	186	68,947	350,302
Debt securities	515,953	1,412	34	517,399
Structured notes	-	14,649	-	14,649
Derivatives	-	336	-	336
	797,122	16,583	68,981	882,686
Financial assets at fair value through other comprehensive income				
Financial investments				
Hedged accounted derivatives	-	414	-	414
Total financial assets at fair value	797,122	16,997	68,981	883,100

In the current year derivative liabilities of the Group were measured at fair value through other comprehensive income if they were hedge accounted and at fair value through profit or loss otherwise. In the prior year the derivative liabilities of the Group were measured at fair value through profit or loss. Derivative liabilities are categorised as level 2 (see note 23 to the full financial statements).

Fair value measurements based on level 3

Fair value measurements in level 3 consist of financial assets, analysed as follows:

	Financial assets at fair value through profit and loss		
	Equity securities £000	**Debt securities £000**	**Total £000**
At 31 December 2022			
Opening balance	**68,947**	**34**	**68,981**
Total gains/(losses) recognised in profit or loss	**16,779**	**(34)**	**16,745**
Closing balance	**85,726**	**-**	**85,726**
Total gains/(losses) for the period included in profit or loss for assets held at the end of the reporting period	**16,780**	**(34)**	**16,746**
At 31 December 2021			
Opening balance	59,688	551	60,239
Total gains/(losses) recognised in profit or loss	9,259	(517)	8,742
Closing balance	68,947	34	68,981
Total gains/(losses) for the period included in profit or loss for assets held at the end of the reporting period	9,259	(517)	8,742

All the above gains or losses included in profit or loss for the period are presented in net investment return 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)

These financial assets are not traded on 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. If the illiquidity discount or credit rating discount applied changes by +/-10%, the value of unlisted equity securities could move by +/-£9m (2021: +/-£8m).

Unlisted debt (level 3)

Unlisted debt is valued using an adjusted net asset method whereby management uses a look-through approach to the underlying assets supporting the loan, discounted using observable market interest rates of similar loans with similar risk, and allowing for unobservable future transaction costs.

The valuation is most sensitive to the level of underlying net assets, but it is also sensitive to the interest rate used for discounting and the projected date of disposal of the asset, with the exit costs sensitive to an expected return on capital of any purchaser and estimated transaction costs. Reasonably likely changes in unobservable inputs used in the valuation would not have a significant impact on shareholders' equity or the net result.

(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 three years (2021: three years), reflecting the relatively short-term average duration of its general insurance liabilities. The mean term of discounted general insurance liabilities is disclosed in note 28(a)(iv) to the full financial statements.

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 business assets and liabilities that are exposed to interest rate risk.

Group life business	Maturity			
	Within 1 year £000	Between 1 & 5 years £000	After 5 years £000	Total £000
At 31 December 2022				
Assets				
Debt securities	**6,491**	**22,815**	**45,678**	**74,984**
Cash and cash equivalents	**11,854**	**-**	**-**	**11,854**
	18,345	**22,815**	**45,678**	**86,838**
Liabilities (discounted)				
Life business provision	**4,856**	**15,756**	**33,293**	**53,905**
At 31 December 2021				
Assets				
Debt securities	6,120	26,768	63,819	96,707
Cash and cash equivalents	5,269	-	-	5,269
	11,389	26,768	63,819	101,976
Liabilities (discounted)				
Life business provision	4,787	16,686	52,436	73,909

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.

(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).

	SPPI				Non-SPPI
	Cash and cash equivalents*	**Reinsurance debtors**	**Other financial assets**	**Total SPPI**	**Debt securities**
	£000	**£000**	**£000**	**£000**	**£000**
At 31 December 2022					
AAA	**-**	**-**	**-**	**-**	**182,348**
AA	**42,616**	**3,608**	**-**	**46,224**	**121,065**
A	**18,114**	**10,653**	**-**	**28,767**	**91,355**
BBB	**43,930**	**-**	**-**	**43,930**	**51,951**
Below BBB	**-**	**-**	**-**	**-**	**4,857**
Not rated	**4**	**1,009**	**287,529**	**288,542**	**8,143**
	104,664	**15,270**	**287,529**	**407,463**	**459,719**
At 31 December 2021					
AAA	-	-	-	-	171,502
AA	42,719	2,651	-	45,370	122,895
A	19,946	9,424	-	29,370	129,795
BBB	51,365	3	-	51,368	72,653
Below BBB	-	-	-	-	7,895
Not rated	6	505	220,640	221,151	12,659
	114,036	12,583	220,640	347,259	517,399

*Cash includes amounts held on deposit classified within financial investments and disclosed in note 22 to the full financial statements. 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:

	2022	2021
	£000	£000
UK	**176,749**	265,506
Canada	**131,232**	119,622
Australia	**125,225**	104,530
Europe	**26,513**	27,741
Total	**459,719**	517,399

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.

(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 is exposed is as follows:

	2022	2021
	£000	£000
UK	**268,623**	281,497
Europe	**85,400**	68,619
Hong Kong	**-**	186
Total	**354,023**	350,302

(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 period; 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 5 to this announcement. 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.

	2022	2021
	£000	£000
Aus $	**61,768**	64,005
Can $	**57,710**	46,087
Euro	**25,287**	11,054
USD $	**2,653**	2,345
HKD $	**15**	172

The figures in the table above, for the current and prior years, do not include currency risk that the Group is exposed to on a ‘look through’ basis in respect of collective investment schemes denominated in sterling. The Group enters into derivatives to hedge currency exposure, including exposures on a ‘look through’ basis. The open derivatives held by the Group at the year end to hedge currency exposure are detailed in note 5 to this announcement.

(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. An estimate of the timing of the net cash outflows resulting from insurance contracts is provided in note 28 to the full financial statements. 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 34 to the full financial statements, and other liabilities for which a maturity analysis is included in note 31 to the full financial statements, and subordinated debt for which a maturity analysis is included in note 32 to the full financial statements.

(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 19 to the full financial statements.

Group		**Potential increase / (decrease) in profit**		**Potential increase / (decrease) in other equity reserves**	
			*Restated**		
Variable	**Change in variable**	**2022**	2021	**2022**	2021
		£000	£000	**£000**	£000
Interest rate risk	-100 basis points	**(4,618)**	(11,765)	**(8)**	54
	+100 basis points	**5,648**	9,475	**7**	(48)
Currency risk	-10%	**2,154**	4,118	**13,123**	10,845
	+10%	**(1,763)**	(3,369)	**(10,737)**	(8,873)
Equity price risk	+/-10%	**28,676**	28,375	**-**	-

* The comparative financial statements have been restated as detailed in note 11 to this announcement

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.

(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 will be subject to a separate independent audit, as part of the Group's process for Solvency II reporting to the PRA. The Group's regulated entities, EIO and ELL, expect to meet the deadline for submission to the PRA of 6 April 2023 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 20 May 2023, with its SFCR also being made available on the Group's website shortly after.

	2022		2021	
	Ecclesiastical Insurance Office plc Parent £000	**Ecclesiastical Life Limited £000**	Ecclesiastical Insurance Office plc Parent £000	Ecclesiastical Life Limited £000
Solvency II Own Funds	**635,577**	**54,172**	616,905	55,235

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. Risk appetite is set such that the target level of economic capital is always higher than the regulatory SCR.

5. 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 loss of £4,514,000 (2021: gain of £1,912,000) in respect of these 'hedge' derivatives has been recognised in the hedging reserve within shareholders' equity, as disclosed in note 27 to the full financial statements. The Group has formally assessed and documented the effectiveness of derivatives that qualify for hedge accounting in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*.

		2022			2021	
	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						
Equity/Index contracts						
Options	**100**	**100**	**-**	34,695	334	296
Foreign exchange contracts						
Forwards (Euro)	**93,712**	**-**	**2,475**	99,369	2	35
Hedge derivatives						
Foreign exchange contracts						
Forwards (Australian dollar)	**55,742**	**-**	**759**	40,512	145	-
Forwards (Canadian dollar)	**48,442**	**655**	**-**	37,609	269	-
	197,996	**755**	**3,234**	212,185	750	331

All derivatives in the current and prior period expire within one year.

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 22 of the full financial statements) and derivative fair value liabilities are recognised within other liabilities (note 31 of the full financial statements).

6. Translation and hedging reserve

	Translation reserve £000	Hedging reserve £000	Total £000
At 1 January 2022	**13,196**	**4,407**	**17,603**
Gains on currency translation differences	**5,392**	**-**	**5,392**
Losses on net investment hedges	**-**	**(4,514)**	**(4,514)**
Attributable tax	**-**	**825**	**825**
At 31 December 2022	**18,588**	**718**	**19,306**
At 1 January 2021	15,552	2,678	18,230
Losses on currency translation differences	(2,356)	-	(2,356)
Gains on net investment hedges	-	1,912	1,912
Attributable tax	-	(183)	(183)
At 31 December 2021	13,196	4,407	17,603

The translation reserve arises on consolidation of the Group'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.

7. Segment information

(a) Operating segments

The Group segments its business activities on the underwriting territory. Expenses relating to Group management activities are included within 'Corporate costs'. This reflects the management and internal Group reporting structure.

As part of the streamlining of the Benefact Group, on 30 December 2022, the Group disposed of South Essex Insurance Holdings Limited and its wholly owned subsidiary, SEIB Insurance Brokers Limited. On 3 January 2023, the shares of EdenTree Investment Management Limited and Ecclesiastical Financial Advisory Services Limited were distributed to the Group's immediate parent company, Benefact Group plc. Discontinued operations are disclosed separately in note 8 to this announcement and excluded from the segmental analysis. The prior period has been re-presented in line with the current year basis.

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 in the year but remains closed to new insurance business.

- **Corporate costs**

This includes costs associated with Group management activities.

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.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 1 to the full financial statements.

Segment revenue

The Group uses gross written premiums as the measure for turnover of the general and life insurance business segments. Segment revenues do not include net investment return or general business fee and commission income, which are reported within revenue in the consolidated statement of profit or loss.

Revenue is attributed to the geographical region in which the customer is based.

Continuing operations	**2022** **£000**	*Re-presented** 2021 £000
General business		
United Kingdom and Ireland	**344,788**	297,235
Australia	**99,698**	93,365
Canada	**108,761**	91,610
Other insurance operations	**5,297**	4,010
Total	**558,544**	486,220
Life business	**7**	(9)
Group revenue	**558,551**	486,211

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

*The prior year has been re-presented for discontinued operations as detailed in note 8 to this announcement.

Segment result

General business segment results comprise the insurance underwriting profit or loss, investment activities and other expenses of each underwriting territory. The Group uses the industry standard net combined operating ratio (COR) as a measure of underwriting efficiency. The COR expresses the total of net claims costs, commission and underwriting expenses as a percentage of net earned premiums. Further details on the underwriting profit or loss and COR, which are alternative performance measures that are not defined under IFRS, are detailed in note 9 to this announcement.

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

2022 *Continuing operations*	**Combined operating ratio**	**Insurance £000**	**Investments £000**	**Other £000**	**Total £000**
General business					
United Kingdom and Ireland	**86.7%**	**24,239**	**(7,726)**	**(2,075)**	**14,438**
Australia	**107.3%**	**(2,864)**	**3,667**	**(235)**	**568**
Canada	**90.6%**	**7,025**	**3,570**	**(146)**	**10,449**
Other insurance operations		**(981)**	**135**	**-**	**(846)**
	91.0%	**27,419**	**(354)**	**(2,456)**	**24,609**
Life business		**3,552**	**(7,191)**	**-**	**(3,639)**
Corporate costs		**-**	**-**	**(25,743)**	**(25,743)**
Profit/(loss) before tax		**30,971**	**(7,545)**	**(28,199)**	**(4,773)**

2021 (restated*) *Continuing operations*	**Combined operating ratio**	**Insurance £000**	**Investments £000**	**Other £000**	**Total £000**
General business					
United Kingdom and Ireland	85.3%	24,952	88,953	(2,098)	111,807
Australia	156.9%	(13,306)	1,924	(34)	(11,416)
Canada	88.6%	7,065	999	(156)	7,908
Other insurance operations		(9,952)	(133)	-	(10,085)
	96.8%	8,759	91,743	(2,288)	98,214
Life business		1,117	3,981	-	5,098
Corporate costs		-	-	(24,134)	(24,134)
Profit/(loss) before tax		9,876	95,724	(26,422)	79,178

*The comparative financial statements have been restated as detailed in note 11 to this announcement.

(b) 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:

	2022		2021	
	Gross written premiums £000	**Non-current assets £000**	Gross written premiums £000	Non-current assets £000
United Kingdom and Ireland	**350,092**	**319,485**	301,236	293,726
Australia	**99,698**	**3,052**	93,365	2,925
Canada	**108,761**	**5,601**	91,610	6,227
	558,551	**328,138**	486,211	302,878

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.

8. Disposal of subsidiaries and discontinued operations

(a) Disposal of subsidiaries

On 30 December 2022 the Group disposed of South Essex Insurance Holdings Limited and its wholly owned subsidiary, SEIB Insurance Brokers Limited, to a related party. The related party is an associate of the Company's immediate parent company, Benefact Group plc. The results of the disposed subsidiaries are reported in the current and prior year as a discontinued operations.

	2022	2021
	£000	£000
Consideration received or receivable	**45,197**	-
Carrying amount of net assets sold	**(30,904)**	-
Gain on disposal before and after tax	**14,293**	-

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

	2022	2021
	£000	£000
Goodwill and other intangible assets	**22,707**	-
Property, plant and equipment	**1,666**	-
Other assets	**7,466**	-
Cash and cash equivalents	**8,842**	-
Total assets	**40,681**	-
Lease obligations	**(1,215)**	-
Provisions for other liabilities	**(263)**	-
Current tax liabilities	**(1,010)**	-
Deferred income	**(512)**	-
Other liabilities	**(6,777)**	-
Total liabilities	**(9,777)**	-
Net assets	**30,904**	-

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. The results of these subsidiaries are reported in the current and prior year as a discontinued operations and associated assets and liabilities are presented as held for distribution in the current year statement of financial position.

(b) Assets and liabilities of disposal group classified as held for distribution

The following assets and liabilities were classified as held for distribution in relation to the discontinued operation at 31 December 2022:

	2022	2021
	£000	£000
Other assets	**9,822**	-
Cash and cash equivalents	**5,177**	-
Total assets of disposal groups held for distribution	**14,999**	-
Deferred income	**261**	-
Other liabilities	**10,234**	-
Total liabilities of disposal groups held for distribution	**10,495**	**-**

(c) Financial performance of discontinued operations

Discontinued operations includes both the subsidiaries sold in the year and the assets held for distribution at the balance sheet date.

	2022	2021
	£000	£000
Revenue	**23,695**	31,286
Expenses	**(23,801)**	(30,750)
Finance costs	**(72)**	(77)
(Loss)/profit before tax of discontinued operations	**(178)**	459
Tax expense	**(419)**	(121)
(Loss)/profit after tax of discontinued operations	**(597)**	338
Gain on disposal of subsidiaries after tax	**14,293**	-
Profit from discontinued operations	**13,696**	338

(d) Cash flow information for discontinued operations

	2022	2021
	£000	£000
Net cash (outflow)/inflow from operating activities	**(397)**	2,718
Net cash outflow from investing activities	**(8,987)**	(104)
Net cash outflow from financing activities	**(239)**	(268)
Net (decrease)/increase in cash generated by discontinued operations	**(9,623)**	2,346

Net cash outflow from investing activities includes an outflow of £8,842,000 (2021: £nil) from the disposal of South Essex Insurance Holdings Limited.

9. Reconciliation of Alternative Performance Measures

The Group uses alternative performance measures (APM) in addition to the figures which are prepared in accordance with IFRS. The financial measures included in our key performance indicators: regulatory capital, combined operating ratio (COR) and net expense ratio (NER) are APM. These measures are commonly used in the industries the Group operates in and are considered to provide useful information and enhance the understanding of the results.

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 table below provides a reconciliation of the COR and NER to its most directly reconcilable line item in the financial statements. Regulatory capital does not have an IFRS equivalent and is covered in more detail in note 4 to this announcement.

		2022						
		Insurance		Inv'mnt return	Inv'mnt mngt	Broking and Advisory	Corporate costs	Total
		General	Life					
		£000	£000	£000	£000	£000	£000	£000
Revenue								
Gross written premiums		**558,544**	**7**	**-**	**-**	**-**	**-**	**558,551**
Outward reinsurance premiums		**(238,069)**	**-**	**-**	**-**	**-**	**-**	**(238,069)**
Net change in provision for unearned premiums		**(16,505)**	**-**	**-**	**-**	**-**	**-**	**(16,505)**
Net earned premiums	[1]	**303,970**	**7**	**-**	**-**	**-**	**-**	**303,977**
Fee and commission income	[2]	**63,533**	**-**	**-**	**-**	**-**	**-**	**63,533**
Other operating income		**2,020**	**-**	**-**	**-**	**-**	**-**	**2,020**
Net investment return		**-**	**8,523**	**(4,465)**	**-**	**-**	**-**	**4,058**
Total revenue		**369,523**	**8,530**	**(4,465)**	**-**	**-**	**-**	**373,588**
Expenses								
Claims and change in insurance liabilities		**(281,349)**	**(4,331)**	**-**	**-**	**-**	**-**	**(285,680)**
Reinsurance recoveries		**136,507**	**-**	**-**	**-**	**-**	**-**	**136,507**
Fees, commissions and other acquisition costs	[3]	**(108,581)**	**(115)**	**-**	**-**	**-**	**-**	**(108,696)**
Other operating and administrative expenses	[4]	**(88,681)**	**(532)**	**(3,080)**	**-**	**-**	[5] **(25,743)**	**(118,036)**
Total operating expenses		**(342,104)**	**(4,978)**	**(3,080)**	**-**	**-**	**(25,743)**	**(375,905)**
Operating profit/(loss)	[6]	**27,419**	**3,552**	**(7,545)**	**-**	**-**	**(25,743)**	**(2,317)**
Finance costs		**(2,456)**	**-**	**-**	**-**	**-**	**-**	**(2,456)**
Profit/(loss) before tax from continuing operations		**24,963**	**3,552**	**(7,545)**	**-**	**-**	**(25,743)**	**(4,773)**
(Loss)/profit before tax attributable to discontinued operations		**-**	**-**	**-**	**(2,907)**	**17,022**	**-**	**14,115**
Profit/(loss) before tax for the year		**24,963**	**3,552**	**(7,545)**	**(2,907)**	**17,022**	**(25,743)**	**9,342**
Underwriting profit	[6]	**27,419**						
Combined operating ratio		**91.0%**						
Net expenses (= [2]+[3]+[4]+[5])	[7]	**(159,472)**						
Net expense ratio		**52%**						

The underwriting profit of the Group is defined as the operating profit of the general insurance business.

The Group uses the industry standard net COR as a measure of underwriting efficiency. The COR expresses the total of net claims costs, commission and underwriting expenses as a percentage of net earned premiums. It is calculated as ([1] - [6]) / [1] .

The NER expresses total underwriting and corporate expenses as a proportion of net earned premiums. It is calculated as - [7] / [1].

		*Restated** 2021						
		Insurance		Inv'mnt return	Inv'mnt mngt	Broking and Advisory	Corporate costs	Total
		General	Life					
		£000	£000	£000	£000	£000	£000	£000
Revenue								
Gross written premiums		486,220	(9)	-	-	-	-	486,211
Outward reinsurance premiums		(198,601)	-	-	-	-	-	(198,601)
Net change in provision for unearned premiums		(14,620)	-	-	-	-	-	(14,620)
Net earned premiums	[1]	272,999	(9)	-	-	-	-	272,990
Fee and commission income	[2]	55,417	-	-	-	-	-	55,417
Other operating income		1,136	-	-	-	-	-	1,136
Net investment return		-	3,939	98,958	-	-	-	102,897
Total revenue		329,552	8,530	98,958	-	-	-	432,440
Expenses								
Claims and change in insurance liabilities		(267,291)	(2,342)	-	-	-	-	(269,633)
Reinsurance recoveries		123,822	-	-	-	-	-	123,822
Fees, commissions and other acquisition costs	[3]	(95,628)	(21)	-	-	-	-	(95,649)
Other operating and administrative expenses	[4]	(81,696)	(450)	(3,234)	-	-	[5] (24,134)	(109,514)
Total operating expenses		(320,793)	(2,813)	(3,234)	-	-	(24,134)	(350,974)
Operating profit/(loss)	[6]	8,759	1,117	95,724	-	-	(24,134)	81,466
Finance costs		(2,288)	-	-	-	-	-	(2,288)
Profit/(loss) before tax from continuing operations		6,471	1,117	95,724	-	-	(24,134)	79,178
(Loss)/profit before tax attributable to discontinued operations		-	-	-	(2,525)	2,984	-	459
Profit/(loss) before tax for the year		6,471	1,117	95,724	(2,525)	2,984	(24,134)	79,637
Underwriting profit	[6]	8,759						
Combined operating ratio		96.8%						
Net expenses (= [2]+[3]+[4]+[5])	[7]	(146,041)						
Net expense ratio		53%						

*The comparative financial statements have been restated as detailed in note 11 to this announcement.

10. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation.

Charitable grants paid to the ultimate parent undertaking are disclosed in note 15 to the full financial statements.

Full disclosure of related party transactions is included in note 37 to the full financial statements.

11. Prior year restatement

The Group's accounting policy for general insurance outstanding claims provisions has previously been to apply discounting only to certain longer term liabilities. The accounting policy has been changed to include discounting of the general insurance liabilities that have not previously been discounted. This change in accounting policy resulted in a credit of £13.2m recognised in this financial year and a credit of £2.6m in the prior year, both within net investment return.

Under IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, a retrospective restatement of the prior period results is required. The effects of the restatement are detailed in this note, and included throughout the financial statement comparatives, where appropriate. As a result of the restatement, as at 1 January 2021 the Group recognised an increase in retained earnings of £0.5m.

The prior year has also been re-presented for discontinued operations as detailed in the financial statements.

The Group considers that this change in accounting policy provides more reliable and relevant information. This is because, if the impact of discounting were not more widely applied during a period of higher interest rates (as in 2022), it would create excessive prudence in the implied claim reserves. Furthermore, this change to accounting policy better reflects the impact of the Group's objective of matching assets with insurance liabilities when managing exposure to interest rate risk.

	As reported 2021 £000	***Re-presented* 2021 £000**	**Restatement £000**	***As restated* 2021 £000**
Revenue				
Gross written premiums	486,211	-	-	486,211
Outward reinsurance premiums	(198,601)	-	-	(198,601)
Net change in provision for unearned premiums	(14,620)	-	-	(14,620)
Net earned premiums	272,990	-	-	272,990
Fee and commission income	81,547	(26,130)	-	55,417
Other operating income	1,136	-	-	1,136
Net investment return	101,067	(770)	2,600	102,897
Total revenue	456,740	(26,900)	2,600	432,440
Expenses				
Claims and change in insurance liabilities	(269,633)	-	-	(269,633)
Reinsurance recoveries	123,822	-	-	123,822
Fees, commissions and other acquisition costs	(95,896)	247	-	(95,649)
Other operating and administrative expenses	(135,632)	26,118	-	(109,514)
Total operating expenses	(377,339)	26,365	-	(350,974)
Operating profit	79,401	(535)	2,600	81,466
Finance costs	(2,364)	76	-	(2,288)
Profit before tax	77,037	(459)	2,600	79,178
Tax expense	(17,648)	121	(494)	(18,021)
Profit for the year from continuing operations	59,389	(338)	2,106	61,157
Net profit attributable to discontinued operations	-	338	-	338
Profit for the year (attributable to equity holders of the Parent)	59,389	-	2,106	61,495

	As reported 31 December 2021 £000	Restatement £000	As restated 31 December 2021 £000	As restated 1 January 2021 £000
Assets				
Goodwill and other intangible assets	52,512	-	52,512	54,353
Deferred acquisition costs	46,027	-	46,027	41,989
Deferred tax assets	8,480	-	8,480	1,078
Pension surplus	28,304	-	28,304	1,053
Property, plant and equipment	35,245	-	35,245	38,316
Investment property	163,355	-	163,355	142,142
Financial investments	883,770	-	883,770	820,777
Reinsurers' share of contract liabilities	254,449	(1,013)	253,436	208,677
Current tax recoverable	5	-	5	7,986
Other assets	240,910	-	240,910	216,570
Cash and cash equivalents	114,036	-	114,036	104,429
Total assets	1,827,093	(1,013)	1,826,080	1,637,370
Equity				
Share capital	120,477	-	120,477	120,477
Share premium account	4,632	-	4,632	4,632
Retained earnings and other reserves	507,252	2,600	509,852	444,613
Total shareholders' equity	632,361	2,600	634,961	569,722
Liabilities				
Insurance contract liabilities	943,292	(4,223)	939,069	868,155
Investment contract liabilities	15,519	-	15,519	-
Lease obligations	22,738	-	22,738	25,450
Provisions for other liabilities	6,373	-	6,373	6,499
Retirement benefit obligations	7,058	-	7,058	6,530
Deferred tax liabilities	48,355	610	48,965	29,846
Current tax liabilities	1,232	-	1,232	1,293
Deferred income	28,385	-	28,385	25,908
Subordinated liabilities	24,433	-	24,433	-
Other liabilities	97,347	-	97,347	93,561
Total liabilities	1,194,732	(3,613)	1,191,119	1,067,648
Total shareholders' equity and liabilities	1,827,093	(1,013)	1,826,080	1,637,370

	As reported 31 December 2021 £000	Restatement £000	As restated 31 December 2021 £000
Profit before tax from continuing operations	77,037	2,141	79,178
Profit before tax from discontinued operations	-	459	459
Adjustments for:			
Depreciation of property, plant and equipment	6,155	-	6,155
Loss on disposal of property, plant and equipment	24	-	24
Amortisation and impairment of intangible assets	856	-	856
Loss on disposal of intangible assets	4,765	-	4,765
Net fair value gains on financial instruments and investment property	(58,340)	-	(58,340)
Dividend and interest income	(21,802)	-	(21,802)
Finance costs	2,364	-	2,364
Adjustment for pension funding	1,646	-	1,646
Changes in operating assets and liabilities:			
Net increase in insurance contract liabilities	83,952	(2,600)	81,352
Net increase in investment contract liabilities	15,519	-	15,519
Net increase in reinsurers' share of contract liabilities	(49,513)	-	(49,513)
Net increase in deferred acquisition costs	(4,376)	-	(4,376)
Net increase in other assets	(25,891)	-	(25,891)
Net increase in operating liabilities	8,472	-	8,472
Net decrease in other liabilities	(234)	-	(234)
Cash generated by operations	40,634	-	40,634
Purchases of financial instruments and investment property	(186,514)	-	(186,514)
Sale of financial instruments and investment property	157,614	-	157,614
Dividends received	7,427	-	7,427
Interest received	14,068	-	14,068
Tax paid	(3,142)	-	(3,142)
Net cash from operating activities	30,087	-	30,087
Cash flows from investing activities			
Purchases of property, plant and equipment	(3,634)	-	(3,634)
Proceeds from the sale of property, plant and equipment	48	-	48
Purchases of intangible assets	(3,914)	-	(3,914)
Net cash used by investing activities	(7,500)	-	(7,500)
Cash flows from financing activities			
Interest paid	(2,364)	-	(2,364)
Payment of lease liabilities	(3,209)	-	(3,209)
Proceeds from issue of subordinate debt, net of expenses	25,014	-	25,014
Dividends paid to Company's shareholders	(9,181)	-	(9,181)
Charitable grant paid to ultimate parent undertaking	(21,000)	-	(21,000)
Net cash used by financing activities	(10,740)	-	(10,740)
Net increase in cash and cash equivalents	11,847	-	11,847
Cash and cash equivalents at beginning of year	104,429	-	104,429
Exchange losses on cash and cash equivalents	(2,240)	-	(2,240)
Cash and cash equivalents at end of year	114,036	-	114,036

12. Events after the balance sheet date

On 3 January 2023, the shares of EdenTree Investment Management Limited and Ecclesiastical Financial Advisory Services Limited were distributed to the Group's immediate parent company, Benefact Group plc. Discontinued operations are disclosed separately in note 8 to this announcement.