Ecclesiastical Insurance Office plc announces results for the year ended 31 December 2020

Ecclesiastical Insurance Office plc ("Ecclesiastical"), the specialist financial services group, today announces its full year 2020 results. A copy of the results will be available on the Company's website at www.ecclesiastical.com

Group overview

- During an unprecedented year, the Group remained committed to its purpose of contributing to the greater good. In addition to over £23m of funds awarded through our parent Allchurches Trust, the Group gave over £2.7m to support charities and communities during this difficult time. This included £1m through our annual corporate giving programme Movement for Good, and over £200,000 to a combination of the industry's Covid-19 Support Fund, The National Emergency Trust and the Disaster Emergency Committee's Coronavirus Crisis Appeal.

- The Group has now given over £99m to charity, and we are about to meet the £100m target we set ourselves back in 2016. This means that over the last five years our rolling average donations have exceeded £20m per annum.

- Following a strong financial performance in 2019, we reported a loss before tax of £15.7m (2019: profit before tax £73.3m) principally due to Covid-19's impact on financial markets.

- Gross Written Premiums (GWP) grew 11% to £437m (2019: £394m), supported by strong retention and rate increases as well as new business wins.

- Underwriting profit of £12.1m (2019: £20.0m) after £18.7m for Covid-19 related claims where there is confirmed cover, demonstrating continued progress in our underlying performance.

- We have prioritised the health and wellbeing of our people, successfully adapting to new ways of working and providing a seamless service to our customers.

- Continued external recognition of the Group as a trusted and specialist financial services organisation. This included being named as the UK's most trusted home insurer for the 12th time by independent ratings agency Fairer Finance, and our Canadian team was once again awarded Top Employer for Young People.

- With a new brand, new offices and new systems, and a hardening market, we are well placed to grow in all our specialisms, particularly heritage, charity, education, real estate and private clients. At a time when others are pulling back, Ecclesiastical is very much open for business.

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

"2020 was a uniquely challenging year for all of us. While we entered the year in a position of strength, the Covid-19 pandemic had a significant impact on the global economy and our financial performance suffered like many businesses. Despite this, we remained true to our purpose of contributing to the greater good and have continued to give to church, charities and communities most in need.

"We remain financially resilient despite the headline loss before tax of £15.7m (2019: profit before tax £73.3m), which was principally due to investment losses experienced in the first half of 2020. Given our financial strength, we hold a sizeable equity portfolio and accept that this can lead to short-term volatility in our reported results. We have since seen steady gains and we continue to take a long-term view with our investment strategy.

"Despite the challenging environment, our underlying performance continued to be robust. Gross Written Premiums (GWP) grew 11% to £437m (2019: £394m), supported by strong retention as well as new business wins, and we reported a solid underwriting profit of £12.1m (2019: £20.0m) after £18.7m for Covid-19 related claims where there is confirmed cover.

"The real measure of our performance in 2020, however, has been how we responded to support our customers, brokers, people and communities. I am immensely proud of the way our colleagues showed great courage and resilience to continue to deliver for our customers. All our colleagues quickly and successfully moved to remote working and we adapted our plans to enable our response to the pandemic, showing flexibility and agility across our businesses. Throughout the pandemic, we have made the health, safety and wellbeing of our employees a key priority.

“I also recognise that this has been a challenging time for many of our customers. Many businesses, charities, schools, nurseries and churches have suffered financially due to the impact of successive lockdowns. We introduced a series of measures to support our customers and partners during this difficult period. These included paying claims quickly where cover was in place, offering enhanced cover, free of charge, to many of our customers, and providing credit support to customers in financial difficulty. We also introduced online information hubs, as well as pandemic-related risk management advice.

“Some customers have been disappointed that their policy has not provided business interruption (BI) cover during the pandemic. We were always clear that our BI policies were never intended to cover pandemics and we welcomed the certainty and clarity provided by the outcome of the Financial Conduct Authority test case in our favour.

“Recognising the impact Covid-19 has had on communities, we continued our programme of giving during this difficult time. This includes £1m through our annual corporate giving programme Movement for Good awards and a further £120,000 through our 12 days of giving campaign. We also gave over £200,000 to a combination of the industry's Covid-19 Support Fund, The National Emergency Trust and the Disaster Emergency Committee's Coronavirus Crisis Appeal. The Group has now given over £99m to charity, and we are about to meet the £100m target we set ourselves back in 2016. This means that over the last five years our rolling average donations have exceeded £20m per annum.

“As we move into 2021, we are entering an exciting phase in our history. While many businesses retreat in the face of the coronavirus pandemic, we see the opportunity to refocus and re-energise our business based on our core strengths – our charitable purpose, our outstanding people and our passion to do the right thing. We recently unveiled a new visual identity for the Ecclesiastical Insurance brand. It represents everything that our audiences know and love about our organisation - our expertise, our ethics, and our unique purpose - but articulated with greater energy than before. It reflects an Ecclesiastical that not only does good, but is unified, dynamic and innovative. Alongside the investment in our new visual identity, I’m delighted that our new head office in Gloucestershire is now fully operational and ready to welcome employees with new flexible ways of working once lockdown restrictions are lifted. We are also continuing to invest in new systems to improve our efficiency and improve the customer experience.

“Despite the challenging environment, we remain in a strong capital position with S&P and AM Best reaffirming our strong credit ratings. As we head into 2021 we recognise the challenges in the economic environment but are energised by the clarity of our charitable purpose and are optimistic about the opportunities ahead.

“On behalf of all our charitable beneficiaries, I would like to thank all those who continue to support the Group’s work, enabling it to give to so many worthy causes at a time when the need has never been greater. Together, we are supporting charities, communities and improving lives.”

ECCLESIASTICAL INSURANCE OFFICE PLC

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The Company has now approved its annual report and accounts for 2020.

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 2020. The annual report and accounts will be available on or before 1 April 2021 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 2020 will be submitted to the National Storage Mechanism and will shortly be available for inspection at www.morningstar.co.uk

Chairman's Statement

Throughout this period, I've been overwhelmed by the efforts of all our colleagues at Ecclesiastical to continue to deliver what matters most to our customers. I have heard inspiring stories from around the Group of how colleagues have overcome their own personal challenges to support our customers and help those in society who need it most. True character emerges in adversity and our teams pulled together during this difficult time to keep us on course and stay true to our vision and purpose.

Achievements

The year had many highlights, but I am especially proud that we kept our impressive customer satisfaction rankings, continued to win independent awards and maintained our strong credit ratings in the most trying of circumstances. A heart-felt thanks to all.

While I recognise it was a difficult and uncertain period for our customers, I welcome the clarity and certainty brought by the courts' rulings in the FCA High Court Case. I know that we also remain determined to do the right thing by handling claims with empathy and sensitivity following the publication of the IICSA report into the Anglican Church.

A resilient set of results

Despite the difficulties of the Covid-19 pandemic and the Group reporting a loss of £15.7m (2019: profit before tax £73.3m), our businesses generally performed well and we remain financially strong. Our underwriting performance was resilient and gross written premiums grew, thanks to a number of new business wins. What makes Ecclesiastical unique in the financial services world is our charitable ownership. It's a business model suited to our times and means we're not driven by the short-term pursuit of profit. Instead, we take a long-term view, focused on sustainable growth, enabling us to weather the difficult times. I'm delighted that, despite the challenges of the past 12 months, we've been able to donate over £2.7m to good causes through our own direct giving such as the Movement for Good awards. This is in addition to over £23m of funds awarded though our parent Allchurches Trust.

Looking ahead

This is an exciting year for Ecclesiastical. We enter a new chapter in our strategy with a new visual identity. Representing a modern and confident Ecclesiastical, the new brand focuses on our core strengths of being trusted, specialist and committed to customer service.

The benefits of our long-term investment programme continue to be realised. Our new purpose-built office in Gloucestershire opened its doors in February, providing a modern and inspiring environment for our colleagues. It's a great achievement, particularly considering the challenges of the past 12 months, and I'm looking forward to visiting when restrictions are eased.

This year will also see the start of the rollout of our new strategic General Insurance (GI) system for the UK and Ireland, which will provide customers and brokers with a better, faster experience. At a time when our competitors are battening down the hatches, we are well-placed to thrive and achieve our purpose of contributing to the greater good of society.

Board activity

On a personal level, my second year leading the Group as Chairman could not have been more different to my first. While I was fortunate enough at the start of the year to spend time with colleagues developing the new GI operating system, many of my plans to engage with the business were curtailed due to the pandemic and I have missed the personal engagement of being with colleagues. As a Board, we had to adapt to new ways of working and since March last year, we have been meeting virtually in our role of reviewing and overseeing the Group's activities.

I was pleased to welcome two new Board members in 2020. Neil Maidment joined in January, bringing a wealth of industry experience, and Sir Stephen Lamport followed him in March, bringing vast experience from his time in Westminster and serving in the Royal Household. Their diversity of skills and experience strengthen our Board considerably. We were sad to bid farewell to Dean Christine Wilson, who served the Board admirably for 11 years.

The future

At a time when the reputation of the insurance industry is under scrutiny, it's more important than ever that Ecclesiastical is and is seen to be doing the right things for its various stakeholders. I believe that, provided we continue to fulfil our purpose and live our values, we are well-placed to stand out amongst our competitors and enhance our already considerable achievements.

Chief Executive's Report

We are driven by the pursuit of excellence, which we achieve through our unrivalled knowledge of our specialist markets and a commitment to customer service.

Throughout our long history, we have been unwavering in our focus and determination to serve our customers and support those in society who need us most. This time last year, as I wrote the Chief Executive's report for the 2019 annual report, the impact of Covid-19 was just beginning to be felt across the globe. None of us could have predicted just how much of an impact it would have on our lives. Businesses closed, financial markets collapsed and at times that most basic of human needs, social contact, all but ceased. The global Covid-19 pandemic has affected every aspect of our lives - economically, politically and socially- and has changed the way we live and work forever.

Extraordinary times require an extraordinary response and our businesses responded to this most unprecedented challenge in the best way possible. Together, we rose above the challenges to dream even bigger, and perform even better. Through it all, we never lost sight of our purpose, our strategy and our ambition to drive and grow our business in order to make an even bigger contribution to the greater good of the communities in which we live and work.

Continuing to build a Movement for Good

Thanks to the incredible support of our customers, brokers, business partners, employees and all our supporters, we have now given over £99m to charity, and are about to meet the £100m target we set ourselves back in 2017. This means that over the last five years our rolling average donations have exceeded £20m per annum something of which all our supporters can be proud.

Indeed in 2020, in addition to over £23m of funds awarded through our parent Allchurches Trust, the Group gave over £2.7m to support charities and communities during this difficult time, including:

- £1m through our annual corporate giving programme Movement for Good awards which saw 500 charities receive £1,000 grants and 10 charities receive longer- term funding of £50,000 – and a further £120,000 through our 12 days of giving campaign
- Over £200,000 to a combination of the industry's Covid-19 Support Fund, The National Emergency Trust and the Disaster Emergency Committee's Coronavirus Crisis Appeal
- Over £250,000 via local charitable programmes such as our "Community Impact Grants" in Canada and our "Community Education Programme" in Australia

We launched Fundraising Hubs to support Church and Charities raise much needed financial support, and undertook a programme to encourage "Acts of Kindness" across the group for those in need. These acts, mostly unsung, range from providing meals to the homeless or those in isolation, through to the establishment of a Hygiene Bank by our Ansvar office in Eastbourne, and for which Ansvar have been recognised as "Pro-Bono Company of the Year".

It's very humbling to think we've been able to support so many good causes during such a challenging period. For many frontline charities, their work has never been more vital, and they are often helping the most vulnerable members of society. I'm proud that we've been able to make a difference to so many lives.

Our charitable purpose drives us to help those most in need and we have now increased our aspirations and are focused to exceed our original £100m charitable giving target by September 2021. We invite others to join us in this goal. By working together, and with these charities, we can help to build a movement for good.

Delivering for our customers

I am immensely proud of the way our colleagues showed great courage and resilience to continue to deliver for our customers. All our colleagues quickly and successfully moved to remote working and we adapted our plans to enable our response to the pandemic, showing flexibility and agility across our businesses. This was all achieved while colleagues faced many personal challenges of their own. The Board and I are immensely grateful for the hard work and sacrifice of our colleagues who went above and beyond to ensure customer service was enhanced, and our charitable purpose maintained. Throughout the pandemic, we have made the health, safety and wellbeing of our employees a key priority. We invested in new systems to enable different ways of working, and provided home working and mental health and wellbeing support. We decided not to take financial benefit from the Government's furlough scheme.

I also recognise that this has been a challenging time for many of our customers. Many businesses, charities, schools, nurseries and churches have suffered financially due to the impact of successive lockdowns. We introduced a series of measures to support our customers and partners during this difficult period. These included paying claims quickly where cover was in place, offering enhanced cover, free of charge, to many of our customers, and providing credit support to customers in financial difficulty. We also introduced online information hubs, as well as pandemic-related risk management advice.

The insurance industry came under intense scrutiny as a result of the test case on Business Interruption (BI) insurance brought by the Financial Conduct Authority. We were always clear that our BI policies were never intended to cover pandemics and we welcomed the certainty and clarity provided by the High Court's judgment in our favour. Nevertheless, the case has damaged trust in the insurance industry and I believe we now need to work together to restore trust in insurance.

Despite all the challenges of the pandemic, I am pleased to report that 98% of surveyed customers were satisfied with how we handled their claim last year, with 92% being very and extremely satisfied, which is consistent with previous years.

In last year's report, I talked about the importance of managing claims for physical and sexual abuse and we remain committed to improving the claims experience in these sensitive cases. To this end, we welcomed the publication of the Independent Inquiry into Child Sexual Abuse (IICSA) report on the Anglican Church investigation and the insights it gives into the best possible ways to better safeguard children and how to improve the treatment of victims and survivors when disclosing abuse.

The experience of bringing an insurance claim can be traumatic for victims and survivors within the adversarial civil justice system in which we operate. We always aim to handle claims with empathy and sensitivity, as embodied in our Guiding Principles. We thank the Inquiry for its work, and we will continue to review our processes as part of our commitment to continual improvement.

Financial performance

2020 was a challenging year for all businesses due to the significant impact of Covid-19 and our results were affected by the falls in investment markets. While this affected our reported overall financial performance, resulting in a loss of £15.7m (2019: profit before tax £73.3m), our underlying businesses performed well and we remain financially resilient as we move into 2021.

Underwriting results have been resilient at £12.1m (2019: £20.0m) after £18.7m for Covid-19 related claims where cover is confirmed. We delivered Gross Written Premium (GWP) growth of 11% to £437m (2019: £394m) supported by strong retention and new business. Despite the challenges faced by all businesses in 2020, our commitment to long term profitable growth has endured and our diverse portfolio of companies has continued to support this. Our long-term view of risk means we have a strong capital position that can withstand short-term volatility and I'm delighted that our excellent A and A- credit ratings by AM Best and S&P were both maintained throughout 2020.

Our strategy for the future

As we move into 2021, we are entering an exciting phase in our history. After making significant progress in recent years to become the most trusted and ethical specialist financial services group, we are now investing in the next stage of our journey. While many businesses retreat in the face of the coronavirus pandemic, we see the opportunity to refocus and re- energise our business based on our core strengths – our charitable purpose, our outstanding people and our passion to do the right thing.

I'm excited to be able to showcase the new Ecclesiastical Insurance brand in this year's Annual Report & Accounts. The new visual identity represents the organisation that we are today shaped by tradition, while looking to the future. The star carries many meanings but for me it represents our pursuit of excellence, the ethics and standards that we strive for and the guiding light we aspire to be.

Through the launch of our new visual identity, we will be reinforcing everything that our audiences know and love about our organisation - our expertise, our ethics, and our unique purpose - but articulated with greater energy than before. It reflects an Ecclesiastical that not only does good, but is unified, dynamic and innovative. It's a new era for our business and, to support us, we adapted the strategy in 2020 that will take us through this challenging period and enable us to take advantage of the hardening market conditions.

Alongside the investment in our new visual identity, I'm delighted that our new head office in Gloucestershire is now fully operational and ready to welcome employees with new flexible ways of working once lockdown restrictions are lifted. The premises are truly impressive and provide a modern and spacious working environment for our employees.

In addition to investing in our people and brand, we have also continued to invest in new systems and technology, helping our businesses to innovate with purpose and increase our agility and efficiency. We have recently implemented new systems for our broking, investment management and overseas insurance businesses. This year, we'll start to deliver a new strategic General Insurance system for the UK and Ireland which, once live, will help us to provide our customers and brokers with an enhanced experience and more efficient processes and capacity.

This investment in our business, together with our great people and financial strength, provides us with the foundation for a bright future.

Working together for the greater good
With our £100m charitable target within our near term grasp, our adapted strategy, new brand, new systems, new head office and the new ways of working developed this year, we enter 2021 energised and inspired to work together for our customers and society.

The challenges we have overcome, the progress made and speed with which we have done it would not be possible were it not for the dedication of our specialist teams worldwide. As such the Board and I say "Thank you" to our exceptional colleagues who, no matter where they might be, or whatever their circumstances, will always put doing what is right for our customers and our charitable purpose at the centre of everything they do.

To those who are reading about Ecclesiastical 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.

Together, by understanding what matters, we are better able to help our customers. Together, we are better able to increase giving to our beneficiaries. And together, in the words of Captain Sir Tom Moore, we will ensure that for more people "Tomorrow will be a good day".

Financial Performance Report

We entered 2020 from a position of strength, but as the global economy slowed from the impacts of the pandemic, our financial performance suffered in line with the rest of the economy. The real measure of our performance in 2020 however has been how we responded to support our customers, brokers, people and communities.

Following a strong financial performance in 2019, reported loss before tax of £15.7m (2019: profit before tax £73.3m) was principally due to investment losses experienced in the first half of the year, offset by steady gains later in the year. The Group's underwriting businesses reported profit of £12.1m (2019: £20.0m) after £18.7m for Covid-19 related claims where there is confirmed cover, demonstrating continued progress in our underlying performance. To ensure the Group delivers sustainable profitable growth, we have continued to make strategic investments in technology, property and our people and this is reflected both in our capital expenditure and other costs.

We continue to be a trusted partner to our customers and brokers, and this is reflected in our strong retention and satisfaction levels, which have supported our growth in gross written premiums (GWP) of more than 10%. Despite the unprecedented challenges of 2020, we have continued to invest in the future of our business, including development of our new insurance underwriting platform and our new head office.

Our business is managed with a long-term view of risk and as a result, we have a strong capital position that can withstand short-term volatility and our strong credit ratings with S&P and AM Best were both reaffirmed during the second quarter of 2020. Our Solvency II regulatory capital position remains above regulatory requirements and risk appetite and was further supported with the issuance of €30m subordinated debt in February 2021, as the Group seeks to take advantage of profitable growth opportunities.

General insurance
The Group's underwriting businesses have proven resilient in 2020, reporting a Combined Operating Ratio (COR) of 95.1% (2019: 91.1%). Underlying underwriting performance has been resilient, despite the impact of adverse weather events in Australia and Canada and the impacts of anticipated lower prior year releases and reserves strengthening. Our strategy has continued to deliver moderate GWP growth by maintaining our strong underwriting discipline and focussing on profit over growth. GWP grew 11% to £437m (2019: £394m), supported by retention and rate increases as well as new business towards the later part of the year.

United Kingdom and Ireland
In the UK and Ireland, financial year underwriting profits decreased to £12.3m (2019: £20.4m) giving a COR of 92.5% (2019: 86.8%) and GWP grew by 7.6% to £276.6m (2019: £257.1m). This represents another strong performance with positive results on both the property and liability accounts. As expected, the level of prior year releases during 2020 was significantly lower than in 2019. The run-off of unprofitable business exited in 2012 and 2013, combined with our prudent approach to reserving have positively impacted the overall result over the last four years. We would expect to continue to see a modest level of prior year releases, but with a greater contribution coming from our current year underwriting performance.

Both property and casualty accounts generated net underwriting profits on a current year basis, despite the impacts of Covid-19 and a significant church fire. Current year loss ratios are in line with expectations, reflecting favourable underlying claims performance and fewer weather events. We have also seen the benefit of rate increases in a number of portfolios.

Trading conditions remained competitive and we expect this to continue in a number of areas. The education sector was particularly competitive, although we observed some market hardening in property, specifically for larger property exposures. We have continued to achieve high levels of retention and carried positive rate change where needed, whilst continuing to have very strong customer satisfaction and Net Promotor Scores across the UK and Ireland. Market hardening in some property lines and a strong operational response to keep trading through Covid-19 has also enabled us to bring on good levels of new business at the required rate, and our Real Estate, Heritage and Art & Private Client business delivered particularly strong growth during 2020. GWP in respect of our Faith business remained in line with prior year reflecting a good result in challenging market conditions.

We expect the market to continue to harden in some parts of the property portfolio as competitors correct portfolios, and also in some parts of the casualty sector. Education is likely to remain a key competitive area as the UK Government's risk protection arrangement (RPA) attracts local authority maintained schools in addition to academies. This has left the independent schools sector at increased competition from all education insurers.

Our strategy over the medium term is to deliver moderate 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 and excellent service that our customers value.

Ansvar Australia
Our Australian business reported an underwriting loss of AUD$1.2m resulting in a COR of 102.2% (2019: AUD$6.0m loss, COR of 114.1%). GWP grew by 18.5% in local currency to AUD$149.9m (2019: AUD$126.5m) with strong new business growth, retention and rate increases. Action has been taken to exit from unprofitable business and the current year performance of the ongoing business has shown improvement over 2019. The property account was adversely impacted by early 2020 weather events and Covid-19 related claims and the liability account was strengthened for physical and sexual abuse (PSA) reserves to reflect higher claims reported in 2020.

Canada
Our Canadian business continued its track record of delivering premium growth, reporting a 20.2% increase at CAD$131.5m (2019: CAD$109.5m) supported by strong retention, growth in new business and rate increases.

Canada reported an underwriting profit of CAD$7.4m resulting in a COR of 91.2% (2019: CAD$3.4m profit, COR of 95.1%). Despite the impact from Covid-19 and two weather events, the property book performed well, driven by fewer large losses and a favourable development on prior year claims. The liability account also performed well delivering an underwriting profit despite some adverse development on prior year claims.

Investments
With the conclusion of a Brexit deal and the US election, the year ended with far less uncertainty and volatility compared to that experienced from March 2020 as markets reacted to the measures taken by Governments to tackle Covid-19. The Group's net investment loss of £4.2m as compared to the 2019 net investment profit of £74.4m can be largely attributed to performance of UK equities. The Group's fund nevertheless produced a total return ahead of its asset benchmark over the year.

The lower than expected return on investments of £20.9m reflects market conditions and reactions to the pandemic during 2020 (2019: £26.2m). The impact from Covid-19 was also reflected in fair value losses on financial instruments of £13.6m which contrasted with gains of £56.0m in 2019. Whilst 2020 ended with less uncertainty, as for all businesses, there remains economic uncertainty which could impact the performance of our investments. However we remain confident in our long-term value investment philosophy, and are relatively defensively positioned.

Within our UK equity portfolio, small and mid-cap bias proved beneficial as the FTSE Small-Cap and FTSE 250 indices outperformed the FTSE All-Share.

Our directly-held sterling bond portfolio underperformed the FTSE Gilts benchmark by 5.4%, as the longer dated index outperformed on falling yields and our portfolio has a higher proportion of short dated bonds.

The downward movement in bond yields led to a decrease in the discount rate applied to long-tail general insurance liabilities. The change in discount rate on those liabilities resulted in a £10.9m loss recognised within net investment return (2019: £9.9m loss).

Investment Management
The Group's investment management business, EdenTree, incurred a loss before tax for the year of £1.0m (2019: loss before tax £0.3m) as it continued to invest in infrastructure. The Covid-19 pandemic resulted in a challenging year, limiting the assets clients had available to invest, in particular charities. Against this backdrop, EdenTree were pleased to report £58m of net new money for the year having reached a historic high of £204m in 2019.

Global equity markets dipped significantly in March and April due to the pandemic, the recovery accelerating towards the back end of the year with some markets approaching opening levels. Assets under management were £3.1bn (2019: £3.1bn) and £2.3bn (2019: £2.3bn) excluding assets managed for the Group.

Net income at £12.4m was slightly down (2019: £12.6m). This is due to the combination of lower fees earned on assets, a trend which has been seen across the industry in recent years, and market turbulence over the course of the year

Long-term insurance
Our life insurance business, which is currently closed to new business, reported a profit before tax of £0.5m for the year (2019: £0.3m). Assets and liabilities are well matched, and the small profit is in line with our expectations for this business.

Broking and advisory
Overall, broking and advisory had modest growth in income and profit, reporting a profit before tax of £2.4m (2019: £2.1m). This area of our business includes our insurance broker, South Essex Insurance Brokers (SEIB) and our financial advisory business, Ecclesiastical Financial Advisory Services (EFAS). SEIB reported an increase in profit before tax to £2.8m (2019: £2.6m) and during the year, extended its own range of specialisms with the acquisition of WRS Insurance Brokers, recognised as specialists in charity, church and care and community groups. EFAS reported a loss of £0.3m in the year (2019: £0.4m loss).

In addition to these broking and advisory businesses our immediate parent company, Ecclesiastical Insurance Group holds interests in the specialist broker groups Lycetts and Lloyd & Whyte and a prepaid funeral plan business, Ecclesiastical Planning Services. Whilst the results of these are not included within the Ecclesiastical Insurance Office plc Group, they are managed together as part of Ecclesiastical's wider broking and advisory group of businesses. The broker businesses were profitable in 2020 but the prepaid funeral plan business was loss making as a result of the adverse impacts caused by lockdown measures in the UK.

Outlook
Whilst the conclusion of Brexit and the US election towards the end of 2020 provided some market stability, we are still living with Covid-19 and the economic consequences are expected to continue. However, the Group's long-term view to managing and investing in the business has underpinned its financial resilience and strong capital position and we are well positioned for the future.

We remain focussed on our vision to be the most trusted and ethical financial services group, and whilst we can look forward with more hope, we will do so whilst continuing to exercise caution where we operate around uncertainty and market disruption. We will continue to focus on delivering sustainable profit growth and evolve our business for the greater good of society and to make a positive impact on people's lives.

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 3.16% of the issued 8.625% Non-Cumulative Irredeemable Preference Shares of £1 each ('Preference shares') were owned by Ecclesiastical Insurance Group plc. In turn, the entire issued Ordinary share capital of Ecclesiastical Insurance Group plc was owned by Allchurches Trust Limited, the ultimate parent of the Group.

Dividends

Dividends paid on the Preference shares were £9,181,000 (2019: £9,181,000).

The directors do not recommend a final dividend on the Ordinary shares (2019: £nil), and no interim dividends were paid in respect of either the current or prior year.

Charitable and political donations

Charitable donations made in the year amounted to £2.7 million (2019: £32.5million).

It is the Company's policy not to make political donations. No political donations were made in the year (2019: £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 £820.8m, 92% of which are liquid (2019: financial investments of £857.9m, 91% liquid) and cash and cash equivalents of £104.4m (2019:£74.8m). Liquid financial investments consist of listed equities and open-ended investment companies, government bonds and listed debt. In February 2021, the Company raised Euro 30 million of Tier 2 capital with the issue of 20-year subordinated bonds, callable after year 10. The Group also has a strong risk management framework and solvency position, is well placed to withstand significant market disruption and has proved resilient to stress testing. Due to the level of uncertainty created by the global Covid-19 pandemic, the Group has considered its capital position, liquidity and the impact on performance. The Group and its businesses have strong levels of cash and other liquid resources and has no concerns over the ability to meet its cash commitments over the three year planning horizon. The Group and its businesses expect to continue to meet regulatory requirements.

Covid-19 has impacted how the businesses operate, with a significant proportion of employees working effectively in a remote environment. They have continued to support our customers, work with our key suppliers and perform other functions of the Group. Whilst making some of these changes to the way the Group and its businesses operate caused some level of disruption, the businesses is equipped to deliver services in this way and can continue to do so over a prolonged period. Given the Group's operations, robust capital strength, liquidity and in conjunction with forecast projections and stress testing, the Directors have a reasonable expectation that the Group has adequate resources and is well placed to manage its risks successfully and continue in operational existence for at least 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Risk Management

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 to enable us to achieve our strategy and objectives and ensure 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 including 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, position descriptions 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 the 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 the Group Risk Committee.

The Covid-19 pandemic has had a wide- ranging impact on the Group and the environment in which we operate. The management of various risks arising from the evolving position has been co-ordinated by the GMB. As well as significant operational implications there were impacts on the insurance policies written by Group companies and on the Group's investment assets.

A Crisis Management Team (CMT) was convened as the Group's Business Continuity Plans were triggered, and this remained in place throughout the year to oversee the ongoing management of operational elements. The primary focus of the CMT was oversight of the effective transition to remote working, with particular emphasis on people and technology. This event provided the Group an opportunity to test its operational resilience in practice and overall the required activity was completed successfully over a relatively short time period.

Responses to other specific risk-types were delegated to existing bodies within the risk framework, with focused management groups set up where considered appropriate.

The UK based general insurance business was one of the eight insurers involved in a Test Case brought by the Financial Conduct Authority to seek clarity on the eligibility of business interruption claims linked to Covid-19. The judgement confirmed that losses arising from the Covid-19 pandemic were not covered by our BI policies considered in the case. This high profile case had potential reputational implications for the whole insurance industry. However, there are a small number of policies that do provide cover and appropriate provisions are in place.

Substantial falls in equity markets during the first quarter of 2020, as the pandemic took hold globally, adversely affected the value of our investment assets. We monitored markets closely and used derivatives to provide protection against the risk of further falls, though overall we maintained our existing investment approach and made no material changes to our asset mix.

Markets at least partially recovered later in the year and we continue to hold a diversified portfolio of assets including equities which we believe remain a good prospect for long-term returns. Consequently, we continue to take a relatively high level of market risk, which is well understood and closely managed.

Uncertainty around the eventual outcome of Brexit negotiations continued during 2020. The main risk identified for the Group as a result of Brexit was the loss of our ability to carry out business in the Republic of Ireland using the freedom to provide services previously afforded by the United Kingdom's membership of the EU. To mitigate this risk the Ireland branch has been granted authorisation by the Central Bank of Ireland to operate as a Third Country Branch ensuring continuity of operations for our customers.

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 is an ever-present risk across all our business operations and chosen niches and 2020 was no exception. Our strategy remains to achieve controlled and profitable growth within our defined specialist niches. During 2020 there have been improvements in rate strength and 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. The Independent Inquiry into Child Sexual Abuse in the UK is progressing and we participated in one of the investigations that delivered its report in 2020. Further investigations as part of the Inquiry are underway and we continue to monitor these and also developments in the other territories in which we operate, to determine the potential impacts on such claims.

The Covid-19 pandemic was the trigger for a high volume of regulatory guidance issued in all territories during 2020. Consequently, some other elements of regulatory change have been delayed, though we expect the pace of change to increase again as we move forward. Management of change in the regulatory environment continues to be a focus 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, through regulations such as GDPR, results in increased scrutiny and prominence. Threat actors view the disruption arising from the move to a remote working environment as an exploitable opportunity and there has been 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.

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 which additionally affects the insurance risks that we cover.

Principal risks

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 underwriting 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.
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	• 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	This risk is not considered to have changed materially during the year. Whilst the majority of our policies have been found not to respond to Covid-19 claims we have made appropriate

could result in the Group holding insufficient reserves to meet our obligations.	to the Board.	provision where cover is in place. A rise in numbers of Physical and Sexual Abuse claims in the Australian business 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. • Local risk appetite limits have been established to manage concentrations of risk and these are monitored by SBUs	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.
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 remained broadly similar since last year. Reinsurance markets experienced significant challenges during 2020 due to the impact of Covid-19 claims. This 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	▪ 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 /	Overall the market risk profile has not materially changed and we remain invested for the long term. Markets experienced significant volatility during 2020 and, whilst values had largely recovered by the year-end, there remains uncertainty around the future economic outlook

returns on these investments. The Group's balance sheet is also exposed to market risk within the defined benefit pension fund.	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 Further information on this risk is given in the Financial Risk and Capital Management note to this announcement	and global socio-political developments, which we continue to monitor.
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 the Financial Risk and Capital Management note to this announcement.	The economic impact of Covid-19 on both reinsurers and our policyholders has increased the inherent likelihood of this risk, though we have seen no evidence of this crystallising.
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	▪ Catastrophe risk is managed through reinsurance models	A programme of work continues to fully analyse the impact on

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 with the potential for litigation arising from an inadequate response.	▪ We consider flood risk and other weather-related risk factors in insurance risk selection ▪ There is an ESG overlay on the Investment Strategy	the Group and to develop appropriate risk management responses. • The Group has effected changes to its investment policy to: 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	Programmes remain underway to modernise our IT systems and better enable our business. The scale and complexity of this programme results in heightened change risk during the development and implementation period.

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 parties continue to increase in both number and sophistication across all industries.	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 and has inherently increased during the year as malicious threat actors seek to exploit Covid-19 related business disruption including the move to remote working. Employee awareness and vigilance is therefore highly important at this time and is being 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. Appropriate strengthening of expertise has been undertaken to reflect 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	• 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 has been successfully tested during the year through the move to a remote working environment. This is currently an area of focus, with a programme of activity planned throughout 2021

excellent service. Therefore, we seek to minimise the potential for any such disruption that would impact on the service provided to our customers.		that will add value to the business and improve customer service, as well as ensure compliance with enhanced regulatory expectations.
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 have been made to the governance, management, use and control of data. 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 noncompliance 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	• There is ongoing staff training to ensure 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 due to distraction and changes in working practices due to the Covid-19 pandemic. However, we remained committed to placing customers are the centre of our practices and decision making. Overall the level

ethically, while safeguarding the interests of all other key stakeholders.		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 in 2020 resulted in 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.

<u>Directors' Responsibility Statement</u>

The following statement is extracted from page the Directors' report of the 2020 Annual Report & Accounts, and is repeated here for the purposes of the Disclosure and Transparency Rules. The statement relates solely to the Company's 2020 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 confirm to the best of their knowledge:

- The financial statements, which have been prepared in accordance with IAS in conformity with the requirements of the Companies Act 2006 and IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Group.
- The Strategic Report within the 2020 Annual Report & Accounts includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

- The Annual Report and financial statements, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2020

	2020	2019
	£000	£000
Revenue		
Gross written premiums	**437,299**	393,952
Outward reinsurance premiums	**(173,074)**	(152,886)
Net change in provision for unearned premiums	**(16,562)**	(15,080)
Net earned premiums	**247,663**	225,986
Fee and commission income	**69,582**	71,240
Other operating income	**2,126**	544
Net investment return	**(4,298)**	74,438
Total revenue	**315,073**	372,208
Expenses		
Claims and change in insurance liabilities	**(222,794)**	(157,808)
Reinsurance recoveries	**94,581**	52,800
Fees, commissions and other acquisition costs	**(85,444)**	(72,740)
Other operating and administrative expenses	**(116,393)**	(120,577)
Total operating expenses	**(330,050)**	(298,325)
Operating (loss)/profit	**(14,977)**	73,883
Finance costs	**(769)**	(620)
(Loss)/profit before tax	**(15,746)**	73,263
Tax credit/(expense)	**526**	(11,450)
(Loss)/profit for the year (attributable to equity holders of the Parent)	**(15,220)**	61,813

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2020

	2020	2019
	£000	£000
(Loss)/profit for the year	**(15,220)**	61,813
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Fair value losses on property	**(15)**	-
Actuarial losses on retirement benefit plans	**(17,318)**	(7,049)
Attributable tax	**3,521**	1,198
	(13,812)	(5,851)
Items that may be reclassified subsequently to profit or loss:		
Gains/(losses) on currency translation differences	**1,980**	(1,368)
(Losses)/gains on net investment hedges	**(2,339)**	640
Attributable tax	**265**	(19)
	(94)	(747)

Net other comprehensive expense	**(13,906)**	(6,598)
Total comprehensive (loss)/income attributable to equity holders of the Parent	**(29,126)**	55,215

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020

	Share capital £000	Share premium £000	Revaluation reserve £000	Translation and hedging reserve £000	Retained earnings £000	Total £000
At 1 January 2020	**120,477**	**4,632**	**565**	**18,324**	**463,537**	**607,535**
Loss for the year	**-**	**-**	**-**	**-**	***(15,220)***	***(15,220)***
Other net income/(expense)	**-**	**-**	***34***	***(94)***	***(13,846)***	***(13,906)***
Total comprehensive income/(expense)	**-**	**-**	**34**	**(94)**	**(29,066)**	**(29,126)**
Dividends	**-**	**-**	**-**	**-**	**(9,181)**	**(9,181)**
At 31 December 2020	**120,477**	**4,632**	**599**	**18,230**	**425,290**	**569,228**
At 1 January 2019	120,477	4,632	565	19,071	441,259	586,004
Profit for the year	-	-	-	-	*61,813*	*61,813*
Other net expense	-	-	-	*(747)*	*(5,851)*	*(6,598)*
Total comprehensive (expense)/income	-	-	-	(747)	55,962	55,215
Dividends	-	-	-	-	(9,181)	(9,181)
Gross charitable grant	-	-	-	-	(30,000)	(30,000)
Tax relief on charitable grant	-	-	-	-	5,497	5,497
At 31 December 2019	120,477	4,632	565	18,324	463,537	607,535

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2020

	2020 £000	2019 £000
Assets		
Goodwill and other intangible assets	**54,353**	38,651
Deferred acquisition costs	**41,989**	38,199
Deferred tax assets	**1,078**	2,203
Pension assets	**1,053**	8,505
Property, plant and equipment	**38,316**	20,322
Investment property	**142,142**	148,146
Financial investments	**820,777**	857,913
Reinsurers' share of contract liabilities	**208,677**	159,556

Current tax recoverable	**7,986**	4,211
Other assets	**216,570**	178,358
Cash and cash equivalents	**104,429**	74,775
Total assets	**1,637,370**	1,530,839
Equity		
Share capital	**120,477**	120,477
Share premium account	**4,632**	4,632
Retained earnings and other reserves	**444,119**	482,426
Total shareholders' equity	**569,228**	607,535
Liabilities		
Insurance contract liabilities	**868,649**	763,977
Lease obligations	**25,450**	12,923
Provisions for other liabilities	**6,499**	4,867
Pension liabilities	**10,406**	-
Retirement benefit obligations	**6,530**	5,998
Deferred tax liabilities	**29,846**	35,649
Current tax liabilities	**1,293**	123
Deferred income	**25,908**	22,815
Other liabilities	**93,561**	76,952
Total liabilities	**1,068,142**	923,304
Total shareholders' equity and liabilities	**1,637,370**	1,530,839

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2020

	2020	2019
	£000	£000
(Loss)/profit before tax	**(15,746)**	73,263
Adjustments for:		
Depreciation of property, plant and equipment	**5,486**	5,081
Revaluation of property, plant and equipment	**(10)**	-
Loss on disposal of property, plant and equipment	**172**	171
Amortisation and impairment of intangible assets	**1,468**	1,016
Net fair value losses/(gains) on financial instruments and investment property	**18,602**	(52,091)
Dividend and interest income	**(21,814)**	(26,218)
Finance costs	**769**	620
Adjustment for pension funding	**1,003**	815
Changes in operating assets and liabilities:		
Net increase in insurance contract liabilities	**94,180**	49,537
Net increase in reinsurers' share of contract liabilities	**(45,101)**	(21,265)
Net increase in deferred acquisition costs	**(3,352)**	(4,553)
Net increase in other assets	**(35,369)**	(25,272)
Net increase in operating liabilities	**16,642**	11,153
Net increase in other liabilities	**1,298**	784
Cash generated by operations	**18,228**	13,041
Purchases of financial instruments and investment property	**(121,754)**	(156,760)
Sale of financial instruments and investment property	**151,531**	148,308
Dividends received	**6,255**	9,605

Interest received	**14,519**	16,293
Tax paid	**(2,756)**	(8,296)
Net cash from operating activities	**66,023**	22,191
Cash flows from investing activities		
Purchases of property, plant and equipment	**(6,028)**	(4,394)
Proceeds from the sale of property, plant and equipment	**1**	-
Purchases of intangible assets	**(15,602)**	(9,613)
Acquisition of business, net of cash acquired	**(822)**	(40)
Net cash used by investing activities	**(22,451)**	(14,047)
Cash flows from financing activities		
Interest paid	**(769)**	(620)
Payment of lease liabilities	**(5,090)**	(2,787)
Dividends paid to Company's shareholders	**(9,181)**	(9,181)
Charitable grant paid to ultimate parent undertaking	**-**	(30,000)
Net cash used by financing activities	**(15,040)**	(42,588)
Net increase/(decrease) in cash and cash equivalents	**28,532**	(34,444)
Cash and cash equivalents at beginning of year	**74,775**	109,417
Exchange gains/(losses) on cash and cash equivalents	**1,122**	(198)
Cash and cash equivalents at end of year	**104,429**	74,775

NOTES TO THIS ANNUAL FINANCIAL REPORT ANNOUNCEMENT OF RESULTS

for the year ended 31 December 2020

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 2020 as prepared in accordance with IFRS applicable at 31 December 2020 issued by the International Accounting Standards Board (IASB) in conformity with the requirements of the Companies Act 2006 and pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union (EU).

A number of amendments and improvements to accounting standards have been issued by the International Accounting Standards Board (IASB) with an effective date of on or after 1 January 2020, and are therefore applicable for the 31 December 2020 financial statements. None had a significant impact on the Group.

IFRS 9, *Financial Instruments*, is effective for periods beginning on or after 1 January 2018. However the Group has taken the option available to insurers to defer the application of IFRS 9 as permitted by IFRS 4, *Insurance Contracts*. The Group qualifies for the temporary exemption, which is available until annual periods beginning on or after 1 January 2023, since at 31 December 2015 greater than 90% of its liabilities were within the scope of IFRS 4. There has been no significant change to the Group’s operations since 31 December 2015 and as a result, the Group continues to apply IAS 39, *Financial Instruments.*

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 18 March 2021.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2020 or 2019, but is derived from those accounts. Statutory accounts for 2019 have been delivered to the Registrar of Companies and those for 2020 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 18 March 2021.

Ecclesiastical Insurance Office plc is a subsidiary of Ecclesiastical Insurance 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 2020.

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 optimum 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:

2020		**General insurance**				**Life insurance**	
		Property	**Liability**	**Miscellaneous financial loss**	**Other**	**Funeral plans**	**Total**
		£000	**£000**	**£000**	**£000**	**£000**	**£000**
Territory							
United Kingdom	Gross	**203,921**	**57,634**	**16,273**	**3,328**	**12**	**281,168**
and Ireland	Net	**107,458**	**55,095**	**9,080**	**716**	**12**	**172,361**
Australia	Gross	**48,665**	**29,279**	**1,332**	**902**	**-**	**80,178**
	Net	**7,299**	**24,840**	**1,283**	**171**	**-**	**33,593**
Canada	Gross	**51,920**	**24,033**	**-**	**-**	**-**	**75,953**
	Net	**35,846**	**22,425**	**-**	**-**	**-**	**58,271**

		Property £000	Liability £000	Miscellaneous financial loss £000	Other £000	Funeral plans £000	Total £000
Total	Gross	**304,506**	**110,946**	**17,605**	**4,230**	**12**	**437,299**
	Net	**150,603**	**102,360**	**10,363**	**887**	**12**	**264,225**

2019		**General insurance**				**Life insurance**	
		Property £000	**Liability £000**	**Miscellaneous financial loss £000**	**Other £000**	**Funeral plans £000**	**Total £000**
Territory							
United Kingdom	Gross	185,567	56,323	15,534	3,227	(13)	260,638
and Ireland	Net	100,233	53,773	9,147	622	(13)	163,762
Australia	Gross	42,331	24,412	1,245	869	-	68,857
	Net	5,083	21,053	1,198	170	-	27,504
Canada	Gross	44,079	20,378	-	-	-	64,457
	Net	30,902	18,898	-	-	-	49,800
Total	Gross	271,977	101,113	16,779	4,096	(13)	393,952
	Net	136,218	93,724	10,345	792	(13)	241,066

(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.

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, business interruption, 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. Although assets are well matched to liabilities, there is a risk that returns on assets held to back liabilities are insufficient to meet future claims payments, particularly if the timing of claims is different from that assumed. This is not one of the Group's principal risks and new policies are no longer being written in the life fund, with only minimal premiums now being received each year.

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. 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. 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. 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. The small mortality risk is retained by the Group.

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. Despite the conclusion of Brexit and the US election at the end of 2020 and Covid-19 vaccine programmes, uncertainty remains in relation to the economic risks to which the Group is exposed, including 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	Held for trading £000	Financial liabilities* £000	Hedge accounted derivatives £000	Other assets and liabilities £000	Total £000
At 31 December 2020									
Financial investments	**817,551**	**2,079**	**746**	**401**	**-**	**-**	**-**	**-**	**820,777**
Other assets	**-**	**-**	**211,475**	**-**	**-**	**-**	**-**	**5,095**	**216,570**
Cash and cash equivalents	**-**	**-**	**104,429**	**-**	**-**	**-**	**-**	**-**	**104,429**
Lease obligations	**-**	**-**	**-**	**-**	**-**	**(25,450)**	**-**	**-**	**(25,450)**
Other liabilities	**-**	**-**	**-**	**-**	**-**	**(80,224)**	**(1,244)**	**(12,093)**	**(93,561)**
Net other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(453,537)**	**(453,537)**
Total	**817,551**	**2,079**	**316,650**	**401**	**-**	**(105,674)**	**(1,244)**	**(460,535)**	**569,228**
At 31 December 2019									
Financial investments	848,573	3,061	5,770	509	-	-	**-**	-	857,913
Other assets	-	-	173,996	-	-	-	**-**	4,362	178,358
Cash and cash equivalents	-	-	74,775	-	-	-	**-**	-	74,775
Lease obligations	-	-	-	-	-	(12,923)	**-**	-	(12,923)
Other liabilities	-	-	-	-	-	(65,634)	**-**	(11,318)	(76,952)
Net other	-	-	-	-	-	-	**-**	(413,636)	(413,636)
Total	848,573	3,061	254,541	509	-	(78,557)	-	(420,592)	607,535

*Financial liabilities are held at amortised cost.

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 the accounting policies, 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.

	2020			2019		
	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	**746**	**820,031**	**820,777**	5,770	852,143	857,913
Cash and cash equivalents	**104,429**	**-**	**104,429**	74,775	-	74,775
Other financial assets	**211,475**	**-**	**211,475**	173,996	-	173,996
Total fair value	**316,650**	**820,031**	**1,136,681**	254,541	852,143	1,106,684

There has been a £62,109,000 increase (2019: £13,925,000 decrease) in the fair value of SPPI financial assets of the Group, and a £32,112,000 decrease (2019: £63,099,000 increase) in the fair value of other financial assets of the Group during the reporting period.

(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 (i.e. as prices) or indirectly (i.e. 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 2020				
Financial assets at fair value through profit or loss				
Financial investments				
Equity securities	**262,014**	**185**	**59,687**	**321,886**
Debt securities	**493,601**	**1,512**	**552**	**495,665**
Derivatives	**-**	**2,079**	**-**	**2,079**
Hedged accounted derivatives	**-**	**401**	**-**	**401**
Total financial assets at fair value	**755,615**	**4,177**	**60,239**	**820,031**
At 31 December 2019				
Financial assets at fair value through profit or loss				
Financial investments				
Equity securities	289,165	190	66,703	356,058
Debt securities	490,911	1,200	404	492,515
Derivatives	-	3,061	-	3,061
Hedged accounted derivatives	-	509	-	509
Total financial assets at fair value	780,076	4,960	67,107	852,143

The derivative liabilities of the Group are measured at fair value through other comprehensive income. Derivative liabilities are categorised as level 2.

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 2020			
Opening balance	**66,703**	**404**	**67,107**
Total (losses)/gains recognised in profit or loss	**(7,015)**	**147**	**(6,868)**
Closing balance	**59,688**	**551**	**60,239**
Total (losses)/gains for the period included in profit or loss for assets held at the end of the reporting period	**(7,015)**	**147**	**(6,868)**
At 31 December 2019			
Opening balance	44,773	261	45,034
Total gains recognised in profit or loss	7,538	143	7,681
Purchases	14,392	-	14,392
Closing balance	66,703	404	67,107
Total gains for the period included in profit or loss for assets held at the end of the reporting period	7,539	143	7,682

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)

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

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, 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-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 +/-£7m (2019: +/-£7m).

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, and from those insurance liabilities for which discounting is applied 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 (2019: 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 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 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 (e.g. 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.

	Maturity			
Group life business	**Within 1 year £000**	**Between 1 & 5 years £000**	**After 5 years £000**	**Total £000**
At 31 December 2020				
Assets				
Debt securities	**6,083**	**30,161**	**61,665**	**97,909**
Cash and cash equivalents	**4,692**	**-**	**-**	**4,692**
	10,775	**30,161**	**61,665**	**102,601**
Liabilities (discounted)				
Life business provision	**5,103**	**18,045**	**53,709**	**76,857**
At 31 December 2019				
Assets				
Debt securities	6,066	28,732	65,093	99,891
Cash and cash equivalents	2,584	-	-	2,584
	8,650	28,732	65,093	102,475
Liabilities (discounted)				
Life business provision	5,517	19,223	54,472	79,212

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 2020					
AAA	**-**	**-**	**-**	**-**	**128,037**
AA	**36,319**	**1,986**	**-**	**38,305**	**130,285**
A	**16,753**	**8,564**	**-**	**25,317**	**125,745**
BBB	**51,351**	**3**	**-**	**51,354**	**94,101**
Below BBB	**-**	**-**	**-**	**-**	**8,997**
Not rated	**6**	**452**	**201,216**	**201,674**	**8,500**
	104,429	**11,005**	**201,216**	**316,650**	**495,665**
At 31 December 2019					
AAA	-	-	-	-	113,359
AA	19,760	1,286	-	21,046	138,341
A	17,269	8,856	-	26,125	132,419
BBB	42,713	3	-	42,716	89,563
Below BBB	-	-	-	-	9,537
Not rated	7	1,032	163,615	164,654	9,296
	79,749	11,177	163,615	254,541	492,515

*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 less than 1% of this category in the current and prior year.

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

	2020	2019
	£000	£000
UK	**276,914**	301,225
Australia	**108,792**	84,726
Canada	**89,661**	86,293
Europe	**20,298**	20,271
Total	**495,665**	492,515

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:

	2020		2019
	£000		£000
UK	**262,414**	UK	289,566
Europe	**59,287**	Europe	66,302
Hong Kong	**185**	Hong Kong	190
Total	**321,886**	Total	356,058

(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 the derivative financial instruments note 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.

	2020		2019
	£000		£000
Aus $	**57,291**	Euro	65,305
Can $	**39,621**	Aus $	41,912

Euro	**23,932**	Can $	33,722
USD $	**2,045**	USD $	2,028
HKD $	**171**	HKD $	176

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 the derivative financial instruments note 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 32 to the full financial statements, and other liabilities for which a maturity analysis is included in note 31 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**	
Variable	**Change in variable**	**2020**	2019	**2020**	2019
		£000	£000	**£000**	£000
Interest rate risk	-100 basis points	**(11,896)**	(6,724)	**(70)**	(25)
	+100 basis points	**6,153**	4,133	**(44)**	37
Currency risk	-10%	**2,833**	6,330	**9,715**	7,628
	+10%	**(2,318)**	(5,179)	**(7,948)**	(6,241)
Equity price risk	+/-10%	**26,073**	28,841	**-**	-

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.

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).

Capital is assessed at both individual regulated entity and group level. 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, Ecclesiastical Insurance Group plc (EIG). Consequently, there is no directly comparable solvency measure for EIO group. Both quarterly and annual 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.

The current year figures in the table below are unaudited and based on the latest information provided to management.

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. EIO's SCR is not subject to audit as it is calculated using an internal model which has been approved for use by the PRA. ELL's figures are not subject to an independent audit due to the company falling below the threshold calculation detailed in the PRA policy statement PS25/18 (Solvency II: External audit of the public disclosure requirement). The Group's regulated entities, EIO and ELL, expect to meet the deadline for submission to the PRA of 8 April 2021 and their respective SFCRs will be made available on the Group's website shortly thereafter. EIG is also expected to meet its deadline for submission to the PRA of 20 May 2021, with its SFCR also being made available on the Group's website shortly after.

	2020 (unaudited)		2019 (unaudited)*	
	Ecclesiastical Insurance Office plc Parent £000	**Ecclesiastical Life Limited £000**	Ecclesiastical Insurance Office plc Parent £000	Ecclesiastical Life Limited £000
Solvency II Own Funds	**518,562**	**49,259**	570,110	49,120
Solvency Capital Requirement	**(262,723)**	**(15,394)**	(264,251)	(15,976)
Own Funds in excess of Solvency Capital Requirement	**255,839**	**33,865**	305,859	33,144
Solvency II Capital Cover	**197%**	**320%**	216%	307%

*Unaudited with the exception of EIO Parent's Solvency II Own Funds.

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.

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 £2,339,000 (2019: gain of £640,000) in respect of these 'hedge' derivatives has been recognised in the hedging reserve within shareholders' equity, as disclosed in the Translation and Hedging Reserve note to this announcement. 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*.

2020			2019	
Contract/ notional amount £000	**Fair value asset £000**	**Fair value liability £000**	Contract/ notional amount £000	Fair value asset £000

Non-hedge derivatives					
Equity/Index contracts					
Options	**40,597**	**1,407**	-	58,588	1,562
Foreign exchange contracts					
Forwards (Euro)	**96,000**	**672**	-	116,603	1,499
Hedge derivatives					
Foreign exchange contracts					
Forwards (Australian dollar)	**75,000**	**-**	**1,244**	45,411	250
Forwards (Canadian dollar)	**52,000**	**401**	**-**	30,456	259
	263,597	**2,480**	**1,244**	251,058	3,570

Included with Equity/Index contracts are options with a contract/notional value of £nil (2019: £17,997,000), and fair value asset of £nil (2019: £734,000), which expire in greater than one year. All other 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 and derivative fair value liabilities are recognised within other liabilities.

Translation and hedging reserve

	Translation reserve £000	Hedging reserve £000	Total £000
At 1 January 2020	**13,572**	**4,752**	**18,324**
Gains on currency translation differences	**1,980**	**-**	**1,980**
Losses on net investment hedges	**-**	**(2,339)**	**(2,339)**
Attributable tax	**-**	**265**	**265**
At 31 December 2020	**15,552**	**2,678**	**18,230**
At 1 January 2019	14,940	4,131	19,071
Losses on currency translation differences	(1,368)	-	(1,368)
Gains on net investment hedges	-	640	640
Attributable tax	-	(19)	(19)
At 31 December 2019	13,572	4,752	18,324

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.

Segment information

(a) Operating segments

The Group segments its business activities on the basis of differences in the products and services offered and, for general insurance, the underwriting territory. Expenses relating to Group management activities are included within 'Corporate costs'. This reflects the management and internal Group reporting structure.

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.

- **Investment management**

    The Group provides investment management services both internally and to third parties through EdenTree Investment Management Limited.

- **Broking and Advisory**

    The Group provides insurance broking through SEIB Insurance Brokers Limited, financial advisory services through Ecclesiastical Financial Advisory Services Limited and risk advisory services through Ansvar Risk Management Services Pty Limited which operates in Australia.

- **Life business**

    Ecclesiastical Life Limited provides long-term insurance policies to support funeral planning products. It is closed to new 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, with the exception of the investment management and broking and advisory segments. These segments do not qualify for the temporary exemption from IFRS 9 available to insurers and as a result have adopted IFRS 9. Consequently, their accounting policies for financial instruments may differ, but all other accounting policies are the same as the Group.

Segment revenue

The Group uses gross written premiums as the measure for turnover of the general and life insurance business segments. Turnover of the non-insurance segments comprises fees and commissions earned in relation to services provided by the Group to third parties. 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.

	2020			2019		
	Gross written premiums	**Non-insurance services**	**Total**	Gross written premiums	Non-insurance services	Total

	£000	£000	£000	£000	£000	£000
General business						
United Kingdom and Ireland	**276,618**	**-**	**276,618**	257,135	-	257,135
Australia	**80,178**	**-**	**80,178**	68,857	-	68,857
Canada	**75,953**	**-**	**75,953**	64,457	-	64,457
Other insurance operations	**4,538**	**-**	**4,538**	3,516	-	3,516
Total	**437,287**	**-**	**437,287**	393,965	-	393,965
Life business	**12**	**-**	**12**	(13)	-	(13)
Investment management	**-**	**12,382**	**12,382**	-	12,795	12,795
Broking and Advisory	**-**	**9,458**	**9,458**	-	9,078	9,078
Group revenue	**437,299**	**21,840**	**459,139**	393,952	21,873	415,825

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

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 the Reconciliation of Alternative Performance Measures note 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.

All other segment results consist of the profit or loss before tax measured in accordance with IFRS.

2020	**Combined operating ratio**	**Insurance £000**	**Investments £000**	**Other £000**	**Total £000**
General business					
United Kingdom and Ireland	**92.5%**	**12,254**	**(12,123)**	**(479)**	**(348)**
Australia	**102.2%**	**(620)**	**1,678**	**(31)**	**1,027**
Canada	**91.2%**	**4,521**	**3,003**	**(176)**	**7,348**
Other insurance operations		**(4,103)**	**-**	**-**	**(4,103)**
	95.1%	**12,052**	**(7,442)**	**(686)**	**3,924**
Life business		**468**	**29**	**-**	**497**
Investment management		**-**	**-**	**(1,031)**	**(1,031)**
Broking and Advisory		**-**	**-**	**2,397**	**2,397**
Corporate costs		**-**	**-**	**(21,533)**	**(21,533)**
Profit/(loss) before tax		**12,520**	**(7,413)**	**(20,853)**	**(15,746)**

2019	**Combined operating ratio**	**Insurance £000**	**Investments £000**	**Other £000**	**Total £000**
General business					
United Kingdom and Ireland	86.8%	20,412	59,433	(292)	79,553
Australia	114.1%	(3,246)	1,815	(65)	(1,496)
Canada	95.1%	2,218	1,805	(174)	3,849
Other insurance operations		634	-	-	634
	91.1%	20,018	63,053	(531)	82,540
Life business		335	6,486	-	6,821

Investment management	-	-	(310)	(310)
Broking and Advisory	-	-	2,062	2,062
Corporate costs	-	-	(17,850)	(17,850)
Profit/(loss) before tax	20,353	69,539	(16,629)	73,263

(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:

	2020		2019	
	Gross written premiums £000	**Non-current assets £000**	Gross written premiums £000	Non-current assets £000
United Kingdom and Ireland	**281,168**	**276,236**	260,638	235,859
Australia	**80,178**	**6,114**	68,857	4,348
Canada	**75,953**	**6,946**	64,457	8,272
	437,299	**289,296**	393,952	248,479

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.

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), net expense ratio (NER) and net inflows 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.

In line with the European Securities and Markets Authority guidelines, we provide a reconciliation of the COR and NER to its most directly reconcilable line item in the financial statements. Regulatory capital and net inflows to funds managed by Ecclesiastical Insurance Office plc's subsidiary, EdenTree Investment Management Limited, do not have an IFRS equivalent. Net inflows are the difference between the funds invested (gross inflows) less funds withdrawn (redemptions) during the year by third parties in a range of funds EdenTree Investment Management Limited offers. Regulatory capital is covered in more detail in section (i) of the Financial Risk and Capital Management note to this announcement.

		2020						
		Insurance		**Inv'mnt return**	**Inv'mnt mngt**	**Broking and Advisory**	**Corporate costs**	**Total**
		General £000	**Life £000**	**£000**	**£000**	**£000**	**£000**	**£000**
Revenue								
Gross written premiums		437,287	12	-	-	-	-	437,299
Outward reinsurance premiums		(173,074)	-	-	-	-	-	(173,074)
Net change in provision for unearned premiums		(16,562)	-	-	-	-	-	(16,562)
Net earned premiums	[1]	247,651	12	-	-	-	-	247,663
Fee and commission income	[2]	47,742	-	-	12,382	9,458	-	69,582
Other operating income		2,126	-	-	-	-	-	2,126
Net investment return		-	(484)	(4,600)	(25)	811	-	(4,298)
Total revenue		297,519	(472)	(4,600)	12,357	10,269	-	315,073

		General	Life	Inv'mnt return	Inv'mnt mngt	Broking and Advisory	Corporate costs	Total
Expenses								
Claims and change in insurance liabilities		(224,127)	1,333	-	-	-	-	(222,794)
Reinsurance recoveries		94,581	-	-	-	-	-	94,581
Fees, commissions and other acquisition costs	[3]	(84,852)	(13)	-	(939)	360	-	(85,444)
Other operating and administrative expenses	[4]	(71,069)	(380)	(2,813)	(12,449)	(8,149)	[5] (21,533)	(116,393)
Total operating expenses		(285,467)	940	(2,813)	(13,388)	(7,789)	(21,533)	(330,050)
Operating profit	[6]	12,052	468	(7,413)	(1,031)	2,480	(21,533)	(14,977)
Finance costs		(686)	-	-	-	(83)	-	(769)
Profit before tax		11,366	468	(7,413)	(1,031)	2,397	(21,533)	(15,746)
Underwriting profit	[6]	12,052						
Combined operating ratio		95.1%						
Net expenses (= [2]+[3]+[4]+[5])	[7]	(129,712)						
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].

2019

		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		393,965	(13)	-	-	-	-	393,952
Outward reinsurance premiums		(152,886)	-	-	-	-	-	(152,886)
Net change in provision for unearned premiums		(15,080)	-	-	-	-	-	(15,080)
Net earned premiums	[1]	225,999	(13)	-	-	-	-	225,986
Fee and commission income	[2]	49,368	-	-	12,795	9,077	-	71,240
Other operating income		544	-	-	-	-	-	544
Net investment return		-	989	72,596	19	834	-	74,438
Total revenue		275,911	976	72,596	12,814	9,911	-	372,208
Expenses								
Claims and change in insurance liabilities		(157,481)	(327)	-	-	-	-	(157,808)
Reinsurance recoveries		52,800	-	-	-	-	-	52,800
Fees, commissions and other acquisition costs	[3]	(72,383)	(14)	-	(819)	476	-	(72,740)
Other operating and administrative expenses	[4]	(78,829)	(300)	(3,057)	(12,305)	(8,236)	[5] (17,850)	(120,577)

Total operating expenses		(255,893)	(641)	(3,057)	(13,124)	(7,760)	(17,850)	(298,325)
Operating profit	[6]	20,018	335	69,539	(310)	2,151	(17,850)	73,883
Finance costs		(531)	-	-	-	(89)	-	(620)
Profit before tax		19,487	335	69,539	(310)	2,062	(17,850)	73,263
Underwriting profit	[6]	20,018						
Combined operating ratio		91.1%						
Net expenses (= [2]+[3]+[4]+[5])	[7]	(119,694)						
Net expense ratio		53%						

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 35 to the full financial statements.

Events after the balance sheet date

In February 2021 the Company raised EUR 30m in nominal amount of Tier 2 Capital by way of a privately-placed issue of 20-year subordinated bonds, callable after year 10. The rate of interest until the call date is fixed at 6.3144%.