Ecclesiastical Insurance Office plc announces results for the year ended 31 December 2021

Ecclesiastical Insurance Office plc ("Ecclesiastical"), the specialist financial services group, today announces its full year 2021 results. A copy of the results will be available on the Company's website at www.ecclesiastical.com

Group overview

- Driven by its purpose to contribute to the greater good of society, the Group achieved its landmark target of giving more than £100m to good causes. Alongside a grant of £21m awarded to its owner Benefact Trust, the Group gave more than £2.5m directly through its own giving programmes. A further £5m was awarded to the Trust in 2022 in respect of 2021 performance.

- The Group is now the fourth largest corporate donor to charity in the UK[1] and has set an ambition to become the biggest in the years ahead.

- Profit before tax of £77.0m (2020: loss before tax £15.7m), driven by investment returns because of improving market conditions and a good current year underwriting performance.

- Gross Written Premiums (GWP) grew 11% to £486m (2020: £437m), supported by strong retention and rate increases as well as new business wins.

- Underwriting profit of £8.8m (2020: profit of £12.1m) thanks to a robust underwriting performance in the UK and Canada. This result includes a strengthening of reserves in our Australian business and the impacts of some adverse weather events

- We remained in a robust and strong capital position with AM Best and S&P affirming our excellent and strong credit ratings.

- We continued to prioritise the wellbeing of our colleagues and in June we were awarded Best Companies' 2 star accreditation demonstrating 'outstanding' levels of employee engagement.

- We achieved a record number of external awards, recognising the Group as a trusted and specialist financial services organisation. This included being named as the UK's most trusted home insurer for the 13th and 14th time by independent ratings agency Fairer Finance, and our Canadian team was named one of the Top Employers for Young People for the ninth consecutive year. Ecclesiastical UK won Digital Insurance Innovation of the Year Award at the British Insurance Awards for Smart Properties, while EdenTree was named Best Ethical Investment Provider at the 2021 Investment Life & Pensions Moneyfacts Awards for the 13th time.

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

"2021 was an outstanding year for Ecclesiastical. We reported strong financial performance, a record number of external awards, excellent customer and employee survey feedback, and continued progress on our strategy.

"Most importantly, thanks to the incredible support of our customers, brokers, business partners, colleagues and all our supporters, we achieved our goal of giving more than £100m to good causes. This fantastic achievement has enabled our ultimate parent, Benefact Trust, and ourselves, to give more than 10,000 charitable donations over the past five years.

"After a challenging year in 2020 due to the impact of the Covid-19 pandemic, I'm delighted that the Group returned to profit in 2021, reporting a profit before tax of £77.0m (2020: loss before tax of £15.7m). Our positive financial performance was driven by impressive investment returns, as markets bounced back, and a solid underwriting result.

"We delivered Gross Written Premium (GWP) growth of 11% to £486m (2020: £437m) supported by strong retention and new business in the UK and Canada.

“Our award-winning investment management firm EdenTree had another excellent year, achieving record inflows and exceeding fund benchmarks. Our broking businesses also performed above expectation with SEIB reporting a profit before tax of £3.2m (2020: £2.8m).

“Alongside this, we made significant progress on our strategic initiatives, despite the ongoing uncertainty in the external environment. We successfully launched the new Ecclesiastical brand to positive feedback, we opened our new head office in Gloucestershire, and we continued to make investments in new systems and technology to improve the broker and customer experience.

“Our parent group also unveiled its new name - the Benefact Group. The new name for the Group better reflects our diversity, breadth and charitable purpose – it originates from Latin and means “to do well” by supporting a person or good cause. All of the trading brands in the Benefact family will continue to operate under their own names, united in a belief that better business can mean better lives.

“While 2021 was a truly transformational year for Ecclesiastical, we are ambitious to do more. At the end of last year, we unveiled an exciting new vision and strategy that will take the business forward over the next five years. This will see us invest significantly in our businesses, seeking out new opportunities and paths to growth and continuing to innovate for our customers. Our ambition is to be the first-choice insurer in all of our specialist markets and we have the appetite and capacity to achieve our goal.

“By growing our business and generating profits to donate to charity, we are fulfilling our purpose as an organisation committed to the greater good of society. We’re already the fourth biggest corporate donor in the UK and we have an ambition to be the biggest. By the end of 2025 we aim to donate an incredible £250m to good causes.”

[1.] Directory of Social Change Guide to UK Company Giving 2021/22

ECCLESIASTICAL INSURANCE OFFICE PLC

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The Company has now approved its annual report and accounts for 2021.

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 2021. The annual report and accounts will be available on or before 4 April 2022 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 2021 will be submitted to the National Storage Mechanism and will shortly be available for inspection at www.morningstar.co.uk

Chair’s statement

It is with great pleasure that I reflect on a hugely successful year for Ecclesiastical in 2021.

The Group exceeded its ambitious target of donating £100m, an extraordinary achievement that has helped thousands of good causes and communities to transform lives for the better in the UK and abroad.

This was made possible thanks to our direct giving and the annual grants given to our charitable owner, Benefact Trust, over the past five years. I would like to thank our customers, brokers, partners, and colleagues for helping us achieve this milestone. Alongside this, we made significant progress on a number of strategic initiatives including the launch of the new Ecclesiastical brand and the opening of our new headquarters in Gloucestershire.

After a long period of restrictions, the latter half of 2021 started to feel like a return to normality. The official opening of our head office in June was a welcome opportunity to meet many of our talented colleagues, who have worked tirelessly through the challenges of the past two years to deliver outstanding service to our customers. Their resilience, positivity and commitment to doing the right thing is what sets Ecclesiastical apart.

At the time of writing, the war in Ukraine casts a dark cloud over the world. Many Ukrainians continue to be caught in conflict and are suffering due to the unjust actions of the Russian government. Our charitable purpose allows us to help those most in need, and I’m pleased that our charitable owner Benefact Trust is contributing £1m of grant funding to charities supporting those affected by the war. Alongside this, the Group has also pledged to triple-match employee giving to any Ukraine appeals. We send our thoughts and prayers to those affected by the conflict.

A strong set of results

Thanks to our charitable ownership, we are able to take a long-term, sustainable approach to growth. Our 2021 results demonstrate our continuing financial strength as we recovered from the challenges posed by Covid-19 the previous year. Strong investment returns and a solid underwriting result helped us report a profit before tax of £77.0m, which is a fantastic achievement. This enabled us to contribute £26m to our owner Benefact Trust in respect of 2021 performance, which includes £5m paid in 2022. We also gave £2.5m to good causes through our direct giving.

Since 2014, the Group has given over £150m to good causes. Already the fourth-biggest corporate donor in the UK, we now want to become the biggest and to donate a cumulative £250m to good causes by the end of 2025.

Achievements and reflections

During my three years as Chair, the Group has evolved into a modern and confident business, driven by an ambition to create a movement for good in society. The core insurance, broker and advisory, and investment management businesses have all demonstrated impressive growth. Alongside the launch of the new Ecclesiastical insurance brand and the opening of our head office, we continued to invest in systems and technology to improve the broker and customer experience, with a new general insurance system for the UK and Ireland launching soon.

Our commitment to innovation remains strong with the launch of the Smart Properties proposition, which provides an early-warning system for heritage properties to prevent fire and flood. This clever technology won Digital Insurance Innovation of the Year Award at the British Insurance Awards.

Underpinning all of these achievements is our commitment to first-class customer service. Our customer satisfaction and Net Promoter Scores remain high alongside a record number of external awards, and the Group achieved Best Companies two-star status, demonstrating outstanding employee engagement.

Looking ahead

While pleased with the progress made in 2021 in such challenging circumstances, we undoubtedly have the potential to develop the business even further following the launch of our next chapter strategy.

This year will see us start to realise the benefits of our long-term investments in systems and processes. Alongside this, we will continue to invest in technology and our people to drive innovation and growth to enable yet more giving to charities and communities. I'm confident this roadmap will see us become an even more successful organisation over the next five years.

We enter the next chapter with a new name for our wider group - the Benefact Group. The new name better reflects our purpose to do good in society – it derives from Latin and means to do well by supporting a person or good cause. All of the trading brands in the Benefact family will continue to operate under their own names, united in a belief that better business can better lives.

As the Board looks towards the next chapter for the Group, it must respond to broader issues of sustainability and climate change. As a responsible business, we are committed to making a positive environmental impact in the world. The Group recently unveiled its plan to reach net zero carbon emissions by 2040. Over the past year, much work has gone into understanding and measuring our climate impact, in order to make meaningful commitments for the future. Our ambition to wipe out our historic direct carbon impact by 2030 is, I believe, unique in the insurance industry, and is the right thing to do for a company with our purpose and values. The good news is we're building on strong foundations – our award-winning investment management company EdenTree is a pioneer in the field of ethical investing, and the Group has introduced a responsible and sustainable investment strategy that seeks to invest in markets that have positive impacts. We're also a long-term member of ClimateWise, a group of organisations ambitious about climate action. Reducing our climate impact is a key priority for the board and we look forward to making progress on our commitments.

Board activity

It was a pleasure to be able to return to face-to-face board meetings in 2021. While virtual meetings have provided increased flexibility, our board members welcomed the opportunity to interact and engage in person after a long period apart.

We said goodbye to Caroline Taylor, who retired from the Board in September. I would like to thank Caroline for her contribution over the past seven years.

In July, Rita Bajaj joined us as a non-executive director, bringing with her over 30 years of financial markets experience. She has held senior portfolio management positions at both UK and US investment institutions as well as experience working in UK regulation. A key priority for the board this year will be spending more time in the business and continuing to develop relationships with senior executives and managers.

The future

It is a privilege to be a part of a business with such a special purpose of contributing to the greater good of society. With the new strategy in place, I believe we are well positioned to take the business forward, and in doing so give even more to charities and communities to help transform lives for the better.

Chief executive’s statement

Over 135 years ago, our founders created a different kind of business committed to the greater good of society. Times may have changed, but our drive and purpose remains the same. Today we are one of the biggest corporate donors in the UK, helping to transform thousands of lives for the better.

Like many businesses, we are ambitious. But our ambition is not driven by the short-term pursuit of profits at any cost. Our ambition is fuelled by a desire to support and care for our customers, their communities and society as a whole.

As a specialist insurer, we not only protect much of the nation’s irreplaceable heritage, we are trusted to insure the buildings and organisations that bind our communities together - schools, charities, churches, community centres, and historic buildings. As custodians of these special places, we take great care to support our customers.

As a charity-owned business, we believe commercial success and social good can sit side by side to generate incredible social impact. By growing our business, we can give even more to charities and communities, and help even more people. By doing business with Ecclesiastical, every one of our customers, brokers, and partners is helping to support good causes and create a powerful movement for good in society.

It’s impossible to write this report without mentioning the harrowing situation in Ukraine. The conflict is having a devastating effect on innocent civilians and, like the rest of the world, I’ve been shocked by the stories and pictures emerging from the war. As a business committed to the greater good of society, both in the UK and abroad, I am pleased that our charitable owner Benefact Trust has committed £1m of grant funding to support charities helping those affected by the conflict. The Group has also pledged to triple-match employee giving to any Ukraine appeals up to £50,000.

Continuing to build a movement for good

Despite the ongoing challenges of the pandemic, 2021 was a year of great achievement for our Group. We reported strong financial performance, a record number of external awards, excellent customer and employee survey feedback, and continued progress on our strategy.

Most importantly, we were able to give a total of £28.5m to charity in respect of 2021 performance. This meant we achieved our goal of giving more than £100m to good causes – meeting and exceeding the stretching goal that we set ourselves a few short years ago. This is a remarkable feat and I want to say a heartfelt thank you to all of our customers, brokers, business partners, employees and supporters who have made this happen. Thanks to you, we have made thousands of charitable donations over the past five years, making a difference to countless lives.

As a result of our performance in 2021, we were able to further the aims of our charitable owner, the Benefact Trust with a donation of £26m. This was split between £21m in cash paid in 2021, with the remainder paid in 2022. The balance of our giving was distributed via giving programmes in the UK, Australia, Canada and Ireland such as the Movement for Good awards, which allows customers, business partners and others to help steer funds to the causes they wish.

Alongside the Benefact Trust, we are very proud to have supported charities tackling so many different and important issues. Their work includes lifting people out of poverty, making society more inclusive, helping to support bereaved families and so much more. When one hears stories of how our support is making a difference, it is difficult not to feel humbled, moved and inspired.

Indeed, seeing the inspiring work of charities around us makes us determined to give even more and set our sights even higher. Already the fourth biggest corporate donor, we now have an ambition to be the largest corporate donor in the UK – not because of the position in the league table, but because of the transformative impact that such an ambition would have on lives and communities.

We step into this challenge with a new identity for our wider Group - the “Benefact Group”. The new name for our immediate parent better reflects our diversity, breadth and charitable purpose – it originates from the verb “benefact” which means “to do well” which is for us the basis for our commitment to give money or help to good causes. All of the trading brands in the Benefact Group family will continue to operate under their own names, united in a belief that better business can mean better lives. All the available profits from the Benefact Group will continue to benefit charity.

Delivering for our customers

2021 was another difficult year for many of us, but our colleagues rose to the challenge admirably. They embraced new ways of working while continuing to serve our customers brilliantly, whether that was from our offices or from home. I would like to thank all of our colleagues for their dedication and resilience.

I continue to be genuinely impressed at the level of service my colleagues offer. The independent research consultancy, Gracechurch, put Ecclesiastical ahead of all other insurers for claims service. In addition, an incredible 98% of customers and brokers are satisfied with the service they receive from Ecclesiastical, whether that is making a claim or experiencing our risk management service. The Net Promoter Scores, which measures how likely a customer is to recommend a company's products and services, for Ecclesiastical Insurance put us ahead of well-known and respected brands such as John Lewis and Marks & Spencer.

With such a brilliant team of people, it was heartening to receive external recognition for our levels of engagement. In our first year of participation in the Best Companies assessment, the Group was awarded a two-star accreditation demonstrating 'outstanding' levels of employee engagement.

Alongside this, we won a record number of external awards. This included being named as the UK's most trusted home insurer for the 14th consecutive time by independent ratings agency Fairer Finance, and our Canadian team was named one of the Top Employers for Young People for the ninth consecutive year. Ecclesiastical UK won Digital Insurance Innovation of the Year Award at the British Insurance Awards for Smart Properties, while EdenTree was named Best Ethical Investment Provider at the 2021 Investment Life and Pensions Moneyfacts Awards for the 13th time in a row.

I was particularly pleased our UK GI team received accolades for our Smart Properties proposition, which uses cutting-edge technology to protect some of the UK's most iconic properties. This clever early warning system uses wireless sensors to learn what's 'normal' for a property. An alert is then sent by email, text or phone to highlight a change in conditions, so early preventative action can be taken. This is a wonderful example of how we're using innovation to protect our customers and our nation's irreplaceable heritage.

Despite these achievements, we are not complacent and we recognise there is always more to do. Our culture means that we continually strive to do better for our customers.

I have previously highlighted the importance of managing claims for physical and sexual abuse (PSA) and we remain committed to improving the claims handling experience in these sensitive cases. The final report of the Independent Inquiry into Child Sexual Abuse (IICSA) will be published later this year and we await its recommendations on ways to better safeguard children and 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 have to 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

After a challenging year in 2020 due to the impact of the Covid-19 pandemic, I'm delighted that the Group reported a profit before tax of £77.0m in 2021 (2020: loss before tax of £15.7m). Our positive financial performance was driven by impressive investment returns, as markets bounced back, alongside a strong underlying underwriting result. I'm pleased our investment approach saw us outperform the indices for most asset classes.

Our overall underwriting result included a strengthening of reserves in our Australian business, due to an increase in PSA cases, and the impacts of adverse weather events, including Storm Arwen and the July floods in the UK, and severe flooding in Canada and Australia.

We delivered Gross Written Premium (GWP) growth of 11% to £486m (2020: £437m) supported by strong retention and new business in the UK and Canada. Our broking businesses also performed above expectation with SEIB reporting a profit before tax of £3.2m (2020: £2.4m).

Our award-winning investment management firm EdenTree had another excellent year, achieving record inflows and exceeding fund benchmarks. It reported a loss before tax of £2.5m (2020: loss before tax of £1.0m) as it continued to invest in growing the business.'

Strategic progress

2021 was a truly transformational year for Ecclesiastical as we made significant progress on our strategic initiatives, despite the ongoing uncertainty in the external environment.

We successfully launched the new Ecclesiastical brand to positive feedback. We opened our new head office in Gloucestershire. We continued to make substantial investments in new insurance systems and technology to improve the broker and customer experience. We reinvigorated our EdenTree business, strengthening the team and introducing new funds. We continued to grow the broking and advisory division and transformed its financial contribution.

Many of these initiatives will have a positive impact on our carbon footprint. Our new head office was built to 'very good' BREEAM standards, a leading sustainability assessment method, and our new EdenTree funds are aimed at investors looking to contribute to a more sustainable economy.

As a socially responsible business, we are committed to making a positive environmental impact in the world and supporting customers and communities to tackle their climate challenges too.

We pioneered ethical investment over 30 years ago and our responsible and sustainable investment strategy remains amongst the most stretching in the industry. As an example, unlike many others, we do not invest in companies undertaking fossil fuel exploration or production. More generally, we look to avoid investment in businesses that cause social harm whilst proactively seeking to invest in companies that have positive impact. We consider environmental, social and governance factors in every investment case using our specialists at our award-winning subsidiary EdenTree.

We've been members of the voluntary initiative ClimateWise for a number of years and continue to build our response to the climate crisis using ClimateWise's framework, which is in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TFCD). We are in the process of developing an ambitious roadmap to net zero and are supporting our customers and communities to do the same.

Looking ahead

As we look to the future, we expect the needs of our beneficiaries and charities to grow substantially. And rather than look the other way, we want to play our part in rising to help meet those needs. To this end we have recently launched a new ambitious Group strategy that will see us transform our Group over the next five years. In short, we want to innovate and accelerate our growth so that we can give even more money to good causes.

Our "next chapter" will see us invest even more in new systems and technology, helping our businesses to innovate with purpose. Over the next few months, we'll start to rollout 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.

We will invest in our dedicated and brilliant people to maximise their potential, creating a world-class and energised team.

We will seek out new opportunities and new paths to growth, with an ambition to double the size / contribution of our businesses.

...And we will **give** even more. Since 2014, the Group has given over £150million to good causes. Our parent, Benefact Group, is now aiming to donate a cumulative £250million[1] to good causes by the end of 2025.

Join our movement for good

After a successful 2021, we step into 2022 with more ambition and confidence than ever to build a movement for good. None of this would be possible, of course, without the energy and endeavour of our specialist teams worldwide. Our dedicated and talented people are at the heart of our business, driven by a desire to support our customers and united by a common purpose to contribute to the greater good of society. The Board and I would like to thank all of our colleagues for their exceptional efforts. I very much hope that they are inspired when they look back at what they have achieved. I certainly am.

As we build momentum for our movement for good, I invite anyone reading this, whether as a potential colleague, customer or business partner, to come and join us and experience a different way of doing business. Together, with your support, we can grow our giving and transform lives for the better.

1. Cumulative giving since 2014

<u>Financial Performance Report</u>

Profit before tax of £77.0m (2020: loss before tax £15.7m) has been driven in particular by strong investment returns, as markets rebounded strongly from 2020.

The Group's general insurance businesses reported profit before tax of £8.8m (2020: £12.1m) representing another robust performance. This result includes areas where we have strengthened reserves and the impacts of some adverse weather events. Our underwriting result is also reflective of our continued strategic investment across our insurance technology platforms to ensure that our businesses are well positioned to deliver sustainable and profitable growth. 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 the 11% growth in gross written premiums (GWP).

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 year. Our Solvency II regulatory capital position remains above regulatory requirements and risk appetite and was 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 performed in line with expectations in most territories, resulting in a Group Combined Operating Ratio[1] (COR) of 96.8% (2020: 95.1%). We have delivered steady underwriting profits despite liability reserves strengthening in Australia and adverse weather events in the UK. Our strategy to focus on profitable growth opportunities has continued to deliver, with new business of £42.2m contributing to our overall GWP growth of 11% to £486m (2020: £437m) which also reflects targeted rate increases as well as strong retention.

Our programme of investment has continued, particularly across our technology platforms. The customisation and development of the software that underpins these platforms made up 2.8 points of our Group COR for the year. Our investment in these platforms are an important part in supporting the growth of our business and our customers' needs for the long term.

United Kingdom and Ireland

In the UK and Ireland, underwriting profits increased to £25.0m (2020: £12.3m) giving a COR of 85.3% (2020: 92.5%). GWP grew by 7.5% to £297.2m (2020: £276.6m). The current year underwriting performance was strong with prior year claim releases contributing to a more modest proportion of the result compared with previous financial years. Despite a series of weather events and large claims, current year loss ratios were slightly ahead of expectations as a result of rate changes and portfolio management. Both property and casualty accounts generated underwriting profits.

Heritage, Education and Real Estate were particularly strong growth areas in 2021 despite the competitive trading conditions. We expect trading conditions to remain competitive but the outlook is becoming increasingly unpredictable. Inflationary pressures in the economy, Covid-19 uncertainty, and the potential for more frequent and intense weather events due to climate change all contribute to this uncertainty. However, our net promoter scores across brokers and customers are robust, have improved and provide resilience, enabling us to carry positive rate change where needed and contribute to the high levels of retention experienced. Market hardening in certain areas of our property and casualty portfolios enabled us to write new business at profitable levels. GWP in respect of our Faith business remained in line with prior year reflecting a good result in challenging conditions.

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

Ansvar Australia

Our Australian business reported an underwriting loss of AUD$24.4m resulting in a COR of 156.9% (2020: AUD$1.2m loss, COR of 102.2%). GWP grew by 14.2% in local currency to AUD$171.2m (2020: AUD$149.9m) with strong new business growth, retention and rate increases. The performance of the business written in the current year has been good and continues to improve in light of positive underwriting actions. However, the overall underwriting result includes the adverse impact of reserves strengthening in the liability account for historic physical and sexual abuse (PSA) claims. The underwriting loss also reflects our significant investment in a new underwriting system which will benefit the business over the longer term.

The Group made a further underwriting loss of £10.0m (2020: £4.7m) within its internal reinsurance portfolio as a result of reserves strengthening in respect of historic PSA claims in Ansvar Australia.

Canada
Our Canadian business continued its track record of delivering premium growth, reporting GWP of CAD$158.0m (2020: CAD$131.5m), a 20.1% increase, which was been supported by strong retention and rate increases as well as new business.

Canada reported an underwriting profit of CAD$12.2m resulting in a COR of 88.6% (2020: CAD$7.8m profit, COR of 91.2%). Despite an increase in the number of large losses, the property book performed well due to benign weather, lighter than expected attritional losses, and favourable development on prior year net losses. The performance of the liability book was impacted by some adverse development on prior year claims and the strengthening of the reserves provision.

Investments
2021 saw optimism return as Covid-19 vaccines allowed economies to reopen, with unprecedented stimulus packages from governments and central banks bolstering growth, but also stoking inflation. The Group's net investment return of £101.2m (2020: loss of £4.2m) can be largely attributed to the continued recovery in equities, both within our directly-held portfolio, and via holdings in EdenTree's Responsible and Sustainable OEIC funds, whilst our investment property portfolio also experienced strong gains.

Investment income of £30.9m reflects a more optimistic market as the world learns to live with Covid-19 (2020: £30.2m). A recovery from the initial impact from the pandemic was also reflected in fair value gains on financial instruments of £38.1m, reversing the impact of fair value losses of £13.6m seen in 2020. The past two years highlights the impact economic and political uncertainty can have on the performance of our investments, with the recent conflict in Ukraine leading to an increased level of market volatility. Notwithstanding this, we remain confident in our long-term investment philosophy, and are well-diversified and relatively defensively positioned.

Within our UK equity portfolio, small-cap exposure proved beneficial as the FTSE Small-Cap outperformed the FTSE All-Share by a significant margin over the course of the year.

Our directly-held sterling bond portfolio outperformed the FTSE Gilts benchmark by 5.3% in 2021, as the longer duration index was impacted by rising yields to a greater extent than our shorter-dated bond portfolio.

Our investment properties delivered fair value gains of £20.2m (2020: loss of £5.0m) driven by increased market demand for commercial property where the portfolio is well-represented.

The upward movement in bond yields led to an increase in the discount rate applied to long-tail insurance liabilities. The change in discount rate on those liabilities resulted in a profit of £11.9m recognised within net investment return (2020: £15.9m loss).

Investment Management
The Group's investment management business, EdenTree, was pleased to report record net inflows of £415m, excluding group flows. The previous high was £204m in 2019 (2020: £44m). EdenTree incurred a loss before tax for the year of £2.5m (2020: loss before tax £1.0m) as it invested in growing the business through its distribution capacity and with a widening of its product range.

Assets under management (AUM) increased by 25% in the year, half of this asset growth was attributable to new money into the business, and half to markets as funds performed well across the fund range. AUM were £3.7bn (2020: £3.1bn) and £2.8bn (2020: £2.3bn) excluding assets managed for the Group.

Net income at £14.9m was up by 20% year on year (2020: £12.4m). This is due to both client inflows in the year and increasing market value of assets, however maintaining margins on fees earned continues to be challenging, a trend which is seen across the industry.

Long-term business
Our life business, Ecclesiastical Life Limited, reopened to business during the year, launching a new product providing guaranteed returns for funeral planning products sold by Ecclesiastical Planning Services, a business within the wider Benefact group. The legacy book within our life insurance business remains closed to new business. Profit before tax grew to £1.1m for the year (2020: £0.5m). Assets and liabilities in relation to the life insurance business remain well matched.

Broking and advisory
Overall, broking and advisory performance has been strong, reporting a profit before tax of £3.0m (2020: £2.4m). This area of our business includes our insurance broker, SEIB Insurance Brokers (SEIB) and our financial advisory business, Ecclesiastical Financial Advisory Services (EFAS). SEIB reported an increase in profit before tax to £3.2m (2020: £2.8m), whilst EFAS reported a small loss of £0.2m in the year (2020: £0.3m loss).

In addition to these broking and advisory businesses our immediate parent company, Benefact Group plc 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 Group, they are managed together as part of the Group's wider broking and advisory group of businesses. The broker businesses were profitable in 2021 but the prepaid funeral plan business made a small loss in the year.

Outlook
Although the easing of most pandemic-related restrictions means we entered 2022 in a very different place to the start of last year, we are still living with Covid-19, and some remaining level of uncertainty from the pandemic will likely persist. The recent devastating events in Ukraine, and the consequences of previously unthinkable international economic sanctions has led to heightened market volatility, an increased risk of inflation and risks to the supply chain. We will continue to manage these risks and remain alert to changes in them across all of our businesses. Despite the increased level of uncertainty, we remain optimistic about the future and are fully committed to our ethical and long-term investment strategy. The Group continues to take a long-term view of risk, remains well capitalised and is capable of withstanding potential future volatility.

As part of the Benefact Group, we have many exciting opportunities ahead. We'll continue to grow, innovate and build a sustainable business and that can continue to generate profitable growth and help achieve our ambition of giving £250m to charitable causes by the end of 2025.

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

Directors' Report

Principal activities

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

Ownership

At the date of this report, the entire issued Ordinary share capital of the Company and 4.35% of the issued 8.625% Non-Cumulative Irredeemable Preference Shares of £1 each ('Preference shares') were owned by Benefact Group plc (formerly Ecclesiastical Insurance plc). In turn, the entire issued Ordinary share capital of Benefact Group plc was owned by Benefact Trust Limited (formerly Allchurches Trust Limited), the ultimate parent of the Group.

Dividends

Dividends paid on the Preference shares were £9,181,000 (2020: £9,181,000).

The directors do not recommend a final dividend on the Ordinary shares (2020: £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 £23.5 million (2020: £2.7million).

It is the Company's policy not to make political donations. No political donations were made in the year (2020: £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 £883.8m, 90% of which are liquid (2020: financial investments of £820.8m, 92% liquid) and cash and cash equivalents of £114.0m (2020: £104.4m). 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. The Group has considered its capital position, liquidity and expected 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.

Primarily during 2020, Covid-19 impacted how the businesses operate, with a significant proportion of employees working effectively in a remote environment. Whilst there was still some disruption caused by the pandemic during 2021, our businesses and people continued to work effectively and support our customers, work with key suppliers and perform other functions of the Group.

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 Report

Introduction

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risk environment
The Risk environment is monitored on an ongoing basis and key areas of concern are escalated to GRC.

The impacts of the conflict in Ukraine are being closely monitored as the range of measures being taken in response by the UK government and other countries grow. We remain alert to the changing external environment and the impact it could have on our business and risk profile.

The Covid-19 pandemic continues to have 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 continuing 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) continued to operate for the first part of 2021, using the Group's Business Continuity Plans, and to oversee the ongoing management of operational elements. The primary focus of the CMT was oversight of the continued effectiveness of remote working, with particular emphasis on people and technology.

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

Investment markets recovered well during 2021, as economies recovered from the effects of the global pandemic leading to growth in the value of our investment assets throughout the year. We maintained our existing investment approach and made no material changes to our asset mix, holding a diversified portfolio of assets including equities and property held for prospects of long-term returns. Consequently, we continue to choose to take a relatively high level of market risk, which is well understood and closely monitored and managed. We have seen market volatility in 2022 that has persisted with the unfolding conflict in Ukraine and this continues to be monitored.

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 2021 was no exception. Our strategy remains to achieve controlled and profitable growth within our defined specialist markets. During 2021 we obtained improvements in rate strength across all territories in which we operate 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. New claims volumes emerging during 2021 in Australia and Canada had led to increases in levels of reserves held. We continue to monitor the experience and claims environment in all of the territories in which we operate.

The Covid-19 pandemic was the trigger for a high volume of regulatory guidance issued in all territories during the prior year. Consequently, some other elements of regulatory change have been delayed, though we expect the pace of change to increase again as we move forward into 2022. 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 and with the unfolding conflict in Ukraine. We hold customer data, and therefore any event involving a significant loss of such data could result in harm to the data subjects, significant operational disruption and an impact on our service to customers, as well as sizeable regulatory fines and reputational damage. The increased societal focus on data security and appropriateness of use, together with regulations such as GDPR, results in increased scrutiny and prominence. External attackers view the disruption arising from a more hybrid working environment as an exploitable opportunity, and there continues to be a general increase in social engineering and phishing attacks across the financial sector. Employee awareness and vigilance is therefore highly important at this time, and the Group operates an ongoing programme of training and awareness exercises for its staff.

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

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

Principal risks

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

Insurance risk

The risk that arises from the fluctuation in the timing, frequency and severity of insured events relative to the expectations of the firm at the time of underwriting.

Risk detail	Key mitigants	Change from last year
Underwriting risk The risk of failure to price insurance products adequately and failure to establish appropriate underwriting disciplines. The premium charged must be appropriate for the nature of the cover provided and the risk presented to the Group. Disciplined underwriting is vital to ensure that only business within the Company's risk appetite and desired niches is written.	• A robust pricing process is in place • The Underwriting Licencing process has been refreshed • A documented underwriting strategy and risk appetite is in place together with standards and guidance and monitored by SBUs • This is supported by formally documented authority levels for all underwriters which must be adhered to. Local checking procedures ensure compliance • Monitoring of rate strength compared with technical rate is undertaken on a regular basis within SBUs • There are ongoing targeted 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 and minimal impacts as a result of the conflict in Ukraine.
Reserving risk Reserving risk is the risk of actual claims payments exceeding the amounts we are holding in reserves. This arises primarily from our long-tail liability business. Failure to interpret emerging experience or fully understand the risks written could result in the Group holding	• Claims development and reserving levels are closely monitored by the Group Reserving team • For statutory and financial reporting purposes, prudential margins are added to a best estimate outcome to allow for uncertainties • Claims reserves are reviewed and signed-off by the Board acting on the advice and recommendations of the Group Chief Actuary following review by the Reserving Committee • An independent review is also conducted by the Actuarial Function Director with reporting to the Board	This risk is not considered to have changed materially during the year. A rise in numbers of Physical and Sexual Abuse claims in the Australian and Canadian businesses over the past year has led to an increase in reserves.

insufficient reserves to meet our obligations.		
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 have experienced challenges in recent years due to the impact of Covid-19 claims and global catastrophe events. This has resulted in tightening of criteria and capacity in certain areas. We continue to take a long term approach to our reinsurance relationships.

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

Risk detail	Key mitigants	Change from last year
Market and investment risk The risk of adverse movements in net asset values arising from a change in interest rates, equity and property prices, credit spreads and foreign exchange rates. This principally arises from investments held by the Group. We actively take such risks to seek enhanced	• An investment strategy is in place which is reviewed at least annually and signed off by the Finance and Investment Committee (F&I). This includes consideration of the Group's liabilities and capital requirements • A Market and Investment Risk Committee is in place and provides oversight and challenge of these risks and the agreed actions. There is a formalised escalation process to GMB and F&I in place • There are risk appetite metrics in place which are agreed by the Board and include limits on Asset / Liability Matching and the management of investment assets	Overall the market risk profile has not materially changed and we remain invested for the long term. We continue to monitor market conditions and the socio-political environment. We have seen increased stock market volatility in 2022 and in response to the conflict in Ukraine and

returns on these investments. The Group's balance sheet is also exposed to market risk within the defined benefit pension fund.	• Derivative instruments are used to hedge elements of market risk, notably equity and currency. Their use is monitored to ensure effective management of risk • There is tracking of risk metrics to provide early warning indicators of changes in the market environment The Pension Scheme Trustee Board has an Investment Committee that oversees the market risks in the pension fund. The company, as employer sponsor of the fund maintains regular communication with this committee. Further information on this risk is given in the Financial Risk and Capital Management note to this announcement.	continue to monitoring this. However the impact has been minimal to date given the assets we hold and our investment strategy.
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 level of this risk has remained broadly similar to the previous year.
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	• 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.

natural catastrophe or other large event in order to deliver on our promise to our customers.		
Climate change The financial risks arising through climate change. The key impacts for the Company are physical risks (event driven or longer term shifts), the transition risks of moving towards a lower carbon economy and liability risks associated with the potential for litigation arising from an inadequate response.	• Catastrophe risk is managed through reinsurance models • We consider flood risk and other weather-related risk factors in insurance risk selection • There is an ESG overlay on the Investment Strategy	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	• A defined IT Strategy is in place • Systems monitoring is in place together with regular systems and data backups • A strategic systems programme is underway to deliver improved systems, processes and data • Business recovery plans are in place for all critical systems and are tested according to risk appetite	This level of risk remains stable, as the Group continues to invest in IT infrastructure to maintain and improve future stability.

critical to enable us to provide excellent service to our customers.		
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, with malicious threat attackers continuing to seek to exploit Covid-19 related business disruption including a more hybrid approach to working. Employee awareness and vigilance is therefore highly important at this time, especially with the unfolding conflict in Ukraine, which is continuing to be proactively managed.
Change risk The risk of failing to manage the change needed to transform the business. A number of strategic initiatives are underway under three themes, Support and protect, Innovate and grow and Transform and thrive. These include a transformation of our core system and key processes, which will deliver significant change for the company over the next few years. There are a number of material risks associated with major transformation, not only on the risks to project delivery itself, but the potential disruption to business as usual, or	• We have a clearly articulated Group Strategic Programme, identifying areas of priority across the Group • We ensure that there is adequate resourcing for change projects using internal and external skills where appropriate • A Change Board and change governance processes are in place and operate on an ongoing basis • The GMB undertakes close monitoring and oversight of the delivery of the strategic initiatives and key Group change programmes	The level of this risk has not materially changed. There continues to be a significant volume of change within the business which is monitored closely, relating to both IT systems and to meet the ever changing regulatory landscape. Appropriate strengthening of expertise has continued in the year to reflect and meet this volume of change.

delays to planned benefits.		
Operational resilience The risk that the Group does not prevent, respond to, recover and learn from operational disruptions. The Group provides a wide range of services to a diverse customer base and has a reputation for delivering excellent service. Therefore, we seek to minimise the potential for any such disruption that would impact on the service provided to our customers.	• A recovery and resilience framework is in place aligned to the delivery of customer services • Recovery exercises including IT systems are regularly performed across the company with actions identified addressed within an agreed timescale • All suppliers are subject to ongoing due diligence • There is ongoing maintenance and monitoring of our systems and infrastructure in order to prevent and detect issues	Operational Resilience continues to have been successfully tested during the year, with the continued need to meet the needs of our customers, alongside working in a new hybrid environment. Focus in 2021, and into 2022, remains on meeting the enhanced Regulatory requirements around Resilience.
Data management and governance The risk that the confidentiality, integrity and/or availability of data held across the Group is compromised, or data is misused. The Group holds significant amounts of customer and financial data and there could be significant implications if this is compromised or is found to be inaccurate.	• A Group Data Governance and Management Committee is in place • Group Data Governance and Group Data Management and Information Security Policies are in place • A Group Data Optimisation Programme is in place which is responsible for ensuring the delivery of the data strategy and all aspects relating to the governance, management, use and control of the Group's data in line with regulatory requirements	Enhancements continue to be made to the governance, management, use and control of data, in order to meet the evolving requirements. It continues to be monitored and managed within the context of major change programmes.

Regulatory and conduct risk

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

Risk detail	Key mitigants	Change from last year
Regulatory risk The risk of regulatory sanction, operational disruption or reputational damage	• We undertake close monitoring of regulatory developments and use dedicated project teams supported by in-house and external legal experts	There continues to be a significant volume of regulatory change. We remain focused on the management of

from non-compliance with legal and regulatory requirements. We operate in a highly regulated environment which is experiencing a period of significant change.	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	regulatory change and therefore the overall risk level is unchanged. We also remain vigilant with our financial crime/sanction controls in response to the unfolding conflict in Ukraine.
Conduct risk The risk of unfair outcomes arising from the Group's conduct in the relationship with customers, or in performing our duties and obligations to our customers. We place customers at the centre of the business, aiming to treat them fairly and ethically, while safeguarding the interests of all other key stakeholders.	• There is ongoing staff training to that customer outcomes are fully considered in all business decisions • Customer charters have been implemented in all SBUs • Conduct Risk Reporting to relevant governing bodies is undertaken on a regular basis • Customer and conduct measures are used to assess remuneration	The probability of such risks crystallising have increased due to the on-going Covid-19 pandemic. However, we remain committed to placing customers at the centre of our practices and decision making, demonstrated by our wide-ranging industry awards and customer satisfaction scores. Overall the level of this risk is unchanged from 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	• 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.

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.		The external environment continues to drive a high inherent probability of reputational issues across all financial services companies. We continued to focus on serving our customers and ensuring fair treatment and clear communication, and are proud of the volume of Industry Awards we continue to win.

Statement of directors' responsibilities in respect of the financial statements

The following statement is extracted from page the Directors' report of the 2021 Annual Report & Accounts, and is repeated here for the purposes of the Disclosure and Transparency Rules. The statement relates solely to the Company's 2021 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 group and company financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities and financial position of the group and company, and of the profit of the group; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the group and company, together with a description of the principal risks and uncertainties that it faces.
- the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's and company's position and performance, business model and strategy.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2021

	2021	2020
	£000	£000
Revenue		
Gross written premiums	**486,211**	437,299
Outward reinsurance premiums	**(198,601)**	(173,074)
Net change in provision for unearned premiums	**(14,620)**	(16,562)
Net earned premiums	**272,990**	247,663
Fee and commission income	**81,547**	69,582
Other operating income	**1,136**	2,126
Net investment return	**101,067**	(4,298)
Total revenue	**456,740**	315,073
Expenses		
Claims and change in insurance liabilities	**(269,633)**	(222,794)
Reinsurance recoveries	**123,822**	94,581

Fees, commissions and other acquisition costs	**(95,896)**	(85,444)
Other operating and administrative expenses	**(135,632)**	(116,393)
Total operating expenses	**(377,339)**	(330,050)
Operating profit/(loss)	**79,401**	(14,977)
Finance costs	**(2,364)**	(769)
Profit/(loss) before tax	**77,037**	(15,746)
Tax (expense)/credit	**(17,648)**	526
Profit/(loss) for the year (attributable to equity holders of the Parent)	**59,389**	(15,220)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2021

	2021 **£000**	2020 £000
Profit/(loss) for the year	**59,389**	(15,220)
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Fair value losses on property	**-**	(15)
Actuarial gains/(losses) on retirement benefit plans	**38,660**	(17,318)
Attributable tax	**(8,098)**	3,521
	30,562	(13,812)
Items that may be reclassified subsequently to profit or loss:		
(Losses)/gains on currency translation differences	**(2,356)**	1,980
Gains/(losses) on net investment hedges	**1,912**	(2,339)
Attributable tax	**(183)**	265
	(627)	(94)
Net other comprehensive income/(expense)	**29,935**	(13,906)
Total comprehensive income/(loss) attributable to equity holders of the Parent	**89,324**	(29,126)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	Share capital £000	**Share premium £000**	**Revaluation reserve £000**	**Translation and hedging reserve £000**	**Retained earnings £000**	**Total £000**
At 1 January 2021	**120,477**	**4,632**	**599**	**18,230**	**425,290**	**569,228**
Profit for the year	**-**	**-**	**-**	**-**	***59,389***	***59,389***
Other net (expense)/income	**-**	**-**	***(18)***	***(627)***	***30,580***	***29,935***

Total comprehensive (expense)/income	**-**	**-**	**(18)**	**(627)**	**89,969**	**89,324**
Dividends	**-**	**-**	**-**	**-**	**(9,181)**	**(9,181)**
Gross charitable grant	**-**	**-**	**-**	**-**	**(21,000)**	**(21,000)**
Tax relief on charitable grant	**-**	**-**	**-**	**-**	**3,990**	**3,990**
Reserve transfers	**-**	**-**	**(313)**	**-**	**313**	**-**
At 31 December 2021	**120,477**	**4,632**	**268**	**17,603**	**489,381**	**632,361**
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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2021

	2021	2020
	£000	£000
Assets		
Goodwill and other intangible assets	**52,512**	54,353
Deferred acquisition costs	**46,027**	41,989
Deferred tax assets	**8,480**	1,078
Pension surplus	**28,304**	1,053
Property, plant and equipment	**35,245**	38,316
Investment property	**163,355**	142,142
Financial investments	**883,770**	820,777
Reinsurers' share of contract liabilities	**254,449**	208,677
Current tax recoverable	**5**	7,986
Other assets	**240,910**	216,570
Cash and cash equivalents	**114,036**	104,429
Total assets	**1,827,093**	1,637,370
Equity		
Share capital	**120,477**	120,477
Share premium account	**4,632**	4,632
Retained earnings and other reserves	**507,252**	444,119
Total shareholders' equity	**632,361**	569,228
Liabilities		
Insurance contract liabilities	**943,292**	868,649
Investment contract liabilities	**15,519**	-
Lease obligations	**22,738**	25,450
Provisions for other liabilities	**6,373**	6,499
Pension deficit	**-**	10,406
Retirement benefit obligations	**7,058**	6,530

Deferred tax liabilities	**48,355**	29,846
Current tax liabilities	**1,232**	1,293
Deferred income	**28,385**	25,908
Subordinated liabilities	**24,433**	-
Other liabilities	**97,347**	93,561
Total liabilities	**1,194,732**	1,068,142
Total shareholders' equity and liabilities	**1,827,093**	1,637,370

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2021

	2021	2020
	£000	£000
Profit/(loss) before tax	**77,037**	(15,746)
Adjustments for:		
Depreciation of property, plant and equipment	**6,155**	5,486
Revaluation of property, plant and equipment	**-**	(10)
Loss on disposal of property, plant and equipment	**24**	172
Amortisation and impairment of intangible assets	**856**	1,468
Loss on disposal of intangible assets	**4,765**	-
Net fair value (gains)/losses on financial instruments and investment property	**(58,340)**	18,602
Dividend and interest income	**(21,802)**	(21,814)
Finance costs	**2,364**	769
Adjustment for pension funding	**1,646**	1,003
Changes in operating assets and liabilities:		
Net increase in insurance contract liabilities	**83,952**	94,180
Net increase in investment contract liabilities	**15,519**	-
Net increase in reinsurers' share of contract liabilities	**(49,513)**	(45,101)
Net increase in deferred acquisition costs	**(4,376)**	(3,352)
Net increase in other assets	**(25,891)**	(35,369)
Net increase in operating liabilities	**8,472**	16,642
Net (decrease)/increase in other liabilities	**(234)**	1,298
Cash generated by operations	**40,634**	18,228
Purchases of financial instruments and investment property	**(186,514)**	(121,754)
Sale of financial instruments and investment property	**157,614**	151,531
Dividends received	**7,427**	6,255
Interest received	**14,068**	14,519
Tax paid	**(3,142)**	(2,756)
Net cash from operating activities	**30,087**	66,023
Cash flows from investing activities		
Purchases of property, plant and equipment	**(3,634)**	(6,028)
Proceeds from the sale of property, plant and equipment	**48**	1
Purchases of intangible assets	**(3,914)**	(15,602)
Acquisition of business, net of cash acquired	**-**	(822)
Net cash used by investing activities	**(7,500)**	(22,451)

Cash flows from financing activities		
Interest paid	**(2,364)**	(769)
Payment of lease liabilities	**(3,209)**	(5,090)
Proceeds from issue of subordinate debt, net of expenses	**25,014**	-
Dividends paid to Company's shareholders	**(9,181)**	(9,181)
Charitable grant paid to ultimate parent undertaking	**(21,000)**	-
Net cash used by financing activities	**(10,740)**	(15,040)
Net increase/(decrease) in cash and cash equivalents	**11,847**	28,532
Cash and cash equivalents at beginning of year	**104,429**	74,775
Exchange (losses)/gains on cash and cash equivalents	**(2,240)**	1,122
Cash and cash equivalents at end of year	**114,036**	104,429

NOTES TO THIS ANNUAL FINANCIAL REPORT ANNOUNCEMENT OF RESULTS

for the year ended 31 December 2021

1. Accounting policies

The Company has prepared this announcement of its consolidated results using the same accounting policies and methods of computation as the full financial statements for the year ended 31 December 2021 as prepared in accordance with UK-adopted IFRS applicable at 31 December 2021 issued by the International Accounting Standards Board (IASB).

A number of amendments and improvements to accounting standards have been issued by the International Accounting Standards Board (IASB), and endorsed by the UK, with an effective date of on or after 1 January 2021, and are therefore applicable for the 31 December 2021 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.*

2. General Information

Whilst the financial information included in this announcement has been prepared in accordance with the recognition and measurement criteria of IFRS, this announcement does not itself contain sufficient information to comply with IFRS. Full financial statements that comply with IFRS were approved by the Board of Directors on 17 March 2022.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2021 or 2020, but is derived from those accounts. Statutory accounts for 2020 have been delivered to the Registrar of Companies and those for 2021 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 17 March 2022.

Ecclesiastical Insurance Office plc is a subsidiary of Benefact Group plc (formerly 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 2021.

3. Insurance Risk

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

(a) Risk mitigation

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

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

(b) Concentrations of risk

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

The table below summarises written premiums for the financial year, before and after reinsurance, by territory and by class of business:

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

2020		General insurance				Life insurance
				Miscellaneous financial		

		Property	Liability	loss	Other	Whole of life	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
Total	Gross	304,506	110,946	17,605	4,230	12	437,299
	Net	150,603	102,360	10,363	887	12	264,225

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

(d) Life insurance risks

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

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

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

4. Financial risk and capital management

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

There has been no change from the prior period in the nature of the financial risks to which the Group is exposed. Despite the rollout of the Covid-19 vaccine programmes in 2021, the subsequent conflict in Ukraine and recent international economic sanctions means there is continued uncertainty in relation to the economic risks to which the Group is exposed. This includes equity price volatility, movements in exchange rates and long-term UK growth prospects. The Group's management and measurement of financial risks is informed by either stochastic modelling or stress testing techniques..

(a) Categories of financial instruments

(i) Categories applying IAS 39

	Financial assets				Financial liabilities					
	Designated at fair value £000	**Held for trading £000**	**Loans and receivables £000**	**Hedge accounted derivatives £000**	**Designated at fair value £000**	**Held for trading £000**	**Financial liabilities* £000**	**Hedge accounted derivatives £000**	**Other assets and liabilities £000**	**Total £000**
At 31 December 2021										
Financial investments	**882,350**	**336**	**670**	**414**	**-**	**-**	**-**	**-**	**-**	**883,770**
Other assets	**-**	**-**	**232,553**	**-**	**-**	**-**	**-**	**-**	**8,357**	**240,910**
Cash and cash equivalents	**-**	**-**	**114,036**	**-**	**-**	**-**	**-**	**-**	**-**	**114,036**
Lease obligations	**-**	**-**	**-**	**-**	**-**	**-**	**(22,738)**	**-**	**-**	**(22,738)**
Subordinated liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**(24,433)**	**-**	**-**	**(24,433)**
Other liabilities	**-**	**-**	**-**	**-**	**-**	**(331)**	**(68,103)**	**-**	**(13,394)**	**(81,828)**
Inv't contract liabilities	**-**	**-**	**-**	**-**	**(15,519)**	**-**	**-**	**-**	**-**	**(15,519)**
Net other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(461,837)**	**(461,837)**
Total	**882,350**	**336**	**347,259**	**414**	**(15,519)**	**(331)**	**(115,274)**	**-**	**(466,874)**	**632,361**
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

*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 note 1, 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.

	2021	2020

	SPPI financial assets £000	Other financial assets £000	Total financial assets £000	SPPI financial assets £000	Other financial assets £000	Total financial assets £000
Financial investments	**670**	**883,100**	**883,770**	746	820,031	820,777
Cash and cash equivalents	**114,036**	**-**	**114,036**	104,429	-	104,429
Other financial assets	**232,553**	**-**	**232,553**	211,475	-	211,475
Total fair value	**347,259**	**883,100**	**1,230,359**	316,650	820,031	1,136,681

There has been a £30,609,000 increase (2020: £62,109,000 increase) in the fair value of SPPI financial assets of the Group, and a £63,069,000 increase (2020: £32,112,000 decrease) 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 2021				
Financial assets at fair value through profit or loss				
Financial investments				
Equity securities	**281,169**	**186**	**68,947**	**350,302**
Debt securities	**515,953**	**1,412**	**34**	**517,399**
Structured notes	**-**	**14,649**	**-**	**14,649**
Derivatives	**-**	**336**	**-**	**336**
Hedged accounted derivatives	**-**	**414**	**-**	**414**
Total financial assets at fair value	**797,122**	**16,997**	**68,981**	**883,100**
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

In the current and prior year the derivative liabilities of the Group were measured at fair value through profit or loss. Derivative liabilities are categorised as level 2 (see note 22 to the full financial statements).

Fair value measurements based on level 3

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

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

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.

Structured notes (level 2)

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

Unlisted equity securities (level 3)

These financial assets are valued using observable net asset data, adjusted for unobservable inputs including comparable price-to-book ratios based on similar listed companies, 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 +/-£8m (2020: +/-£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, subordinated debt which has a fixed interest rate until 2030, 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 (2020: 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 27(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 2021				
Assets				
Debt securities	**6,120**	**26,768**	**63,819**	**96,707**
Cash and cash equivalents	**5,269**	**-**	**-**	**5,269**
	11,389	**26,768**	**63,819**	**101,976**
Liabilities (discounted)				
Life business provision	**4,787**	**16,686**	**52,436**	**73,909**
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

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 & Poor's 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 2021					
AAA	**-**	**-**	**-**	**-**	**171,502**
AA	**42,719**	**2,651**	**-**	**45,370**	**122,895**
A	**19,946**	**9,424**	**-**	**29,370**	**129,795**
BBB	**51,365**	**3**	**-**	**51,368**	**72,653**
Below BBB	**-**	**-**	**-**	**-**	**7,895**
Not rated	**6**	**505**	**220,640**	**221,151**	**12,659**
	114,036	**12,583**	**220,640**	**347,259**	**517,399**
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

*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:

	2021	2020
	£000	£000
UK	**265,506**	276,914
Australia	**104,530**	108,792
Canada	**119,622**	89,661
Europe	**27,741**	20,298
Total	**517,399**	495,665

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:

	2021		2020
	£000		£000
UK	**281,497**	UK	262,414
Europe	**68,619**	Europe	59,287
Hong Kong	**186**	Hong Kong	185
Total	**350,302**	Total	321,886

(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.

	2021		2020
	£000		£000
Aus $	**64,005**	Aus $	57,291
Can $	**46,087**	Can $	39,621
Euro	**11,054**	Euro	23,932
USD $	**2,345**	USD $	2,045
HKD $	**172**	HKD $	171

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 27 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 33 to the full financial statements, and other liabilities for which a maturity analysis is included in note 30 to the full financial statements, and subordinated debt 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 18 to the full financial statements.

Group		**Potential increase / (decrease) in profit**		**Potential increase / (decrease) in other equity reserves**	
Variable	**Change in variable**	**2021**	2020	**2021**	2020
		£000	£000	**£000**	£000
Interest rate risk	-100 basis points	**(6,797)**	(11,896)	**54**	(70)
	+100 basis points	**5,088**	6,153	**(48)**	44
Currency risk	-10%	**4,118**	2,833	**10,845**	9,715
	+10%	**(3,369)**	(2,318)	**(8,873)**	(7,948)
Equity price risk	+/-10%	**28,375**	26,073	**-**	-

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, Benefact Group plc. Consequently, there is no directly comparable solvency measure for EIO group. Quantitative returns are submitted to the PRA, in addition to an annual narrative report, the Solvency and Financial Condition Report (SFCR) which is also published on the company's website. A further report, the Regular Supervisory Report (RSR) is periodically submitted to the PRA.

EIO's Solvency II Own Funds will be subject to a separate independent audit, as part of the Group's process for Solvency II reporting to the PRA. The Group's regulated entities, EIO and ELL, expect to meet the deadline for submission to the PRA of 8 April 2022 and their respective SFCRs will be made available on the Group's website shortly thereafter. Benefact Group is also expected to meet its deadline for submission to the PRA of 20 May 2022, with its SFCR also being made available on the Group's website shortly after.

	2021 (unaudited)		2020 (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	**616,456**	**55,235**	518,562	49,259

Economic capital is the Group's own internal view of the level of capital required, and this measure is an integral part of the Own Risk and Solvency Assessment Report (ORSA) which is a private, internal forward-looking assessment of own risk, as required as part of the Solvency II regime. Risk appetite is set such that the target level of economic capital is always higher than the regulatory SCR.

5. Derivative financial instruments

The Group utilises derivatives to mitigate equity price risk arising from investments held at fair value, foreign exchange risk arising from investments denominated in foreign currencies, and foreign exchange risk arising from investments denominated in Sterling that contain underlying foreign currency exposure. These 'non-hedge' derivatives either do not qualify for hedge accounting or the option to hedge account has not been taken.

The Group has also formally designated certain derivatives as a hedge of its net investments in Australia and Canada. A gain of £1,912,000 (2020: loss of £2,339,000) in respect of these 'hedge' derivatives has been recognised in the hedging reserve within shareholders' equity, as disclosed in note 26 to the full financial statements. The Group has formally assessed and documented the effectiveness of derivatives that qualify for hedge accounting in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*.

	2021	2020
	Contract/	Contract/

	notional amount £000	Fair value asset £000	Fair value liability £000	notional Amount* £000	Fair value asset £000	Fair value liability £000
Non-hedge derivatives						
Equity/Index contracts						
Options	**34,695**	**334**	**296**	40,597	1,407	-
Foreign exchange contracts						
Forwards (Euro)	**99,369**	**2**	**35**	86,980	672	-
Hedge derivatives						
Foreign exchange contracts						
Forwards (Australian dollar)	**40,512**	**145**	**-**	41,231	-	1,244
Forwards (Canadian dollar)	**37,609**	**269**	**-**	30,269	401	-
	212,185	**750**	**331**	199,077	2,480	1,244

*The contract/notional amount in the prior year has been restated to reflect sterling values

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

All contracts designated as hedging instruments were fully effective in the current and prior year.

The notional amounts above reflect the aggregate of individual derivative positions on a gross basis and so give an indication of the overall scale of the derivative transactions. They do not reflect current market values of the open positions.

Derivative fair value assets are recognised within financial investments (note 21 of the full financial statements) and derivative fair value liabilities are recognised within other liabilities (note 30 of the full financial statements).

6. Translation and hedging reserve

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

The translation reserve arises on consolidation of the Group's foreign operations. The hedging reserve represents the cumulative amount of gains and losses on hedging instruments in respect of net investments in foreign operations.

7. Segment information

(a) Operating segments

The Group segments its business activities on the 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 and financial advisory services through Ecclesiastical Financial Advisory Services Limited.

- **Life business**

  Ecclesiastical Life Limited provides long-term policies to support funeral planning products. The business reopened in the year but remains closed to new insurance business.

- **Corporate costs**

  This includes costs associated with Group management activities.

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

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

	2021 Gross written premiums £000	Non-insurance services £000	Total £000	2020 Gross written premiums £000	Non-insurance services £000	Total £000
General business						
United Kingdom and Ireland	**297,235**	**-**	**297,235**	276,618	-	276,618
Australia	**93,365**	**-**	**93,365**	80,178	-	80,178
Canada	**91,610**	**-**	**91,610**	75,953	-	75,953
Other insurance operations	**4,010**	**-**	**4,010**	4,538	-	4,538
Total	**486,220**	**-**	**486,220**	437,287	-	437,287
Life business	**(9)**	**-**	**(9)**	12	-	12
Investment management	**-**	**14,908**	**14,908**	-	12,382	12,382
Broking and Advisory	**-**	**11,346**	**11,346**	-	9,458	9,458
Group revenue	**486,211**	**26,254**	**512,465**	437,299	21,840	459,139

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.

2021	***Combined operating ratio***	**Insurance £000**	**Investments £000**	**Other £000**	**Total £000**
General business					
United Kingdom and Ireland	***85.3%***	**24,952**	**87,106**	**(2,098)**	**109,960**
Australia	***156.9%***	**(13,306)**	**1,924**	**(34)**	**(11,416)**
Canada	***88.6%***	**7,065**	**246**	**(156)**	**7,155**
Other insurance operations		**(9,952)**	**(133)**	**-**	**(10,085)**
	96.8%	**8,759**	**89,143**	**(2,288)**	**95,614**
Life business		**1,117**	**3,981**	**-**	**5,098**
Investment management		**-**	**-**	**(2,525)**	**(2,525)**
Broking and Advisory		**-**	**-**	**2,984**	**2,984**
Corporate costs		**-**	**-**	**(24,134)**	**(24,134)**
Profit/(loss) before tax		**9,876**	**93,124**	**(25,963)**	**77,037**

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)

(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:

	2021		2020	
	Gross written premiums £000	**Non-current assets £000**	Gross written premiums £000	Non-current assets £000
United Kingdom and Ireland	**301,236**	**301,523**	281,168	276,236
Australia	**93,365**	**2,925**	80,178	6,114
Canada	**91,610**	**6,227**	75,953	6,946
	486,211	**310,675**	437,299	289,296

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

8. 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.

The table below provodes 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 the Financial Risk and Capital Management note to this announcement.

		2021						
		Insurance		**Inv'mnt return**	**Inv'mnt mngt**	**Broking and Advisory**	**Corporate costs**	**Total**
		General	**Life**					
		£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Revenue								
Gross written premiums		**486,220**	**(9)**	**-**	**-**	**-**	**-**	**486,211**
Outward reinsurance premiums		**(198,601)**	**-**	**-**	**-**	**-**	**-**	**(198,601)**
Net change in provision for unearned premiums		**(14,620)**	**-**	**-**	**-**	**-**	**-**	**(14,620)**
Net earned premiums	[1]	**272,999**	**(9)**	**-**	**-**	**-**	**-**	**272,990**
Fee and commission income	[2]	**55,417**	**-**	**-**	**14,908**	**11,222**	**-**	**81,547**
Other operating income		**1,136**	**-**	**-**	**-**	**-**	**-**	**1,136**

Net investment return		**-**	**3,939**	**96,358**	**6**	**764**	**-**	**101,067**
Total revenue		**329,552**	**3,930**	**96,358**	**14,914**	**11,986**	**-**	**456,740**
Expenses								
Claims and change in insurance liabilities		**(267,291)**	**(2,342)**	**-**	**-**	**-**	**-**	**(269,633)**
Reinsurance recoveries		**123,822**	**-**	**-**	**-**	**-**	**-**	**123,822**
Fees, commissions and other acquisition costs	[3]	**(95,628)**	**(21)**	**-**	**(979)**	**732**	**-**	**(95,896)**
Other operating and administrative expenses	[4]	**(81,696)**	**(450)**	**(3,234)**	**(16,460)**	**(9,658)**	[5] **(24,134)**	**(135,632)**
Total operating expenses		**(320,793)**	**(2,813)**	**(3,234)**	**(17,439)**	**(8,926)**	**(24,134)**	**(377,339)**
Operating profit	[6]	**8,759**	**1,117**	**93,124**	**(2,525)**	**3,060**	**(24,134)**	**79,401**
Finance costs		**(2,288)**	**-**	**-**	**-**	**(76)**	**-**	**(2,364)**
Profit before tax		**6,471**	**1,117**	**93,124**	**(2,525)**	**2,984**	**(24,134)**	**77,037**
Underwriting profit	[6]	**8,759**						
Combined operating ratio		**96.8%**						
Net expenses (= [2]+[3]+[4]+[5])	[7]	**(146,041)**						
Net expense ratio		**53%**						

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].

					2020			
		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		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
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/(loss)	[6]	12,052	468	(7,413)	(1,031)	2,480	(21,533)	(14,977)
Finance costs		(686)	-	-	-	(83)	-	(769)
Profit/(loss) 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%						

9. 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 36 to the full financial statements.