Ecclesiastical Insurance Office plc announces results
for the year ended 31 December 2019

Robust underwriting profits and a strong investment return

Ecclesiastical Insurance Office plc ("Ecclesiastical"), the specialist financial services group, today announces its full year 2019 results.

Highlights

- Profit before tax of £73.3m (2018: £15.4m)
- Investment returns of £74.4m (2018: £4.0m), reflecting recovery of markets following a downturn at the end of 2018
- Underwriting profit of £20.0m (2018: £29.2m), giving a Group COR[1] of 91.1% (2018: 86.4%). Underwriting profit reflects strong current year performance, and lower reserve releases compared with prior year
- Gross written premium (GWP) increased by 10% to £394.0m (2018: £357.0m), supported by strong retention levels in existing markets and substantial growth in overseas territories
- More than £32m was donated to charities during 2019 (2018: £18.8m). Over £96m of charitable donations have been made since 2016 towards our target of £100m by the end of 2020
- Continued external recognition of the Group as a trusted and specialist financial services organisation. This included being named as the UK's best and most trusted insurer for the tenth time by independent ratings agency Fairer Finance, and EdenTree winning MoneyFacts Best Ethical Investment Provider for the 11th year in a row

[1] Alternative performance measure, refer to the Reconciliation of Alternative Performance Measures note to this announcement for further explanation

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

"2019 was another successful year for Ecclesiastical as we continued to focus on delivering sustainable and profitable growth for the long-term. I'm pleased to report an increase in pre-tax profits of £73.3m (2018: £15.4m) driven by strong investment returns. Underwriting results were again strong across the group at £20.0m (2018: £29.4m) and reflected anticipated lower reserve releases compared to prior year. This robust performance has strengthened our capital position which provides us with security today - including the ability to withstand any temporary economic disruption – as well as flexibility for the future.

"Thanks to the incredible support of our customers, brokers, business partners, employees and all our supporters, I am pleased to report that in 2019 we donated over £32m to charities. This takes our total donations since 2016 to over £96m and across the group we have now supported over 7,000 charities worldwide. With this wide ranging support, we are now within short reach of our £100m target and hope to achieve it by the end of 2020.

"Our focus on sustainable growth over the past few years has enabled us to invest significantly in the future of our business and 2019 saw us push forward with our ambitious plans. Work on our new head office is on schedule to be complete by the end of the year and we have continued to invest in new systems and technology, most notably the ongoing development of a new strategic UK General Insurance system which, once live, will help us to provide our customers and brokers with an enhanced experience and give us better processes and capacity.

"In line with our strategic goal to be the most trusted and ethical specialist financial services group, we have continued to win external accolades for the way we do business. For the tenth consecutive time, we were named by Fairer Finance as the best and most trusted provider of UK home insurance while EdenTree, our investment management business, was named MoneyFacts Best Ethical Investment Provider for the 11th year in a row. Our UK General

Insurance business claimed two Insurance Post “Claims Awards”, recognising the exceptional service and lengths our teams go to in order to ensure our customers are in safe hands.”

ECCLESIASTICAL INSURANCE OFFICE PLC

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The Company has now approved its annual report and accounts for 2019.

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 2019. The annual report and accounts will be available on or before 1 April 2020 on the Company’s website at www.ecclesiastical.com. Copies of the audited financial statements are also available from the registered office at Beaufort House, Brunswick Road, Gloucester GL1 1JZ.

A copy of the Company’s statutory accounts for the year ended 31 December 2019 will be submitted to the National Storage Mechanism and will shortly be available for inspection at www.morningstar.co.uk

Chairman’s Statement

My first year

This is my first annual statement as Chairman and it’s been a pleasure and privilege to have led the Group following my appointment in March 2019. Over the past year, I’ve enjoyed visiting our businesses across the UK and also in Canada and Ireland, and am looking forward to visiting our Australia business this year. I’ve had the opportunity to meet some of our customers and talented colleagues and I have been thoroughly impressed to see, at first hand, just how much our customers value our expertise. We put customers at the heart of everything we do and because of that, I am delighted to say it’s been another successful year. My heart-felt thanks to everyone who has worked so hard to deliver these significant financial results that enable us to recycle our profits back into the communities in which we do our business. The more we make, the more we can give away.

A strong set of results

It is our unique charitable purpose that makes us special. Our charitable ownership continuously influences the way we do our business and our approach to growth. We believe in taking the long-term view and we believe growth must be sustainable. It is a business model that works and I am delighted that the Group’s strong performance has allowed us to donate £30m to our charitable owner and over £2m to the good causes we support directly through our Corporate Social Responsibility programme. We ended 2019 having given over £96m in total to good causes since 2016 and are now only a short way from reaching our £100m target by the end of 2020.

Achievements and reflections

In the past few years, the Group has been through a period of change. This change programme has continued to strengthen our core insurance business as well as expand our other portfolios and specialisms. In 2019 our immediate parent, Ecclesiastical Insurance Group plc, expanded the broking business with investments in Robertson-McIsaac and Lloyd & Whyte which both offer niche specialist insurance services.

In late 2020, we will relocate our Gloucestershire head office to a purpose-built unit which will house all of our people in the area. I am pleased that sustainability, energy efficiency and environmental impacts have been a significant consideration for this development.

We have also invested in the development of a new system for the UK General Insurance business to provide our customers and brokers with an enhanced experience and give us better processes and capacity.

Board developments and governance

In 2019 we were delighted to welcome Denise Cockrem, the Group’s Chief Financial Officer, as an Executive Director to the Board. We were also delighted to welcome Angus Winther and Francois-Xaviar Boisseau to the Board as Non-Executive Directors during the year and Neil Maidment as a Non-Executive Director in January 2020. Their diversity of skills and experience across the insurance and financial services sector adds to the constructive challenge and support the Board provides to the executive management team.

The Board and I were also delighted that Tim Carroll, who has served on the Board since 2013, has now taken up the position of Chairman of our charitable parent company, Allchurches Trust Limited. We thank Tim for his service to the Ecclesiastical Group and look forward to working with him in his new role.

We are also committed to supporting our people right across the business, at every level and from every background so we can develop a sustainable pool of talent and allow them to develop their careers with us.

The future

As the Board looks towards the next chapter for Ecclesiastical, it is especially critical that we respond to broader issues of sustainability and climate change. Our people are often on the front line of flooding and other natural catastrophes and it has never been more important to focus on our risk management services and try to prevent disaster before it happens. Given the depth of our expertise we are well placed to play our part in making a better, safer future for all. Added to that, we believe we are also proving that a different way of doing business is possible.

A way that makes returns beyond conventional shareholders to a broader, diverse group of stakeholders, including the most vulnerable and needy in society. Nothing would please us more than to encourage others to join us and create a movement for good.

Chief Executive's Report

A unique business with a clear and caring purpose

In the world of financial services, Ecclesiastical treads a very different path. Over 130 years ago, our founders created a commercial company with a charitable purpose. Today, we are one of the largest corporate donors to charity in the UK, contributing to thousands of good causes in this country and abroad.

Owned by a charity we are not driven by the need to grow at any cost in order to satisfy short-term shareholder demands. Instead we are driven to build a sustainable, ethical, values driven business that supports and cares for its customers, their communities and society as a whole. We do this by using our specialist expertise to provide products, cover and service that customers value and trust.

We seek to provide insurance that you can believe in rather than cheap insurance that may not provide the cover you expected at your time of need.

It is for this reason that we continue to be trusted to protect and preserve so much of the country's irreplaceable heritage and history, covering many of the nation's most iconic palaces, castles, estates, World Heritage Sites, churches and cathedrals. In fact we are a leading insurer of Grade I listed buildings in England, including places like St Paul's Cathedral and Westminster Abbey that are recognised by millions of people around the world.

Building a Movement for Good, thanks to your support

In 2016, we announced a new strategic goal for the Group that built on our ethical foundations. It was clear, stretching and inspirational.

To work together to be the most trusted and ethical specialist financial services group, giving £100m to charity.

Thanks to the incredible support of our customers, brokers, business partners, employees and all our supporters, I am pleased to report that in 2019, together, we donated over £32m to charities. This takes our total donations to over £96m and we have now supported over 7,000 charities worldwide. With this wide ranging support, we are now within short reach of our £100m target and hope to achieve it by the end of 2020.

Of course, whilst it is easy to focus on the impressive numbers that headline this achievement, it is the positive impact these donations have made to so many people's lives which is truly inspiring. We are very proud to have supported charities tackling so many different and important issues. Their work is lifting people out of poverty, making society more inclusive and strengthening communities. But their work also shares a common aim – to change lives for the better and make a positive impact.

Looking at all the charities we've supported, and the many thank you letters received, is a humbling and uplifting experience. It is an experience that inspires us all to get behind our charitable purpose and build and widen our movement for good so that more people can benefit.

Always learning from our customers

As a business we strive to do the right thing; it is part of our DNA. But we are only human and, given the breadth and depth of our global Group, it is inevitable there will be times - hopefully few and far between - when we fall short of our

own high standards. When this happens it is important that we learn from this and recognise where we can do things better.

Over the years, this approach of continuous learning has led to exceptionally high UK customer satisfaction levels, at 97%-99% across all sectors.

Overall we successfully deal with thousands of claims every year and I am pleased to report that 98% of surveyed customers were satisfied with how we handled their claim last year, and 93% being very and extremely satisfied, which is consistent with previous years.

However, there have been a few claims relating to historical sexual abuse over 30 years ago, which have been difficult to handle to the satisfaction of all concerned. I am speaking here of claims for physical and sexual abuse which represent a very small percentage of our total claims (less than 0.4%), but are particularly traumatic and challenging for victims and survivors and must therefore be conducted with sensitivity, empathy and compassion. Sadly for a very small number of survivors, the experience of bringing a claim has been a difficult and painful process, not helped by the adversarial nature of the civil justice system within which we must all work.

To this end, we welcome the work of the Independent Inquiry into Child Sexual Abuse, IICSA, and have contributed positively to the Inquiry's consideration of how the civil justice system can better deliver reparations to victims and survivors. Ecclesiastical works hard to settle claims fairly on a full and final basis with the agreement of its claimants and with the benefit of such claimants normally having received independent legal advice. While we do not always get everything right, EIO itself strives for the highest standards in the industry and we were the first insurer to introduce and publish clear guiding principles having obtained survivors input. We have also taken a lead in working with a number of claimant solicitors to improve the claims experience within the current civil justice system and have introduced several positive changes including offering the services of psychological rehabilitation specialists Moving Minds to offer counselling support for every claimant.

That said, it is clearly impossible to turn back time and undo the damage of childhood abuse, and so we all continue to learn how best to support and help those who have experienced it within the Church or elsewhere. Moreover we encourage and support the Church and many of our customers on the implementation of strong safeguarding practices so that childhood abuse is prevented in the first place.

Striving for continual improvement is essential for any business, but is vital for one with a purpose like ours. I am delighted that these efforts have led to external recognition on a wide front.

Delivering for society and our customers

We recognise there remains a lack of trust in businesses, and every year the leading global trust survey shows the financial services sector as having the lowest level of trust[1]. Against this background, I am especially pleased that some of our businesses were positively recognised by independent bodies for their exceptional contributions. Of note, in 2019:

- Ecclesiastical was rated as the "Most Trusted" home insurer in the UK by Fairer Finance. It also scored top for customer happiness
- Ecclesiastical won the "Public Safety Award" at the CIR Risk Management Awards for their Cyber Ready toolkit
- Our UK General Insurance business claimed two Insurance Post "Claims Awards", recognising the exceptional service and lengths our teams go to in order to ensure our customers are in safe hands
- Ecclesiastical Canada were recognised as a "Top Employer in Greater Toronto" and for the eighth consecutive year as one of Canada's "Top Employers for Young People"
- EdenTree, our pioneering investment management business picked up the Moneyfacts "Best Ethical Investment Provider" for the 11th year running
- Ecclesiastical Financial Advisory Services were recognised as the "Best Firm, South West" in the Local Hero Mortgage Awards
- SEIB, our broking business, won "Personal Lines Broker of the Year" at the British Claims Awards

And recognising our focus is on more than just providing outstanding service to our customers:

- Ecclesiastical won the "Best Corporate Communications Campaign" and "Best Low Budget Campaign" for the Movement for Good Awards PR campaign at the CIPR awards
- Ecclesiastical Canada won "Excellence in Philanthropy and Community Service" at the Insurance Business Awards

Of course awards such as these only transpire following years and years of focus by dedicated individuals working hard to do the right thing. A few deserve a special mention this year:

- Our SEIB Deputy CEO was awarded “Insurance Broker of the Year” at the Women in Insurance Awards
- Our EdenTree Chief Investment Officer once again made it to the “FE Alpha Manager Hall of Fame” for long term performance and consistency
- One of our talented claims team won the “New Professional of the Year” award from the Chartered Insurance Institute

The trust placed in us is not something we take for granted and we will continue to invest and work hard to ensure our customers receive exceptional service and performance.

[1] 2019 Edelman Trust Barometer Global Report

A sustainable and resilient business

I am pleased to report that we concluded 2019 in a position of financial strength, reporting a pre-tax profit of £73.3m, (2018: £15.4m) and have benefited from the more favourable investment markets in 2019. This robust performance has not only enabled us to make a £30m charitable grant, it has further strengthened our capital position which provides us with both security today and flexibility for the future.

Taking a long-term perspective together with maintaining our strong solvency ratio continues to enable us to hold a greater proportion of higher risk investment assets which are designed to deliver greater returns. Notwithstanding the uncertainty in the external environment which affected the markets during the latter parts of 2018 and the majority of 2019, our long-term investment approach remained consistent resulting in investment income in the year of £34.8m (2018: £35.3m) and fair value gains of £52.1m (2018: fair value losses of £35.4m). Underwriting results in the year were strong across the group at £20.0m (2018: £29.2m) and reflected the anticipated reduction in reserves releases compared with prior year.

Our diverse portfolio of companies, not least in the core insurance businesses, have supported our objective for delivering sustainable and profitable growth for the long-term.

Group Gross Written Premium (GWP) has grown 10.4% to £394m (2018: £357m). During the year we continued to focus on delivering profits that are sustainable for the long-term, so we can continue to deliver our charitable purpose.

Our strategy for a sustainable future

Over the last few years we have made good progress on our journey to become the most trusted and ethical specialist financial services group and have given significantly to good causes. We empowered and invested in our people who have transformed the Group with an ambitious change programme, which continues to gain momentum. As such we now enter 2020 from a position of strength. We still have our sights firmly set on reaching £100m to charity in 2020 and believe we are well positioned to capture the opportunities that lie ahead.

A year or so ago, at around the time of our 130th year as “Ecclesiastical”, we took the decision to take a fresh look at our brand. At a time when businesses continue to come under scrutiny for questionable behaviours, we concluded that it has never been so important to celebrate our charitable ownership and the unique business model that differentiates us from others. Over the coming years, while keeping faithful to our origins, we will be introducing some changes to our brand to reflect better the diversity of financial businesses within the Ecclesiastical Group.

In addition to investing in our people and brand, we have also continued to invest in new systems and technology, helping our businesses to innovate with purpose and increase our agility and efficiency. Some of these projects will span over a number of years, not least the development of a new strategic UK General Insurance system which, once live, will help us to provide our customers and brokers with an enhanced experience and give us better processes and capacity.

The insurance market remains a highly competitive one, and we see this continuing. However, we are confident we can continue to confront such challenges as our depth of expertise, reputation and focus on doing the right thing for our customers put us in a position of strength. Coupled with our financial strength and an ethical approach, this provides the foundation on which we will continue to build our business and deliver our vision.

In early 2020, the existence of a new coronavirus, now known as COVID-19, was confirmed and since this time it has spread across the globe and is now characterised by the World Health Organisation as a pandemic. We are managing the impact of COVID-19, utilising business continuity and risk management processes where appropriate. Our capital resources can withstand significant short-term temporary market disruption. Whilst there is the potential for the outbreak to impact on our day to day operations, we have plans in place to ensure that we can continue to provide critical services to our customers. Serving our customers and the health, safety and well-being of our employees will be our priority throughout the duration of the outbreak.

Working together for the greater good

With our £100m charitable target within our near term grasp, we remain energised and inspired to work together for our customers and society.

The progress we have made and the speed we have done it would not be possible were it not for the dedication of our specialist teams worldwide. As such, the Board and I say “Thank You” to our exceptional colleagues who, no matter where they might be in the business, will always put doing what is right for our customers and our charitable purpose at the centre of everything they do. And thank you all for helping those who need it most with your tireless fundraising, volunteering and nomination of good causes.

Moreover, thank you to our customers, brokers and business partners for trusting us with their business and allowing us to champion the many worthwhile causes they care about.

To those who are reading about Ecclesiastical for the first time, I invite you to join us, whether as a colleague, customer or business partner, and experience for yourself how it is possible to do business differently. Because I believe that together, we are creating something very special – a movement for good that touches and transforms lives in our homes, in our communities, in this country and abroad.

Each day, we each make a small step forward - helping our customers or beneficiaries. Each day, we’re building a movement for good. And together we are capable of more than you can imagine.

Financial Performance Report

Our 2019 results have delivered a pre-tax profit of £73.3m (2018: £15.4m) and are a demonstration of our long-term objective to deliver sustainable profitable growth. We continue to be a trusted partner to our brokers and customers, and this is reflected in our high retention and satisfaction levels, which supports our growth in revenue. Our business is managed for a long-term view of risk and as a result, we have a strong capital position that can withstand short-term volatility.

The recovery of the market from Q4 2018 and subsequent favourable investment market conditions resulted in fair value gains on financial instruments of £56.0m (2018: losses of £35.5m) and our underwriting profit remained strong at £20.0m, (2018: £29.2m).

To support our growth and sustainability ambitions we have continued to invest in our people, technology and our real estate. The development of our new general insurance underwriting platform is progressing well and has been designed to provide an outstanding customer, broker and employee experience.

We made charitable grants of £32.5m (2018: £18.8m) for the year as part of our commitment towards the £100m target by 2020 and have seen the positive and substantial impact this charitable giving makes to people’s lives.

General insurance

Our underwriting performance for the year was in line with expectations and returned a profit of £20.0m (2018: £29.2m profit), and a Group COR[1] of 91.1% (2018: 86.4%). We delivered good growth and steady underwriting profits. We’ve seen the results of strengthening reserves in the Australian and Canadian businesses and began to see the impacts of anticipated lower prior year releases.

[1] Alternative performance measure, refer to the Reconciliation of Alternative Performance Measures note to this announcement for further explanation.

United Kingdom and Ireland

The UK and Ireland reported an underwriting profit of £20.4m (2018: £29.4m profit) and a COR of 86.8% (2018: 80.2%). This represents another good performance with a favourable result on the liability account and a solid outturn on the property book. As expected, the level of prior year releases in 2019 was significantly lower than in 2018 and this has resulted in an overall reduction in the underwriting result in 2019. We anticipate this reduction to continue, with a greater contribution coming from our current year underwriting performance. The underwriting result on the property account was similar to 2018 due to an absence of large weather events, although we experienced an increase in theft and subsidence claims during 2019. The current year loss ratios are better than expectations due to the absence of catastrophe events. The underwriting result from the liability account continues to perform favourably.

The claims releases that we have seen this year have come from historical claims that have settled more favourably than expected. The run-off of unprofitable business exited in 2012 and 2013, combined with the prudent approach to reserving have positively impacted the overall result over the last four years.

In 2019, GWP grew by 6.2% to £257m (2018: £242m).Trading conditions across the year remained competitive and we expect they will continue to be so. The education sector was particularly competitive, although we observed some market hardening in property, specifically for risks with large exposures such as heritage buildings. We have continued to achieve high levels of retention across our UK and Ireland business whilst also carrying positive rate change, which demonstrates the strength of our proposition and reputation for exceptional service. Our Real Estate and Art & Private Client business delivered particularly strong growth. GWP in respect of our Faith business remained in line with prior year reflecting a good result in a competitive market.

We expect the market to continue to harden in property, and casualty may follow. Education is likely to remain a key competitive area as the Government's risk protection arrangement (RPA) now attracts local authority maintained schools in addition to academies. This has left the independent schools sector exposed to competition from all education insurers.

This hardening of certain parts of the property market provides us with the opportunity to improve overall rate strength and to acquire good quality new business at profitable rates.

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

Ansvar Australia

Our Australian business reported an underwriting loss of AUD$6.0m resulting in a COR of 114.1% (2018: AUD$2.5m profit, COR of 93.7%). The liability account was adversely impacted by the strengthening of physical and sexual abuse (PSA) reserves. We saw a higher than expected number of claims, a strengthening across industry as the process for claimants evolves following the conclusion of the Royal Commission, together with development in some high profile cases. The property account was also adversely impacted by higher claims handling expenses and risk margins following the Townsville flood event. GWP grew by 24.6% in local currency to AUD$126.5m (2018: AUD$101.6m) with strong retention and rate increases.

Canada

Our Canadian business continued its track record of delivering premium growth, reporting a 17% increase in the branch's contribution towards Group GWP at CAD$109.5m (2018: CAD$93.5m) supported by strong retention, growth in new business and rating increases.

Canada reported underwriting profit of CAD$3.4m resulting in a COR of 95.1% (2018: CAD$4.5m loss, COR of 106.5%). The property book performed well with good current year experience driven by fewer large losses and the favourable development of prior year claims, helping to offset the impact of a series of weather events during the first and third quarters. The underwriting result from the liability account was adverse as reserves were strengthened in older years for PSA claims

Other insurance operations

General insurance profits benefited from favourable releases of prior year reserves from our businesses in run-off resulting in an overall profit of £0.6m (2018: £1.0m profit). As expected, the level of prior year reserve releases in 2019 was lower than experienced in 2018.

Investments

We saw a far less volatile end to 2019 compared with 2018, with strong returns in UK and worldwide stock markets resulting in a net investment return of £74.4m (2018: £4.0m). Income from financial assets remained stable at £26.2m (2018: £27.0m) reflecting the continued low interest rate environment and downwards pressure on yields. Fair value gains on financial instruments of £56.0m contrasted with losses of £35.5m in 2018, as both equities and bonds strengthened over the year, with the UK market in particular benefiting latterly from renewed confidence. In spite of this strong 2019 result, there remains as ever political and economic uncertainty which could impact the performance of our investments, and as for all businesses, we are subject to the consequences of disruption that events such as the current Coronavirus outbreak can have on financial markets. Nevertheless we remain confident in our long-term value investment philosophy, and are relatively defensively positioned and well diversified across a broad range of asset classes.

Within our UK equity portfolio, the mid-cap bias proved beneficial as the FTSE 250 index outperformed the FTSE AllShare index by 10%, driven in large part by fourth quarter strength as the election of a majority Government reduced Brexit uncertainty.

Our directly-held sterling bond portfolio underperformed the FTSE Gilts benchmark by 2.8% due to our greater exposure to short dated bonds, which we hold for liability matching and liquidity management purposes. In the final quarter, as yields improved, we saw the benefit of our shorter dated portfolio in our portfolio's performance. The fixed interest portfolio also benefited as a result of allocation to corporate bonds where narrowing credit spreads drove higher returns relative to gilts.

The downward movement in bond yields led to a decrease in the discount rate applied to long-tail general insurance liabilities. The change in discount rate on those liabilities resulted in a £12.4m loss recognised within investment returns (2018: £4.1m profit).

Investment management

The Group's investment management business, EdenTree, continued to develop its presence in the charity and institutional markets. Net inflows of £219m (2018: £181m) were the highest in EdenTree's history.

Global equity markets delivered double digit returns over the year and coupled with strong net fund inflows resulted in total funds under management increasing by 14% to £3.1bn (2018: £2.7bn).

Fee income was marginally ahead at £12.8m (2018: £12.6m). Overheads have increased by 13% in the year primarily from our continued investment in people and technology to support delivery of future growth plans. As a result, our investment management business reported a loss before tax of £0.3m (2018: profit before tax £0.9m).

Long-term insurance

Our life insurance business, which is closed to new business, reported a profit before tax of £0.3m for the year (2018: £1.6m). Assets and liabilities are well matched, and the small profit is in line with our expectations for this business as it runs off.

Broking and advisory

Overall, broking and advisory had modest growth in income and profit, reporting a profit before tax of £2.1m (2018: £2.0m). This area of our business includes our insurance broker, South Essex Insurance Brokers (SEIB), our financial advisory businesses, Ecclesiastical Financial Advisory Services (EFAS) and Ansvar Risk Management Services (ARMS). SEIB reported an increase in profit before tax to £2.6m (2018: £2.4m). EFAS reported a loss of £0.4m in the year (2018: £0.2m loss).

Outlook

The Group takes a long-term view to managing and investing in the business and our 2019 financial results, including our strong capital position, is reflective of this approach. The decisions we take are also made with a focus on delivering sustainable profitability and our vision to be the most trusted and ethical financial services group. As we look forward to 2020 and beyond, we will exercise caution where our businesses may need to operate around uncertainty and market disruption. We will continue to focus on delivering sustainable profit growth and remain optimistic about the opportunities to continue to evolve our business for the greater good of society and to make a positive impact on people's lives.

Directors' Report

Principal activities

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

Ownership

At the date of this report, the entire issued Ordinary share capital of the Company and 3.16% of the issued 8.625% Non-Cumulative Irredeemable Preference Shares of £1 each ('Preference shares') were owned by Ecclesiastical

Insurance Group plc. In turn, the entire issued Ordinary share capital of Ecclesiastical Insurance Group plc was owned by Allchurches Trust Limited, the ultimate parent of the Group.

Dividends

Dividends paid on the Preference shares were £9,181,000 (2018: £9,181,000).

The directors do not recommend a final dividend on the Ordinary shares (2018: £nil), and no interim dividends were paid in respect of either the current or prior year.

Charitable and political donations

Charitable donations paid, and provided for, by the Group in the year amounted to £32.5 million (2018: £18.8 million).

During the last 10 years, a total of £188.2 million (2018: £165.0 million) has been provided by Group companies for church and charitable purposes.

It is the Company's policy not to make political donations. No political donations were made in the year (2018: £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 £857.9m, 91% of which are liquid (2018: financial investments of £799.0m, 92% liquid), cash and cash equivalents of £74.8m and no borrowings (2018: cash and cash equivalents of £109.4m and no borrowings). Liquid financial investments consist of listed equities and open-ended investment companies, government bonds and listed debt. The Group also has a strong risk management framework and solvency position, is well placed to withstand significant short-term market disruption and has proved resilient to stress testing. As a consequence, the directors have a reasonable expectation that the Group is well placed to manage its business risks successfully and continue in operational existence for at least 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Risk Management

Introduction

Strong governance is fundamental to what we do and drives the ongoing embedding of our enterprise-wide risk management framework. This provides the tools, guidance, policies, standards and defined responsibilities to enable us to achieve our strategy and objectives and ensure that individual and aggregated risks to our objectives are identified and managed on a consistent basis.

The risk management framework is integrated into the culture of the Group and is owned by the Board. Responsibility for implementation and oversight is delegated via the Group Chief Executive to the Group Risk Function, led by the Group Chief Risk Officer (CRO).

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 (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 Group Risk Committee (GRC) allocates responsibility for each of the risks to individual members of the Group's executive management team. Formal monitoring of the key strategic risks is undertaken quarterly including progress of risk management actions and is overseen by the 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 (TORs) of board sub committees, management and executive forums, position descriptions and functional charters.

The Group's Risk Management Framework itself 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 reporting, oversight and challenge of risk profiles and risk management activities within each of the business units. This includes Executive Risk Management Committees (Insurance, Market and Investment and Operational, Regulatory and Conduct Risk and is subject to oversight and challenge by the GRC
- 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 feels is appropriate for the Group as we pursue our business objectives. It is defined in line with the different categories of risk that the Group faces, and provides the backdrop against which the business plan is developed and validated. This ensures that the risk profile resulting from the business plan is in line with the risk-taking expectations of the Board. Compliance with the risk appetite is formally monitored every quarter and reported to the GRC at each meeting.

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

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

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

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

Risk environment

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

The uncertainty around Brexit continued during 2019 although reduced by year end. The main risk identified for the Group as a result of Brexit was the loss of its ability to carry out business in the Republic of Ireland using the freedom to provide services currently afforded by the United Kingdom's membership of the EU. This risk has been mitigated as during 2019 approval in principle was obtained for the Ireland branch to become regulated by the Central Bank of Ireland as a Third Country branch after Brexit. The Group has no other material business elsewhere in the EU. The remaining uncertainty of the outcome of Brexit has the potential to result in adverse economic conditions and affect the value of our investments and our customers. We have not identified any further material risks to our business as a result of Brexit and we continue to monitor this position as well as the potential impact of other risks such as global trade disputes.

During 2019 we maintained our existing investment approach and made no material changes to our asset mix. We continue to hold a diversified portfolio of assets including equities which we believe remain a good prospect for long-term returns. Consequently, we take a relatively high level of market risk which is well understood and closely managed. The defined benefit pension scheme was closed to future accrual from June 2019 which will enable further reductions in the risk associated with the scheme.

Within the insurance businesses of the Group and in the wider markets firms continue to enhance their analytical skills and deepen their portfolio knowledge. Therefore, high quality technical underwriting standards, pricing and portfolio management abilities are increasingly important to ensure business written and retained is profitable. Our strategy is to achieve controlled and profitable growth within our defined niches.

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 have participated in one of the investigations during 2019. We are monitoring this inquiry, and also developments in the other territories in which we operate to determine the potential impacts on these claims.

Competitor activity is an ever present risk across all our business operations and chosen niches. This could have an adverse impact on our ability to charge the appropriate price for a risk, threaten our growth plans or even lead to a decline in scale with resultant adverse financial impact.

Regulatory change continued during 2019 including the extension of the Senior Managers and Certification Regime to additional companies within the Group. 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.

Cyber risk continues to evolve at a pace. We hold customer data and therefore any event involving a significant loss of such data could result in harm to the data subjects, significant operational disruption and an impact on our service to customers as well as sizeable regulatory fines and reputational damage. The increased societal focus on data security and appropriateness of use, through regulations such as GDPR, results in increased scrutiny and prominence.

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, we are considering the actions that we should be taking to mitigate and manage these risks now. Our potential exposures include transition risk, primarily related to our investment portfolio, and physical risk affecting the insurance risks that we cover.

The Group considers COVID-19 a new emerging risk. The Group has business continuity plans in place and a crisis management team has been active in preparing for responses to this event. The Group will continue to monitor the situation and the advice from Governments and relevant health authorities in the countries we operate in as the outbreak evolves and will take appropriate action.

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 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 adherence • 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	There have not been material changes to this risk during the year. We continue to focus on managing our portfolios through various initiatives in order to mitigate this risk as our insurance business develops.
Reserving risk		This risk is not considered to have

Reserving risk is the risk of actual claims payments exceeding the amounts we are holding in reserves. This arises primarily from our long-tail liability business. Failure to interpret emerging experience or fully understand the risks written could result in the Group holding insufficient reserves to meet our obligations.	• Claims development and reserving levels are closely monitored by the Group Reserving team • For statutory and financial reporting purposes, prudential margins are added to a best estimate outcome to allow for uncertainties • Claims reserves are reviewed and signed-off by the Board acting on the advice and recommendations of the Group Chief Actuary, following review by the Reserving Committee. An independent review is also conducted by the Actuarial Function Director.	changed materially during the year. No significant developments have impacted this risk.
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 • 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 • Exposure monitoring is undertaken on a regular basis	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 is in place which approves all strategic reinsurance decisions	The level of this risk has remained broadly similar since last year.

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,	• An investment strategy is in place which is reviewed annually and signed off by the Finance and Investment Committee (F&I). This includes	Overall the market risk profile has not materially changed and we remain invested for the long term. We continue to

equity and property prices, credit spreads and foreign exchange rates. This principally arises from investments held by the Group. We actively take such risks to seek enhanced returns on these investments. The Group's balance sheet is also exposed to market risk within the defined benefit pension fund.	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 Group Management Board (GMB) and F&I in place • There are risk appetite metrics in place which are agreed by the Board and include limits on exposures and counterparties • Derivative instruments are used to hedge elements of market risk, notably equity and currency. Their use is monitored to ensure effective management of risk • There is tracking of risk metrics to provide early warning indicators of changes in the market environment Further information on this risk is given in the Financial Risk and Capital Management note to this announcement.	monitor the remaining uncertainty from the outcome of Brexit as well as the potential impact of other risks such as global trade disputes. Since the end of 2019 markets have shown increased uncertainty due to the COVID-19 outbreak and we are continuing to monitor the situation.
Credit risk The risk that a counterparty, for example a reinsurer, fails to perform its financial obligations to the Group 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 and risk management processes are in place to manage broker exposures, policyholder exposures and other elements of credit risk Further information on this risk is given in the Financial Risk and Capital Management note to this announcement.	The level of this risk is materially unchanged from last 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 natural catastrophe or	▪ 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.

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 Group are the long term impact on the risks insured, particularly through changes to the nature, scale and frequency of future catastrophe events; and the impacts on the investment portfolio due to developments in how the firms invested in respond to movements towards a lower carbon economy.	▪ There is an established ethical and responsible investment policy in place for our funds and property investments ▪ We are developing catastrophe modelling with reinsurers to support better understanding of climate risk	This risk has been added to the Group Risk Register during 2019. A programme of work is underway to fully analyse the risks and develop an appropriate risk management response.

Operational risk

The risk of loss arising from inadequate or failed internal processes, people and systems, or from external events.

Risk detail	Key mitigants	Change from last year
Systems risk The risk of inadequate, ageing or unsupported systems and infrastructure and system failure preventing processing efficiency. Systems are critical to enable us to provide excellent service to our customers.	• 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 regularly tested according to risk appetite	During 2019 a new claims system was implemented and strategic systems programme continued to make progress. The scale and complexity of this programme results in heightened change risk during the development and implementation period.
Cyber risk The risk of criminal or unauthorised use of electronic information, either belonging to the Group or its stakeholders e.g. customers, employees etc. Cyber security threats from malicious parties continue to	• 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	Although the threats continue to evolve we proactively review and update our controls and therefore the overall residual level of risk is unchanged but we acknowledge the need for vigilance and strong security measures.

increase in both number and sophistication across all industries.		
Change risk The risk of failing to manage the change needed to transform the business. A number of strategic initiatives are underway under six themes, including 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 impacts on business as usual.	• We ensure that there is adequate resourcing for change projects using internal and external skills where appropriate • A Group Development Director is in place with responsibility for overseeing the delivery of all strategic initiatives • A Change Board and change governance processes have been established and are operated 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.
Operational resilience The risk that the Group does not anticipate, prepare for, respond and adapt to incremental change and sudden disruptions resulting in an inability to continue to deliver customer critical services. 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 Group with actions identified addresses 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	This risk has changed materially since 2019 year end. The COVID-19 outbreak has the potential to result in significant operational impact. This is being managed closely and developments monitored. A Crisis Management Team has been active in preparing for required responses in line with advice from Governments and relevant health authorities for the countries we operate within.
Data management and governance The risk that the confidentiality, integrity and/or availability of	• Group Data Governance and Group Data Management and Information Security Policies are in place	The level of this risk is materially unchanged from last year. It is being monitored and managed

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 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	in the context of major change programmes.

Regulatory and conduct risk

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

Risk detail	Key mitigants	Change from last year
Regulatory risk The risk of regulatory sanction, operational disruption or reputational damage from non-compliance with legal and regulatory requirements. We operate in a highly regulated environment which is experiencing a period of significant change.	• We undertake close monitoring of regulatory developments and use dedicated project teams supported by in-house and external legal experts to ensure appropriate actions to achieve compliance • An ongoing compliance monitoring programme is in place across all our SBUs • Regular reporting to the Board of regulatory compliance issues and key developments is undertaken	There continues to be a significant volume of regulatory change. We remain focused on the management of regulatory change and therefore the overall risk level is unchanged.
Conduct risk The risk of unfair outcomes arising from the Group's conduct in the relationship with customers, or in performing our duties and obligations to our customers. We place customers at the centre of the business, aiming to treat them fairly and ethically, whilst safeguarding the interests of all other key stakeholders.	• Ongoing staff training to ensure that customer outcomes are fully considered in all business decisions • Customer charters have been implemented in all SBUs • Conduct Risk Reporting to relevant governing bodies is undertaken on a regular basis • Customer and conduct measures are used to assess remuneration	The 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		Maintaining a positive reputation is critical to the Group's vision of

The Group aims to be the most trusted specialist insurer and as a consequence this brings with it high expectations from all of our stakeholders, be they consumers, regulators or the wider industry. Whilst we aim to consistently meet and where possible exceed these expectations, increasing consumer awareness and increased regulatory scrutiny across the sector exposes the Group to an increased risk of reputational damage should we fail to meet them, for example as a consequence of poor business practices and behaviours	• There is ongoing training of core customer facing staff to ensure high skill levels in handling sensitive claims • We adopt a values led approach to ensure customer-centric outcomes • Dedicated Marketing and PR function responsible for the implementation of the marketing and communication strategy • Ongoing monitoring of various media to ensure appropriate responses	being the most trusted and ethical specialist financial services group. Risks to our brand and reputation are inherently high in an increasingly interconnected environment, with the risks of external threats such as cyber security attacks, and viral campaigns through social media always present. The ongoing IICSA inquiry and related PSA issues continue to be a key area of executive management focus.

Directors' Responsibility Statement

The following statement is extracted from page 104 of the 2019 annual report and accounts, and is repeated here for the purposes of the Disclosure and Transparency Rules. The statement relates solely to the Company's 2019 annual report and 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 on pages 96 to 98 of the full annual report and accounts.

The directors confirm to the best of their knowledge:

- The financial statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole.
- The Strategic Report within the 2019 Annual Report and Accounts includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.
- The Annual Report and financial statements, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2019

	2019	2018
	£000	£000
Revenue		
Gross written premiums	**393,952**	356,971
Outward reinsurance premiums	**(152,886)**	(137,640)

Net change in provision for unearned premiums	**(15,080)**	(5,241)
Net earned premiums	**225,986**	214,090
Fee and commission income	**71,240**	62,996
Other operating income	**544**	1,039
Net investment return	**74,438**	3,994
Total revenue	**372,208**	282,119
Expenses		
Claims and change in insurance liabilities	**(157,808)**	(111,873)
Reinsurance recoveries	**52,800**	26,188
Fees, commissions and other acquisition costs	**(72,740)**	(66,346)
Other operating and administrative expenses	**(120,577)**	(114,388)
Total operating expenses	**(298,325)**	(266,419)
Operating profit	**73,883**	15,700
Finance costs	**(620)**	(329)
Profit before tax	**73,263**	15,371
Tax expense	**(11,450)**	(958)
Profit for the year (attributable to equity holders of the Parent)	**61,813**	14,413

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

	2019	2018
	£000	£000
Profit for the year	**61,813**	14,413
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Fair value gains on property	**-**	105
Actuarial (losses)/gains on retirement benefit plans	**(7,049)**	4,288
Attributable tax	**1,198**	(747)
	(5,851)	3,646
Items that may be reclassified subsequently to profit or loss:		
Losses on currency translation differences	**(1,368)**	(3,082)
Gains on net investment hedges	**640**	1,692
Attributable tax	**(19)**	(187)
	(747)	(1,577)
Net other comprehensive (expense)/income	**(6,598)**	2,069
Total comprehensive income attributable to equity holders of the Parent	**55,215**	16,482

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	Share capital £000	Share premium £000	Revaluation reserve £000	Translation and hedging reserve £000	Retained earnings £000	Total £000
At 1 January 2019	**120,477**	**4,632**	**565**	**19,071**	**441,259**	**586,004**
Profit for the year	**-**	**-**	**-**	**-**	***61,813***	***61,813***
Other net expense	**-**	**-**	**-**	***(747)***	***(5,851)***	***(6,598)***
Total comprehensive (expense)/income	**-**	**-**	**-**	**(747)**	**55,962**	**55,215**
Dividends	**-**	**-**	**-**	**-**	**(9,181)**	**(9,181)**
Gross charitable grant	**-**	**-**	**-**	**-**	**(30,000)**	**(30,000)**
Tax relief on charitable grant	**-**	**-**	**-**	**-**	**5,497**	**5,497**
At 31 December 2019	**120,477**	**4,632**	**565**	**18,324**	**463,537**	**607,535**
At 1 January 2018	120,477	4,632	478	20,648	446,238	592,473
Profit for the year	-	-	-	-	*14,413*	*14,413*
Other net income/(expense)	-	-	*87*	*(1,577)*	*3,559*	*2,069*
Total comprehensive income/(expense)	-	-	87	(1,577)	17,972	16,482
Dividends	-	-	-	-	(9,181)	(9,181)
Gross charitable grant	-	-	-	-	(17,000)	(17,000)
Tax relief on charitable grant	-	-	-	-	3,230	3,230
At 31 December 2018	120,477	4,632	565	19,071	441,259	586,004

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2019

	2019 £000	2018 £000
Assets		
Goodwill and other intangible assets	**38,651**	30,064
Deferred acquisition costs	**38,199**	33,907
Deferred tax assets	**2,203**	1,749
Pension assets	**8,505**	16,131
Property, plant and equipment	**20,322**	8,391
Investment property	**148,146**	152,182
Financial investments	**857,913**	798,974
Reinsurers' share of contract liabilities	**159,556**	140,346
Current tax recoverable	**4,211**	59
Other assets	**178,358**	153,630
Cash and cash equivalents	**74,775**	109,417
Total assets	**1,530,839**	1,444,850
Equity		
Share capital	**120,477**	120,477
Share premium account	**4,632**	4,632

Retained earnings and other reserves	**482,426**	460,895
Total shareholders' equity	**607,535**	586,004
Liabilities		
Insurance contract liabilities	**763,977**	720,049
Lease obligations	**12,923**	1,379
Provisions for other liabilities	**4,867**	5,216
Retirement benefit obligations	**5,998**	5,813
Deferred tax liabilities	**35,649**	31,665
Current tax liabilities	**123**	2,905
Deferred income	**22,815**	19,900
Other liabilities	**76,952**	71,919
Total liabilities	**923,304**	858,846
Total shareholders' equity and liabilities	**1,530,839**	1,444,850

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

	2019	2018
	£000	£000
Profit before tax	**73,263**	15,371
Adjustments for:		
Depreciation of property, plant and equipment	**5,081**	2,437
Revaluation of property, plant and equipment	**-**	(85)
Loss/(profit) on disposal of property, plant and equipment	**171**	(3)
Amortisation and impairment of intangible assets	**1,016**	949
Net fair value (gains)/losses on financial instruments and investment property	**(52,091)**	35,506
Dividend and interest income	**(26,218)**	(27,107)
Finance costs	**620**	329
Adjustment for pension funding	**815**	2,931
Changes in operating assets and liabilities:		
Net increase/(decrease) in insurance contract liabilities	**49,537**	(42,161)
Net (increase)/decrease in reinsurers' share of contract liabilities	**(21,265)**	16,431
Net increase in deferred acquisition costs	**(4,553)**	(3,078)
Net increase in other assets	**(25,272)**	(5,388)
Net increase in operating liabilities	**11,153**	5,838
Net increase/(decrease) in other liabilities	**784**	(286)
Cash generated by operations	**13,041**	1,684
Purchases of financial instruments and investment property	**(156,760)**	(125,739)
Sale of financial instruments and investment property	**148,308**	149,562
Dividends received	**9,605**	9,790
Interest received	**16,293**	17,347
Tax paid	**(8,296)**	(4,998)
Net cash from operating activities	**22,191**	47,646
Cash flows from investing activities		
Purchases of property, plant and equipment	**(4,394)**	(1,822)
Proceeds from the sale of property, plant and equipment	**-**	55
Purchases of intangible assets	**(9,613)**	(2,371)
Acquisition of business, net of cash acquired	**(40)**	(225)

Net cash used by investing activities	**(14,047)**	(4,363)
Cash flows from financing activities		
Interest paid	**(620)**	(329)
Payment of lease liabilities	**(2,787)**	(346)
Dividends paid to Company's shareholders	**(9,181)**	(9,181)
Charitable grant paid to ultimate parent undertaking	**(30,000)**	(17,000)
Net cash used by financing activities	**(42,588)**	(26,856)
Net (decrease)/increase in cash and cash equivalents	**(34,444)**	16,427
Cash and cash equivalents at beginning of year	**109,417**	93,767
Exchange losses on cash and cash equivalents	**(198)**	(777)
Cash and cash equivalents at end of year	**74,775**	109,417

NOTES TO THIS ANNUAL FINANCIAL REPORT ANNOUNCEMENT OF RESULTS

for the year ended 31 December 2019

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 2019 as prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the EU. The Group has adopted the following new standards and amendments with effect from 1 January 2019.

IFRS 16*, Leases*

The Group has adopted IFRS 16 using the modified retrospective approach, as permitted by the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. Comparative figures for the 2018 reporting period have not been restated, as permitted under the specific transitional provisions in the standard. There was no impact on the Group's opening equity. For further details see notes 1 and 32 to the full financial statements.

The other standards adopted in the year do not significantly impact 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 2021, since at 31 December 2015 greater than 90% of its liabilities were within the scope of IFRS 4. There has been no significant change to the Group's operations since 31 December 2015 and as a result, the Group continues to apply IAS 39, *Financial Instruments.*

General Information

Whilst the financial information included in this announcement has been prepared in accordance with the recognition and measurement criteria of IFRS, this announcement does not itself contain sufficient information to comply with IFRS. Full financial statements that comply with IFRS were approved by the Board of Directors on 17 March 2020.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2019 or 2018, but is derived from those accounts. Statutory accounts for 2018 have been delivered to the Registrar of Companies and those for 2019 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 2020.

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

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

Copies of the audited financial statements are available from the registered office at Beaufort House, Brunswick Road, Gloucester GL1 1JZ.

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 2019.

Insurance Risk

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

(a) Risk mitigation

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

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

(b) Concentrations of risk

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

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

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

2018		General insurance				Life insurance	
		Property £000	Liability £000	Miscellaneous financial loss £000	Other £000	Funeral plans £000	Total £000
Territory							
United Kingdom	Gross	172,191	53,949	16,922	2,784	21	245,867
and Ireland	Net	92,337	51,490	10,657	645	21	155,150
Australia	Gross	34,681	20,141	1,115	1,009	-	56,946
	Net	3,550	17,289	1,073	169	-	22,081
Canada	Gross	36,560	17,598	-	-	-	54,158
	Net	25,854	16,246	-	-	-	42,100
Total	Gross	243,432	91,688	18,037	3,793	21	356,971
	Net	121,741	85,025	11,730	814	21	219,331

(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 and theft. Subsidence claims are particularly difficult to predict because the damage is often not apparent for some time. The ultimate settlements can be small or large with a risk of a settled claim being reopened at a later date.

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

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

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

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

Liability classes

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

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

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

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

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

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

Provisions for latent claims

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

Note 28 to the full financial statements presents the development of the estimate of ultimate claim cost for public and employers' liability claims occurring in a given year. This gives an indication of the accuracy of the estimation technique for incurred claims.

(d) Life insurance risks

The Group provides whole-of-life insurance policies to support funeral planning products, for most of which the future benefits are linked to inflation and backed by index-linked assets. Although assets are well matched to liabilities, there is a risk that returns on assets held to back liabilities are insufficient to meet future claims payments, particularly if the timing of claims is different from that assumed. This is not one of the Group's principal risks and new policies are no longer being written in the life fund, with only minimal premiums now being received each year.

Uncertainty in the estimation of the timing of future claims arises from the unpredictability of long-term changes in overall levels of mortality. The Group bases these estimates on standard industry and national mortality tables and its own experience. The most significant factors that could alter the expected mortality rates profile are epidemics, widespread changes in lifestyle and continued improvement in medical science and social conditions. The primary risk on these contracts is the level of future investment returns on the assets backing the liabilities over the life of the policyholders. The interest rate and inflation risk within this has been largely mitigated by holding index-linked assets of a similar term to the expected liabilities profile. The main residual risk is the spread risk attached to corporate bonds held to match the liabilities. The small mortality risk is retained by the Group.

Financial risk and capital management

The Group is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of financial risk are interest rate risk, credit risk, equity price risk 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. Brexit has continued to result in greater uncertainty in relation to the economic risks to which the Group is exposed, including equity price volatility, movements in exchange rates and long-term UK growth prospects. The Group's management and measurement of financial risks is informed by either stochastic modelling or stress testing techniques.

(a) Categories of financial instruments

(i) Categories applying IAS 39

	Financial assets				Financial liabilities			
	Designated at fair value £000	**Held for trading £000**	**Loans and receivables £000**	**Hedge accounted derivatives £000**	**Held for trading £000**	**Financial Liabilities* £000**	**Other assets and liabilities £000**	**Total £000**
At 31 December 2019								
Financial investments	**848,573**	**3,061**	**5,770**	**509**	**-**	**-**	**-**	**857,913**
Other assets	**-**	**-**	**173,996**	**-**	**-**	**-**	**4,362**	**178,358**
Cash and cash equivalents	**-**	**-**	**74,775**	**-**	**-**	**-**	**-**	**74,775**
Finance lease obligations	**-**	**-**	**-**	**-**	**-**	**(12,923)**	**-**	**(12,923)**
Other liabilities	**-**	**-**	**-**	**-**	**-**	**(65,634)**	**(11,318)**	**(76,952)**
Net other	**-**	**-**	**-**	**-**	**-**	**-**	**(413,636)**	**(413,636)**
Total	**848,573**	**3,061**	**254,541**	**509**	**-**	**(78,557)**	**(420,592)**	**607,535**
At 31 December 2018								
Financial investments	782,976	5,331	9,930	737	-	-	-	798,974
Other assets	-	-	149,119	-	-	-	4,511	153,630
Cash and cash equivalents	-	-	109,417	-	-	-	-	109,417
Finance lease obligations	-	-	-	-	-	(1,379)	-	(1,379)
Other liabilities	-	-	-	-	(2,306)	(60,969)	(8,644)	(71,919)
Net other	-	-	-	-	-	-	(402,719)	(402,719)
Total	782,976	5,331	268,466	737	(2,306)	(62,348)	(406,852)	586,004

*Financial liabilities are held at amortised cost.

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

(ii) Categories of financial assets applying IFRS 9

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

	2019			2018		
	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	**5,770**	**852,143**	**857,913**	9,930	789,044	798,974
Cash and cash equivalents	**74,775**	**-**	**74,775**	109,417	-	109,417
Other financial assets	**173,996**	**-**	**173,996**	149,119	-	149,119
Total fair value	**254,541**	**852,143**	**1,106,684**	268,466	789,044	1,057,510

There has been a £13,925,000 decrease (2018: £19,269,000 increase) in the fair value of SPPI financial assets of the Group, and a £63,099,000 increase (2018: £60,766,000 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 2019				
Financial assets at fair value through profit or loss				
Financial investments				
Equity securities	**289,165**	**190**	**66,703**	**356,058**
Debt securities	**490,911**	**1,200**	**404**	**492,515**
Derivatives	**-**	**3,061**	**-**	**3,061**
	780,076	**4,451**	**67,107**	**851,634**
Financial assets at fair value through other comprehensive income				
Financial investments				
Derivatives	**-**	**509**	**-**	**509**
Total financial assets at fair value	**780,076**	**4,960**	**67,107**	**852,143**
At 31 December 2018				
Financial assets at fair value through profit or loss				
Financial investments				
Equity securities	241,115	246	44,773	286,134
Debt securities	495,348	1,233	261	496,842
Derivatives	-	5,331	-	5,331
	736,463	6,810	45,034	788,307
Financial assets at fair value through other comprehensive income				
Financial investments				
Derivatives	-	737	-	737
Total financial assets at fair value	736,463	7,547	45,034	789,044

The derivative liabilities of the Group in the prior year were measured at fair value through profit or loss and categorised as level 2.

Fair value measurements based on level 3

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

	Financial assets at fair value through profit and loss		
	Equity securities £000	**Debt securities £000**	**Total £000**
At 31 December 2019			
Opening balance	**44,773**	**261**	**45,034**
Total gains recognised in profit or loss	**7,538**	**143**	**7,681**
Purchases	**14,392**	**-**	**14,392**
Closing balance	**66,703**	**404**	**67,107**
Total gains for the period included in profit or loss for assets held at the end of the reporting period	**7,539**	**143**	**7,682**
At 31 December 2018			
Opening balance	42,279	125	42,404
Total gains recognised in profit or loss	2,628	5	2,633
Transfers	(134)	134	-
Disposal proceeds	-	(3)	(3)
Closing balance	44,773	261	45,034
Total gains for the period included in profit or loss for assets held at the end of the reporting period	2,656	5	2,661

All the above gains or losses included in profit or loss for the period are presented in net investment return within the statement of profit or loss.

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

Listed debt and equity securities not in active market (level 2)

These financial assets are valued using third-party pricing information that is regularly reviewed and internally calibrated based on management's knowledge of the markets.

Non exchange-traded derivative contracts (level 2)

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

Unlisted equity securities (level 3)

These financial assets are valued using observable net asset data, adjusted for unobservable inputs including comparable price-to-book ratios based on similar listed companies, and management's consideration of constituents as to what exit price might be obtainable.

The valuation is most sensitive to the level of underlying net assets, the Euro exchange rate, the price-to-book ratio chosen, an illiquidity discount and a credit rating discount applied to the valuation to account for the risks associated with holding the asset. If the illiquidity discount or credit rating discount applied changes by +/-10%, the value of unlisted equity securities could move by +/-£7m (2018: +/-£5m).

Unlisted debt (level 3)

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

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

(c) Interest rate risk

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

Interest rate risk concentration is reduced by adopting asset-liability duration matching principles where appropriate. Excluding assets held to back the life business, the average duration of the Group's fixed income portfolio is three years (2018: two years), reflecting the relatively short-term average duration of its general insurance liabilities. The mean term of discounted general insurance liabilities is disclosed in note 28(a)(iv) to the full financial statements.

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

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

	Maturity			
Group life business	**Within 1 year £000**	**Between 1 & 5 years £000**	**After 5 years £000**	**Total £000**
At 31 December 2019				
Assets				
Debt securities	**6,066**	**28,732**	**65,093**	**99,891**
Cash and cash equivalents	**2,584**	**-**	**-**	**2,584**
	8,650	**28,732**	**65,093**	**102,475**
Liabilities (discounted)				
Life business provision	**5,517**	**19,223**	**54,472**	**79,212**
At 31 December 2018				
Assets				
Debt securities	4,380	26,428	67,630	98,438
Cash and cash equivalents	4,527	-	-	4,527
	8,907	26,428	67,630	102,965
Liabilities (discounted)				
Life business provision	5,728	19,988	56,248	81,964

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

(d) Credit risk

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

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

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

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

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

	SPPI				**Non-SPPI**
	Cash and cash equivalents*	**Reinsurance debtors**	**Other financial assets**	**Total SPPI**	**Debt securities**
	£000	**£000**	**£000**	**£000**	**£000**
At 31 December 2019					
AAA	**-**	**-**	**-**	**-**	**113,359**
AA	**19,760**	**1,286**	**-**	**21,046**	**138,341**
A	**17,269**	**8,856**	**-**	**26,125**	**132,419**
BBB	**42,713**	**3**	**-**	**42,716**	**89,563**
Below BBB	**-**	**-**	**-**	**-**	**9,537**
Not rated	**7**	**1,032**	**163,615**	**164,654**	**9,296**
	79,749	**11,177**	**163,615**	**254,541**	**492,515**
At 31 December 2018					
AAA	-	-	-	-	126,227
AA	23,316	2,788	-	26,104	142,426
A	55,090	8,058	-	63,148	115,026
BBB	40,826	3	-	40,829	91,471
Below BBB	91	-	-	91	12,197
Not rated	7	763	137,524	138,294	9,495
	119,330	11,612	137,524	268,466	496,842

*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:

	2019	2018
	£000	£000
UK	**301,225**	317,137
Australia	**84,726**	82,901
Canada	**86,293**	72,301
Europe	**20,271**	24,503

Total	**492,515**	496,842

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:

	2019		2018
	£000		£000
UK	**289,566**	UK	241,116
Europe	**66,302**	Europe	44,821
Hong Kong	**190**	Hong Kong	197
Total	**356,058**	Total	286,134

(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.

2019	2018
£000	£000

Euro	**65,305**	Aus $	47,838
Aus $	**41,912**	Euro	42,538
Can $	**33,722**	Can $	31,024
USD $	**2,028**	NZ $	1,043
HKD $	**176**	USD $	1,004

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

(g) Liquidity risk

Liquidity risk is the risk that funds may not be available to pay obligations when due. The Group is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts. An estimate of the timing of the net cash outflows resulting from insurance contracts is provided in note 28 to the full financial statements. The Group has robust processes in place to manage liquidity risk and has available cash balances, other readily marketable assets and access to funding in case of exceptional need. This is not considered to be a significant risk to the Group.

Non-derivative financial liabilities consist of lease liabilities, for which a maturity analysis is included in note 32 to the full financial statements, and other liabilities for which a maturity analysis is included in note 31 to the full financial statements.

(h) Market risk sensitivity analysis

The sensitivity of profit and other equity reserves to movements on market risk variables (comprising interest rate, currency and equity price risk), each considered in isolation and before the mitigating effect of derivatives, is shown in the table below. This table does not include the impact of variables on retirement benefit schemes. Financial risk sensitivities for retirement benefit schemes are disclosed separately in note 19 to the full financial statements.

Group		**Potential increase / (decrease) in profit**		**Potential increase / (decrease) in other equity reserves**	
Variable	**Change in variable**	**2019**	2018	**2019**	2018
		£000	£000	**£000**	£000
Interest rate risk	-100 basis points	**(6,724)**	(4,730)	**(25)**	-
	+100 basis points	**4,133**	2,799	**37**	(3)
Currency risk	-10%	**6,330**	4,772	**7,628**	7,613
	+10%	**(5,179)**	(3,904)	**(6,241)**	(6,229)
Equity price risk	+/-10%	**28,841**	23,177	**-**	-

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

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

(i) Capital management

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

- comply with the regulators' capital requirements of the markets in which the Group operates; and

- safeguard the Group's ability to continue to meet stakeholders' expectations in accordance with its corporate mission, vision and values.

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

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

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

The current year figures in the table below are unaudited and based on the latest information provided to management. The prior year figures in the table below are as disclosed in the Company's SFCRs, available on the Group's website. These differ from the figures reported last year as they were estimated based on information available to management at the time the accounts were signed.

EIO's Solvency II Own Funds will be subject to a separate independent audit, as part of the Group's process for Solvency II reporting to the PRA. EIO's SCR is not subject to audit as it is calculated using an internal model which has been approved for use by the PRA. ELL's figures are not subject to an independent audit due to the company falling below the threshold calculation detailed in the PRA policy statement PS25/18 (Solvency II: External audit of the public disclosure requirement). The Group's regulated entities, EIO and ELL, expect to meet the deadline for submission to the PRA of 7 April 2020 and their respective SFCRs will be made available on the Group's website shortly thereafter. EIG is also expected to meet its deadline for submission to the PRA of 19 May 2020, with its SFCR also being made available on the Group's website shortly after.

	2019 (unaudited)		2018 (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	**570,083**	**49,120**	551,857	52,583
Solvency Capital Requirement	**(264,251)**	**(15,976)**	(256,898)	(15,879)
Own Funds in excess of Solvency Capital Requirement	**305,832**	**33,144**	294,959	36,704
Solvency II Capital Cover	**216%**	**307%**	215%	331%

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

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

Derivative financial instruments

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

The Group has also formally designated certain derivatives as a hedge of its net investments in Australia and Canada. A gain of £640,000 (2018: gain of £1,692,000) in respect of these 'hedge' derivatives has been recognised in the hedging reserve within shareholders' equity, as disclosed in the Translation and Hedging Reserve note to this announcement. The Group has formally assessed and documented the effectiveness of derivatives that qualify for hedge accounting in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*.

	2019		2018		
	Contract/ notional amount £000	**Fair value asset £000**	Contract/ notional amount £000	Fair value asset £000	Fair value liability £000
Non-hedge derivatives					
Equity/Index contracts					
Options	**58,588**	**1,562**	63,077	5,331	-
Foreign exchange contracts					
Forwards (Euro)	**116,603**	**1,499**	87,514	-	2,306
Hedge derivatives					
Foreign exchange contracts					
Forwards (Australian dollar)	**45,411**	**250**	57,264	492	-
Forwards (Canadian dollar)	**30,456**	**259**	27,157	245	-
	251,058	**3,570**	235,012	6,068	2,306

Included with Equity/Index contracts are options with a contract/notional value of £17,997,000 (2018: £22,493,000), and fair value asset of £734,000 (2018: £2,348,000), which expire in greater than one year. All other derivatives in the current and prior period expire within one year.

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

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

Derivative fair value assets are recognised within financial investments and derivative fair value liabilities are recognised within other liabilities.

Translation and hedging reserve

	Translation reserve £000	**Hedging reserve £000**	**Total £000**
At 1 January 2019	**14,940**	**4,131**	**19,071**
Losses on currency translation differences	**(1,368)**	**-**	**(1,368)**
Gains on net investment hedges	**-**	**640**	**640**
Attributable tax	**-**	**(19)**	**(19)**
At 31 December 2019	**13,572**	**4,752**	**18,324**
	18,022	2,626	20,648
At 1 January 2018	(3,082)	-	(3,082)
Losses on currency translation differences	-	1,692	1,692
Gains on net investment hedges	-	(187)	(187)
Attributable tax	14,940	4,131	19,071

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

Segment information

(a) Operating segments

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

The activities of each operating segment are described below.

- **General business**

  United Kingdom and Ireland

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

  Australia

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

  Canada

  The Group operates a general insurance Ecclesiastical branch in Canada.

  Other insurance operations

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

- **Investment management**

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

- **Broking and Advisory**

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

- **Life business**

  Ecclesiastical Life Limited provides long-term insurance policies to support funeral planning products. It is closed to new business.

- **Corporate costs**

  This includes costs associated with Group management activities.

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 1 to the full financial statements, with the exception of the investment management and broking and advisory segments. These segments do not qualify for the temporary exemption from IFRS 9 available to insurers and as a result have adopted IFRS 9. Consequently, their accounting policies for financial instruments may differ, but all other accounting policies are the same as the Group.

Segment revenue

The Group uses gross written premiums as the measure for turnover of the general and life insurance business segments. Turnover of the non-insurance segments comprises fees and commissions earned in relation to services provided by the Group to third parties. Segment revenues do not include net investment return or general business fee and commission income, which are reported within revenue in the consolidated statement of profit or loss.

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

	2019			2018		
	Gross written premiums £000	**Non-insurance services £000**	**Total £000**	Gross written premiums £000	Non-insurance services £000	Total £000
General business						
United Kingdom and Ireland	**257,135**	**-**	**257,135**	242,339	-	242,339
Australia	**68,857**	**-**	**68,857**	56,946	-	56,946
Canada	**64,457**	**-**	**64,457**	54,158	-	54,158
Other insurance operations	**3,516**	**-**	**3,516**	3,507	-	3,507
Total	**393,965**	**-**	**393,965**	356,950	-	356,950
Life business	**(13)**	**-**	**(13)**	21	-	21
Investment management	**-**	**12,795**	**12,795**	-	12,601	12,601
Broking and Advisory	**-**	**9,078**	**9,078**	-	9,049	9,049
Group revenue	**393,952**	**21,873**	**415,825**	356,971	21,650	378,621

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.

2019	**Combined operating ratio**	**Insurance £000**	**Investments £000**	**Other £000**	**Total £000**
General business					
United Kingdom and Ireland	**86.8%**	**20,412**	**59,433**	**(292)**	**79,553**
Australia	**114.1%**	**(3,246)**	**1,815**	**(65)**	**(1,496)**
Canada	**95.1%**	**2,218**	**1,805**	**(174)**	**3,849**
Other insurance operations		**634**	**-**	**-**	**634**
	91.1%	**20,018**	**63,053**	**(531)**	**82,540**
Life business		**335**	**6,486**	**-**	**6,821**
Investment management		**-**	**-**	**(310)**	**(310)**
Broking and Advisory		**-**	**-**	**2,062**	**2,062**
Corporate costs		**-**	**-**	**(17,850)**	**(17,850)**
Profit/(loss) before tax		**20,353**	**69,539**	**(16,629)**	**73,263**

2018	**Combined operating ratio**	**Insurance £000**	**Investments £000**	**Other £000**	**Total £000**
General business					
United Kingdom and Ireland	80.2%	29,426	(1,836)	(252)	27,338
Australia	93.7%	1,400	2,073	(77)	3,396
Canada	106.5%	(2,599)	1,655	-	(944)

Other insurance operations		963	-	-	963
	86.4%	29,190	1,892	(329)	30,753
Life business		1,642	(3,181)	-	(1,539)
Investment management		-	-	941	941
Broking and Advisory		-	-	2,045	2,045
Corporate costs		-	-	(16,829)	(16,829)
Profit/(loss) before tax		30,832	(1,289)	(14,172)	15,371

(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:

	2019		2018	
	Gross written premiums £000	**Non-current assets £000**	Gross written premiums £000	Non-current assets £000
United Kingdom and Ireland	**260,638**	**235,859**	245,867	218,119
Australia	**68,857**	**4,348**	56,946	1,279
Canada	**64,457**	**8,272**	54,158	4,018
	393,952	**248,479**	356,971	223,416

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

Reconciliation of Alternative Performance Measures

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

Users of the accounts should be aware that similarly titled APM reported by other companies may be calculated differently. For that reason, the comparability of APM across companies might be limited.

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

		2019						
		Insurance		**Inv'mnt return**	**Inv'mnt mngt**	**Broking and Advisory**	**Corporate costs**	**Total**
		General £000	**Life £000**	**£000**	**£000**	**£000**	**£000**	**£000**
Revenue								
Gross written premiums		393,965	(13)	-	-	-	-	393,952
Outward reinsurance premiums		(152,886)	-	-	-	-	-	(152,886)
Net change in provision for unearned premiums		(15,080)	-	-	-	-	-	(15,080)
Net earned premiums	[1]	225,999	(13)	-	-	-	-	225,986
Fee and commission income	[2]	49,368	-	-	12,795	9,077	-	71,240

Other operating income		544	-	-	-	-	-	544
Net investment return		-	989	72,596	19	834	-	74,438
Total revenue		275,911	976	72,596	12,814	9,911	-	372,208
Expenses								
Claims and change in insurance liabilities		(157,481)	(327)	-	-	-	-	(157,808)
Reinsurance recoveries		52,800	-	-	-	-	-	52,800
Fees, commissions and other acquisition costs	[3]	(72,383)	(14)	-	(819)	476	-	(72,740)
Other operating and administrative expenses	[4]	(78,829)	(300)	(3,057)	(12,305)	(8,236)	[5] (17,850)	(120,577)
Total operating expenses		(255,893)	(641)	(3,057)	(13,124)	(7,760)	(17,850)	(298,325)
Operating profit	[6]	20,018	335	69,539	(310)	2,151	(17,850)	73,883
Finance costs		(531)	-	-	-	(89)	-	(620)
Profit before tax		19,487	335	69,539	(310)	2,062	(17,850)	73,263
Underwriting profit	[6]	20,018						
Combined operating ratio		91.1%						
Net expenses (= [2] + [3] + [4] + [5])	[7]	(119,694)						
Net expense ratio		53%						

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].

					2018			
		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		356,950	21	-	-	-	-	356,971
Outward reinsurance premiums		(137,640)	-	-	-	-	-	(137,640)
Net change in provision for unearned premiums		(5,241)	-	-	-	-	-	(5,241)
Net earned premiums	[1]	214,069	21	-	-	-	-	214,090
Fee and commission income	[2]	41,346	-	-	12,601	9,049	-	62,996
Other operating income		1,039	-	-	-	-	-	1,039
Net investment return		-	1,573	1,600	13	808	-	3,994
Total revenue		256,454	1,594	1,600	12,614	9,857	-	282,119
Expenses								
Claims and change in insurance liabilities		(112,222)	349	-	-	-	-	(111,873)

Reinsurance recoveries		26,188	-	-	-	-	-	26,188
Fees, commissions and other acquisition costs	[3]	(65,687)	(15)	-	(943)	299	-	(66,346)
Other operating and administrative expenses	[4]	(75,543)	(286)	(2,889)	(10,730)	(8,111)	[5] (16,829)	(114,388)
Total operating expenses		(227,264)	48	(2,889)	(11,673)	(7,812)	(16,829)	(266,419)
Operating profit	[6]	29,190	1,642	(1,289)	941	2,045	(16,829)	15,700
Finance costs		(329)	-	-	-	-	-	(329)
Profit before tax		28,861	1,642	(1,289)	941	2,045	(16,829)	15,371
Underwriting profit	[6]	29,190						
Combined operating ratio		86.4%						
Net expenses (= [2] + [3] + [4] + [5])	[7]	(116,713)						
Net expense ratio		55%						

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 the consolidated statement of changes in equity and note 15 to the full financial statements.

Full disclosure of related party transactions is included in note 35 to the full financial statements.

Events after the balance sheet date

In early 2020, the existence of a new coronavirus, COVID-19, was confirmed. This virus has since spread across the globe and is now characterised by the World Health Organization as a pandemic. COVID-19 has caused disruption to businesses and economic activity which has been reflected in recent fluctuations in UK and global stock markets. The Group considers the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event. The Group has plans in place to support continued operation of business activity and has capital resources that can withstand significant temporary market disruption. The Group does not consider there to be any significant exposure from insurance policies underwritten by the Group. Given the inherent uncertainties, it is not practicable at this time to determine the impact of COVID-19 on the Group or to provide a quantitative estimate of the impact.