Ecclesiastical Insurance Office plc
(Incorporated in England as a public limited company under the Companies Acts 1862 to 1886 with registered number 00024869)

Placing of 40,000,000 8.625 per cent. additional Non-Cumulative Irredeemable Preference Shares of £1 each at a price of 102 pence per share

Admission of such shares to trading on the London Stock Exchange

Joint Financial Adviser, Bookrunner and Broker
Collins Stewart Europe Limited

Joint Financial Adviser
Rothschild

This document should be read in its entirety (which includes all documents which are incorporated by reference) before making any decision. In particular, your attention is drawn to the Letter from the Chairman of the Company that is set out at pages 13 to 15 of this document. The Additional NCIP Shares will have a Standard Listing on the Official List and therefore will afford investors in the Company a lower level of regulatory protection than that afforded to investors in companies with a Premium Listing on the Official List.

Application has been made to the UK Listing Authority for the Additional NCIP Shares to be issued pursuant to the Placing, to be admitted to the standard segment of the Official List of the UK Listing Authority and to the London Stock Exchange’s Regulated Market. It is expected that Admission will become effective and that dealings in the Additional NCIP Shares will commence on 16 December 2010.

Collins Stewart Europe Limited (“Collins Stewart”), which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as joint financial adviser, bookrunner and broker to Ecclesiastical Insurance Office plc and for no-one else in connection with the Placing and will not regard any other person (whether or not a recipient of this Prospectus) as a client of Collins Stewart Europe Limited in relation to the Placing and will not be responsible to anyone other than Ecclesiastical Insurance Office plc for the protections afforded to its clients, nor for providing advice in connection with the Placing, the contents of this document or any other matter referred to herein.

Rothschild, which is authorised and regulated in the United Kingdom by the FSA, is advising EIO and no one else in relation to the Placing and will not be responsible to anyone other than EIO for providing the protections afforded to customers of Rothschild nor for providing advice in connection with the Placing or the contents of this document or any other matter referred to herein.

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No offer to the public is being made in any member state of the European Economic Area and therefore the Placing is only directed at persons in member states of the European Economic Area who are “qualified investors” within the meaning of Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC).

The Additional NCIP Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange Ltd. (“SIX Swiss Exchange”) or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issue prospectuses under art. 652a or art. 1136 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Swiss Exchange Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the Additional NCIP Shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, the Company or the Additional NCIP Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the placing of Additional NCIP Shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA (FINMA), and the placing of Additional NCIP Shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes (“CISA”). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of Additional NCIP Shares.
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SUMMARY

This summary section should be read as an introduction to the Prospectus which comprises the whole of this document, which includes all documents incorporated by reference. Any decision to invest in the Company's securities should be based on a consideration of the Prospectus (which includes all documents which are incorporated by reference) as a whole by the investor.

Where a claim relating to the information contained in a prospectus is brought before a court, a plaintiff investor might, under the national legislation of the EEA States, have to bear the costs of translating the prospectus before the legal proceedings are initiated.

Civil liability attaches to those persons who are responsible for this summary, including any translation of the summary, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

The Company

General

Ecclesiastical Insurance Office plc is a public limited company incorporated in 1887 in England. Originally founded for the purpose of providing Churchmen with financial protection for their buildings in the event of fire, it has grown and diversified and its principal activity is the transaction of general insurance in the UK and overseas.

The Company is a niche insurance provider and its target specialist sectors are care, charity, education, faith and heritage. Through direct and indirect subsidiaries of the Company, the Group provides insurance products under the brands Ecclesiastical and Ansvar, in addition to offering investment products, financial advice and insurance broking services.

The Group operates in the UK, Ireland, Canada, Australia and New Zealand and as at the date of publication of the Company’s latest published financial information, 30 June 2010, it had Group assets of over £1.5 billion and net assets of over £350 million. The Group is regularly reviewed by industry rating agencies A.M. Best and Standard & Poor’s. These agencies currently have ratings on the Company of A (stable) and A– (stable) respectively. Standard & Poor’s affirmed the Company’s current rating as at 20 October 2010.

Organisational Structure

The Company is beneficially owned by Ecclesiastical Insurance Group plc (“EIG”) and its ultimate parent is the Allchurches Trust Limited (“ATL”), a company limited by guarantee and a registered charity. Since 1972, the Group has provided both charitable grants and dividends to ATL out of its available profits. In 2009 this donation was £8.5 million, which put the Company in the top ten UK corporate donors. The support of the Group since 1972 has enabled ATL in turn to make more than £80 million of charitable donations.

Board and Management

The Board consists of ten directors, a Non-Executive Chairman, six Non-Executive Directors and three Executive Directors. The Company believes that the size and composition of the Board gives sufficient independence, balance, and wider experience to consider the issues of strategy, performance, resources and standards of conduct.

The senior management of the Company is led by the three Executive Directors.

Principal Risk factors

Insurance business risks

The Group is exposed to risks from the general insurance business classes of property, motor and liability. Every insurance contract carries the risk that the insured event occurs and the uncertainty of the amount of the resulting claim. The actual claim payments may exceed the carrying amount
of the insurance liabilities. These risks are associated with the variability around the frequency or severity of claims. The variability depends on numerous factors, including, but not limited to the presence or absence of weather and recession related events.

Ecclesiastical Life Limited (“ELL”), a wholly owned subsidiary of EIO, has disposed of the major part of its life business to a third party. This disposal was undertaken by way of a Court approved insurance business transfer scheme under Part VII of FSMA.

**Insurance market risks**

It is likely that when Solvency II comes into force, which it is currently anticipated will be in 2013, the Company will be required to maintain regulatory capital in excess of current regulatory requirements. Although the Company aims to always hold regulatory capital in excess of the minimum regulatory levels, if the Company fails to maintain capital in line with regulatory requirements the Company may be required to undertake a capital raising exercise. This would impact the financial operations of the Company and there is no guarantee that any capital would be available or that any capital raising would be on favourable terms.

**Risks relating to the Group**

The Company’s credit rating with its rating agencies is subject to regular review by the agencies. In the event that any of the Company’s rating agencies were to downgrade the Company’s ratings, the change could reduce the number of customers and insurance brokers placing business with the Group. Although the current rating is stable, changes outside the control of the Company could negatively impact these ratings.

The Group is exposed to equity risk because of equity financial investments held by the Group, which are held in a higher than industry average weighting and are stated at fair value through the income statement. Although the Group mitigates this risk by holding a diversified portfolio across geographical regions and market sectors, and through the use of options and futures contracts from time to time which would limit losses in the event of a fall in equity markets, there is no guarantee that the use of such contracts will fully hedge any equity losses.

**Risks relating to the NCIP Shares**

Dividends on the NCIP Shares are non-cumulative and will not be declared and paid in full if, in the opinion of the Board, profits available for distribution are insufficient to enable payment in full, or if payment would or might cause a breach of the margins of solvency prescribed for the business of the Company and its subsidiaries pursuant to FSMA. The Company has historically paid the NCIP Share dividend in full; however, there is a risk of future non-payment if the Company’s financial condition were to deteriorate significantly from the current solvency level.

Although the Company’s current ratings from its rating agencies are stable, changes outside the control of the Company could negatively impact these ratings. In the event that the Company’s rating agencies were to downgrade the Company’s ratings, the market price of the NCIP Shares could be adversely affected.

**Summary Financial Information**

The following table sets out a summary of the Group’s recent financial performance and position:

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<th>Six months to 30 June</th>
<th>Years ended 31 December</th>
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<tr>
<td></td>
<td>2010</td>
<td>2009</td>
</tr>
<tr>
<td>Gross written premiums</td>
<td>250.2</td>
<td>447.8</td>
</tr>
<tr>
<td>(Loss)/profit from General business underwriting operations</td>
<td>(15.5)</td>
<td>27.0</td>
</tr>
<tr>
<td>(Loss)/profit after tax attributable to equity holders</td>
<td>(10.0)</td>
<td>56.2</td>
</tr>
<tr>
<td>Total shareholders’ equity</td>
<td>374.9</td>
<td>392.8</td>
</tr>
<tr>
<td>Total assets</td>
<td>1,860.0</td>
<td>1,694.4</td>
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Current trading and outlook
For the half year ended 30 June 2010, the Group reported that its general insurance results had been adversely impacted by an increase in liability claim frequency and in particular in relation to a number of catastrophic events, including the earthquake in Chile on 27 February 2010 which impacted the Group’s London Market business.

Although attritional claims experience has remained at a higher level than in 2009, the impact of one-off events has lessened in recent months. Combined with an improvement in investment market conditions since the half year, this has resulted in a more positive outlook for the full year, although the Group is still operating under challenging market conditions.

Reasons for the Placing and Use of Proceeds
The Company is seeking to raise £40.8 million through the Placing of 40 million Additional NCIP Shares to rank pari passu with the existing traded NCIP Shares of the Company. It is anticipated that the Additional NCIP Shares will be issued and admitted to trading on 16 December 2010.

To date, the Company’s ability to meet its regulatory capital requirements has been primarily supported by utilising retained profits generated by its insurance and investment activities. The Board seeks to maintain a strong capital position over and above minimum regulatory capital requirements in order to provide the Company with flexibility in its operations, protection for its customers and also to support the Company’s credit ratings of A (stable) and A– (stable) from A.M. Best and Standard & Poor’s respectively.

The Board believes that under the current regulatory regime the Company could sustain good growth in its existing business areas based on its existing capital position and through internal capital generation. However, the regulatory environment is still uncertain and the Board believes that, under Solvency II, regulators will raise minimum regulatory capital requirements.

The Board also believes that the Company is well placed to take advantage of future growth opportunities in its core insurance markets. The Placing is intended to strengthen further the Company’s capital position (which will be increased by the level of the proceeds from the issue of 40 million Additional NCIP Shares) and ensure a continuing prudent buffer against any increase in minimum regulatory capital requirements once Solvency II is implemented. This is likely to enable the Company to sustain good growth as it would provide increased resources and flexibility, and allow the Company to take advantage of any improvement in insurance market conditions.

In recent years the Company has acquired a number of insurance brokers in order to diversify its earnings stream. The proceeds of the Placing will more effectively allow the Company to look for additional opportunities in order for the Company to further diversify its earnings.

NCIP Shares
The Company currently has 66,450,000 NCIP Shares in issue which are traded and listed on the Main Market of the London Stock Exchange with a Standard Listing. The NCIP Shares are entitled to a 8.625 per cent. dividend each year out of the distributable profits of the Company, unless the Board considers the Company’s profits to be insufficient. The NCIP Shares do not carry voting rights in ordinary circumstances and the non-cumulative dividend payments are made bi-annually. The Company has always made the bi-annual dividend payments on the NCIP Shares.

Dividend
The entitlement to dividends for existing NCIP Shareholders will not be affected by the issue of the Additional NCIP Shares.

Dividend cover
Immediately following the Placing, excluding the effect of the Placing on future profits before dividend payments, there will be a reduction in the NCIP dividend cover from available Group profits, as the total annual NCIP dividend will increase from approximately £5.7 million to £9.2 million. Based on 2009 Group profit after tax, this would equate to a reduction in dividend
cover from 9.8 times to 6.1 times. In addition, cumulative retained profits of the Group as at 31 December 2009 provide approximately 29 times cover for the increased annual level of NCIP dividend following the Placing.

Covenants
Under the terms of a Trust Deed between The Law Debenture Trust Corporation plc (“LDTC”) and EIG in respect of EIG’s listed Debenture Stock, EIG is subject to a covenant restricting the EIG group’s level of borrowings and NCIP Share capital, which is calculated annually. At 31 December 2009 the EIG group had over £700 million of headroom within the permitted level, which the Directors consider to be sufficient as it is significantly higher than the nominal value of the 40 million Additional NCIP Shares pursuant to the Placing.

Regulatory capital
The capital of the Group which is available to meet its current and future regulatory capital requirements will increase as a result of the Placing.

Gearing
Based on the Group shareholders’ funds at 31 December 2009, the NCIP Share capital as a proportion of overall shareholders’ funds will increase by approximately 7.7 percentage points immediately following the Placing. This will reduce the debt to shareholders’ funds ratio of the Group.

Placing Statistics
- NCIP Shares admitted to trading prior to the Placing 66,450,000
- Number of Additional NCIP Shares to be admitted 40,000,000
- Placing price per Additional NCIP Share 102 pence
- NCIP Shares admitted to trading following the Placing 106,450,000
- Coupon rate per Additional NCIP Share 8.625 per cent.
- Payment schedule 30 June and 31 December
- Next payment date* 31 December 2010
- Estimated net proceeds of the Placing £39,600,000
- Estimated expenses of the Placing £1,200,000

* The Additional NCIP Shares will be issued after the record date for the 31 December 2010 payment. The first payment date relevant to the Additional NCIP Shares is 30 June 2011.
Shareholders and potential investors should carefully consider all the information in this document, which includes all documents incorporated by reference and the risks described below. The Directors have identified these risks as the material risks relating to the Company and an investment in the NCIP Shares, which they are aware of as at the date of this document. Additional risks and uncertainties not presently known to the Directors, or that the Directors consider immaterial, may also adversely affect the Company's business, results of operations or financial condition. If any or a combination of the following risks materialise, the Company's business, financial condition, operational performance and the price of NCIP Shares could be materially adversely affected.

For the avoidance of doubt, none of the risk factors detailed below seeks to qualify the working capital statement set out in paragraph 13 of Part VI of this document.

1. Risks relating to the Group’s General Insurance Activities

Insurance risks may affect financial performance

Every insurance contract carries the risk that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is unpredictable and difficult to quantify with certainty. The principal risk that the Group faces under its insurance contracts is that the actual claims payments exceed the carrying amount of the insurance liabilities, which may occur if the frequency or severity of claims are greater than estimated. Insurance events are unpredictable and the actual level of claims may vary from year to year from the estimates established using statistical techniques. In the event that payments made under insurance contracts are in excess of estimates, the Group’s profitability may be affected and in extreme cases this can have a material impact on capital. The Group’s insurance underwriting strategy aims to diversify the type of insurance risks accepted in order to reduce the variability of the expected outcome; however there is no guarantee that such diversification will result in such a reduction.

The frequency and severity of claims across different general business insurance classes may impact the Group’s financial performance

Property insurance classes

For property insurance contracts, including the property element of motor contracts, the number of claims made can be adversely affected by a number of factors, including but not limited to an increase in weather events and crime rates to levels significantly higher than anticipated. The extent of damage, cost of materials and labour charges, may be greater than expected. The effect on both the number and cost of claims may be increased by uncertainty surrounding climate change and the impact this may have on frequency and severity of extreme weather events, such as river flooding, hurricanes and drought, and their consequences, for example, subsidence claims. The frequency of individual large claims is more difficult to predict and is an additional source of volatility on the Group's results, and is mitigated by reinsurance protection. There is no guarantee that such protection will fully protect the Group's financial results from any increase in individual large claims. The greatest likelihood of an aggregation of claims arises from natural catastrophe (e.g. earthquakes) and weather, or recession related events. If these events occur, the Group’s profitability may be adversely affected. The Group insures property in each of the territories where it has offices, being the UK, Ireland, Canada, Australia and New Zealand, and in addition has a portfolio of global insurance risks underwritten through its London Market business which is in run-off.

Liability insurance classes

For liability insurance contracts, including the liability element of motor contracts, the frequency and severity of claims can be affected by several factors. The most significant factors are the increasing level of awards for damages suffered and the increase in the number of cases that are latent for a long period of time. Inflation is a significant factor due to the long period typically required to settle such claims. The severity of bodily injury claims is highly influenced by the value of loss of earnings.
and the future cost of care. In the event that the frequency and/or severity of such claims increase, the Group’s profitability may be adversely affected to the extent that they are not covered by reinsurance protection.

**Uncertainty in the estimation of future claim payments may affect financial performance**

The ultimate settlement cost of incurred general insurance claims is inherently uncertain. Such uncertainty includes:

- whether a claim event has occurred or not and how much it will ultimately settle for;
- variability in the speed with which claims are notified and in the time taken to settle them, especially complex cases resolved through the courts;
- changes in the business portfolio affecting factors such as the number of claims and their typical settlement costs, which may differ significantly from past patterns;
- new types of claim, including latent claims, which arise from time to time;
- changes in legislation and court attitudes to compensation, which may apply retrospectively;
- the way in which certain reinsurance contracts (principally liability) will be interpreted in relation to unusual/latent claims where aggregation of claimants and exposure over time are issues; and
- whether all such reinsurances will remain in force over the long term.

The public and employers’ liability classes can give rise to claims that are reported a lengthy period of time after the period of insurance, referred to as “latent” claims. These can vary in nature and are difficult to predict. They typically emerge slowly over many years. The Group is not immune to this type of claim and the materialisation of this risk can have an impact on the Group’s profitability. The Group takes into account the uncertain nature of claims reporting and settlement when making provisions for outstanding claims, however, there is no guarantee that such provisions will adequately take account of any final settlements.

2. **Risks relating to the Group’s Life Business Activities**

The financial performance of the funeral plans business is subject to financial risks and concentration risk which may impact on the Group’s overall financial performance

The funeral plan business, which has been retained following the disposal of the majority of ELL’s life business, is exposed to concentration risk as the majority of existing business is sourced from one provider. In addition, the business is exposed to financial risk as the benefits payable to policyholders are linked to the Retail Prices Index (“RPI”) not the returns generated by the assets supporting these liabilities.

3. **Risks relating to the Insurance Market**

Changes in customer behaviour could impact on the Group’s operations

In the current economic climate, the Group may experience increases in the level of fraudulent claims made by customers. A rise in fraudulent claims could potentially adversely affect the Group’s financial performance and the Group may incur unrecoverable costs when trying to detect such fraud and pursue fraudulent claims through the legal system.

Customers may also choose to lower the insured values of their insured property, which could lead to a decrease in the Group’s Gross Written Premiums revenue. If this occurs to a large enough extent, the Group’s financial performance could be adversely affected.

**Impact of changes in Insurance Regulation**

It is likely that when Solvency II comes into force, which is currently anticipated to be in 2013, the Company will be required to maintain regulatory capital in excess of current regulatory requirements. Although the Company aims to always hold regulatory capital in excess of the minimum regulatory levels, if the Company fails to maintain capital in line with regulatory
requirements, the Company may be required to undertake a capital raising exercise. This could impact the financial operations of the Company and there is no guarantee that any capital raising would be available or be on favourable terms. The Company is currently seeking approval of its internal capital model from the FSA. If approval of this model is not granted then the Company would have to apply the standard formula capital requirement which is likely to result in a higher capital requirement.

Any regulatory action taken against a member of the Group in the event of non compliance with applicable regulations could have a negative impact upon the Group’s results, on its relations with current and potential customers or its ability to carry on its principal activities

The Group’s insurance, investment, insurance broking and financial advisory businesses in the UK are all regulated by the FSA. The Group is also subject to local regulations in overseas territories where it issues insurance contracts. The FSA has broad powers under FSMA, including the authority to grant, vary the terms of, or cancel, a regulated firm’s authorisation; to investigate marketing and sales practices; and to require the maintenance of adequate capital resources. It has the power to take a range of disciplinary and enforcement actions, including public censure, restitution, fines or compensation and other sanctions.

The Group mitigates this risk through an open and transparent relationship with the FSA regulator by maintaining high standards of customer service; taking its Treating Customers Fairly responsibilities seriously; and by maintaining a strong capital position. All regulated financial services companies face the risk that the FSA could find a compliance failure or a failure to undertake corrective action as required.

Any regulatory action (whether in the UK or elsewhere) could have a negative impact upon the Group’s results or on its relations with current and potential customers. Regulatory action against a member of the Group could result in adverse publicity for, or negative perceptions of, the Group; or could have an adverse effect on the business of the Group, its operations, or its financial condition.

4. General risks relating to the Group

Rating agency risk – effect of downgrade on the Group’s business

The Company’s credit rating with its rating agencies is subject to regular review by the agencies. In the event that the Company’s rating agencies were to downgrade the Company’s ratings, the change could reduce the number of customers and brokers placing business with the Group. Although the current rating is stable, changes outside the control of the Company could negatively impact these ratings.

The Group is exposed to financial risk

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 cash returns from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts. As typical with other insurance companies, the Group has significant balances recoverable from reinsurers and also invests in fixed interest and equity securities, both in the UK and overseas. The Group’s primary sources of financial risk are specifically equity risk, interest rate risk, credit risk and currency risk in respect of these assets and the Group’s net investment in foreign operations.

Equity risk

The Group is exposed to equity risk because of equity financial investments held by the Group, which are held in a higher than industry average weighting and are stated at fair value through the income statement. Although the Group mitigates this risk by holding a diversified portfolio across geographical regions and market sectors, and through the use of options and futures contracts from time to time which would limit losses in the event of a fall in equity markets, there is no guarantee that the use of such contracts will fully hedge any given equity losses.
Interest rate risk

The Group holds financial assets and liabilities with both fixed and variable interest rates. Fixed interest rate assets and liabilities are subject to fair value interest rate risk. Variable interest rate assets and liabilities are subject to cash flow interest rate risk.

Credit Risk

The Group has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Group is exposed to credit risk are:

- reinsurers’ share of insurance liabilities (excluding provision for unearned premiums) and amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance intermediaries and policyholders; and
- corporate bond counterparty default.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group’s liability as the primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the full payment to the policyholder. Financial and reinsurance assets are stated net of an allowance for doubtful debts, calculated based on historic experience of credit losses. The Group allowance for doubtful debts at 31 December 2009 amounted to £4.4 million and includes a provision of £617,000 in respect of debtors that are individually determined to be impaired based on an assessment of their ageing profile and credit rating at the reporting date.

Currency risk

The Group operates internationally and it has exposure to foreign exchange risk. Foreign exchange risk arises from recognised assets and liabilities denominated in other currencies and net investments in foreign operations.

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

Risks associated with the loss of key employees

There is a risk of the Group losing key employees who are important to the Group’s business. The Group pays close attention to succession planning and people development but there is no guarantee that such measures would sufficiently protect the Group from the effect of losing key employees.

5. Risks relating to the NCIP Shares

Standard Listing

The NCIP Shares will be listed under Chapter 14 of the Listing Rules (Standard Listing (shares)) and as a consequence a significant number of the Listing Rules will not apply to the Company. Holders of NCIP Shares in the Company will therefore not receive the full protections of the Listing Rules otherwise associated with a Premium Listing.

NCIP Share dividend payment

Dividends on the NCIP Shares are non-cumulative and will not be declared and paid in full if, in the opinion of the Board of Directors, profits available for distribution are insufficient to enable payment in full, or if payment would or might breach or cause a breach of the margins of solvency prescribed for the business of the Company and its subsidiaries pursuant to FSMA. The Company has historically paid the NCIP Share dividend in full; however, there is a risk of future non-payment if the Company’s financial condition were to deteriorate significantly from the current solvency level.

Rating Agency risk relating to the NCIP Shares

Although the Company’s current ratings from its rating agencies are stable, changes outside the control of the Company could negatively impact these ratings. In the event that the Company’s rating agencies were to downgrade the Company’s ratings, the market price of the NCIP Shares could be adversely affected.
CONSEQUENCES OF A STANDARD LISTING

Application will be made for the Additional NCIP Shares to be admitted to listing on the Official List pursuant to Chapter 14 of the Listing Rules, which sets out the requirements for Standard Listings. The Company intends to comply with the Listing Principles set out in Chapter 7 of the Listing Rules, notwithstanding that they only apply to companies which obtain a Primary Listing on the Official List. The Company is not, however, formally subject to such Listing Principles.

In addition, as the Company has a Standard Listing, it is not required to comply with the provisions of, *inter alia*:

1. Chapter 6 of the Listing Rules which concerns additional requirements for a premium listing;
2. Chapter 8 of the Listing Rules regarding the appointment of a listing sponsor to guide the Company in understanding and meeting its responsibilities under the Listing Rules when undertaking certain transactions specified in that Chapter. The Company has not appointed and does not intend to appoint such a sponsor in connection with the Placing and Admission;
3. Chapter 9 of the Listing Rules which concerns continuing obligations for companies with a premium listing of equity shares;
4. Chapter 10 of the Listing Rules which contains requirements for companies with a premium listing of equity shares when undertaking significant transactions;
5. Chapter 11 of the Listing Rules regarding the approval of related party transactions;
6. Chapter 12 of the Listing Rules which concerns dealing in own securities and treasury shares; and
7. Chapter 13 of the Listing Rules regarding the form and content of circulars to be sent to Shareholders.

The Company is not required to apply the Financial Reporting Council’s UK Corporate Governance Code (the “Code”), although it has, however, voluntarily chosen to comply. The Company is in full compliance with the Code with the exception of annual re-election of directors, which applies to FTSE 350 companies only.

The Company is formally required to comply with the Disclosure and Transparency Rules.

It should be noted that the UKLA will not have the authority to (and it will not) monitor the Company's compliance with any of the Listing Rules which the Company has indicated in this document that it intends to comply with on a voluntary basis, nor to impose sanctions in respect of any failure by the Company to so comply.
EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of Prospectus 10 December 2010
CREST accounts credited in respect of Additional NCIP Shares 16 December 2010
Share certificates despatched in respect of Additional NCIP Shares 20 December 2010
First day of dealing in Additional NCIP Shares 16 December 2010

ILLUSTRATIVE PLACING STATISTICS

NCIP Shares admitted to trading prior to the Placing 66,450,000
Number of Additional NCIP Shares to be admitted 40,000,000
Placing price per Additional NCIP Share 102 pence
NCIP Shares admitted to trading following the Placing 106,450,000
Coupon rate per Additional NCIP Share 8.625 per cent.
Payment schedule 30 June and 31 December

Next payment date* 31 December 2010

Estimated net proceeds of the Placing £39,600,000
Estimated expenses of the Placing £1,200,000

* The Additional NCIP Shares will be issued after the record date for the 31 December 2010 payment. The first payment date relevant to the Additional NCIP Shares is 30 June 2011.

DEALING CODES

The dealing codes for the Additional NCIP Shares will be as follows:

ISIN GB0003035382
SEDOL 0303538
Ticker ELLA
IMPORTANT NOTICE

No one should treat the contents of this document as advice relating to legal, taxation, investment or any other matters. Potential investors should inform themselves as to: (a) the legal requirements within their own countries for the holding, transfer or other disposal of NCIP Shares; (b) any foreign exchange restrictions applicable to the holding, transfer or other disposal of NCIP Shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the holding, transfer or other disposal of NCIP Shares. Potential investors must rely upon their own representatives, including their own legal advisers and accountants, as to advice regarding legal, tax, investment or any other related matters concerning the Company and an investment therein.

Statements made in this document are based on the law and practice currently in force in England and Wales and are subject to changes therein.

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements including, without limitation, statements containing the words “believes”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “will”, or “should” or, in each case, their negative or other variations or similar expressions. Such forward-looking statements involve unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Group, or industry results, to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements.

Given these uncertainties, potential investors are cautioned not to place any undue reliance on such forward looking statements. These forward-looking statements apply only as at the date of this Prospectus. Subject to its legal and regulatory obligations (including under the Listing Rules, the Prospectus Rules and the Disclosure and Transparency Rules), the Company expressly disclaims any obligations to update or revise any forward-looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based unless required to do so by any appropriate regulatory authority or by law, including the FSMA, the Listing Rules, the Prospectus Rules and the Disclosure and Transparency Rules.
DIRECTORS, ADVISERS AND SERVICE PROVIDERS

Directors of the Company
William Meredith Samuel *(Chairman)*
Sir Philip John Courtmey Mawer *(Deputy Chairman)*
David Christie
Mervyn Donald Couve
Mark Christopher John Hews
John Francis Hylands
Anthony Piers Latham
The Venerable Dr Nigel Peyton
Michael Howard Tripp
Steven Archibald Wood

Company Secretary
Rachael Jane Hall

Joint Financial Adviser, Bookrunner and Broker
Collins Stewart Europe Limited
88 Wood Street
London EC2V 7QR

Joint Financial Adviser
Rothschild
New Court
St Swithins Lane
London EC4P 4DU

Auditors and Tax Advisers
Deloitte LLP
2 New Street Square
London EC4A 3BZ

Solicitors
Speechly Bircham LLP
6 New Street Square
London EC4A 3LX

Registrar and Receiving Agent
Computershare Registrars
The Pavilions
Bridgwater Road
Bristol BS13 8AE

Bankers
The Royal Bank of Scotland
280 Bishopsgate
London EC2M 4RB
LETTER FROM THE CHAIRMAN

Ecclesiastical Insurance Office plc
(Incorporated in England as a public limited company under the Companies Acts 1862 to 1886
with registered number 00024869)

Directors:
William Samuel
Sir Philip Mawer
David Christie
Mervyn Couve
Mark Hews
John Hylands
Anthony Latham
The Venerable Dr Nigel Peyton
Michael Tripp
Steven Wood

Registered Office:
Beaufort House
Brunswick Road
Gloucester
GL1 1JZ

10 December 2010

Dear Sirs,

Proposed Placing of 40,000,000 Non-Cumulative Irredeemable Preference Shares of £1 each

Introduction
The Company is proposing to raise approximately £41 million (gross of expenses) by way of the Placing of Additional NCIP Shares, which will rank pari passu with the existing NCIP Shares.

The purpose of this letter is to provide you with details of the Placing. You should read the whole of this document, which includes all information incorporated by reference, and not rely only on the summarised information in this letter. Your attention is drawn to the further information set out in “Risk Factors”, Parts I to VI of this document, and to the information incorporated by reference herein.

Reasons for the Placing and Use of Proceeds
To date, the Company’s ability to meet its regulatory capital requirements has been primarily supported by utilising retained profits generated by its insurance and investment activities. The Board seeks to maintain a strong capital position over and above minimum regulatory capital requirements in order to provide the Company with flexibility in its operations, protection for its customers and also to support the Company’s credit ratings of A (stable) and A– (stable) from A.M. Best and Standard & Poor’s respectively.

The Board believes that under the current regulatory regime the Company would be able to sustain good growth in its existing business areas based on its current capital position and through internal capital generation. However, the financial services regulatory environment continues to evolve and following the implementation of Solvency II, it is likely that minimum capital adequacy levels will increase. Although the final framework of Solvency II is still uncertain and the new regime is currently not due to come into place until 2013, the Board believes that it is prudent to increase the Company’s regulatory capital in advance of the anticipated changes and that the Placing will provide a significant degree of additional comfort in this regard.

The Board also believes that the Company is well placed to take advantage of future growth opportunities in its core insurance markets. The Placing is intended to strengthen further the Company’s capital position (which will be increased by the level of the proceeds from the issue of
40,000,000 Additional NCIP Shares) and ensure a continuing prudent buffer against any increase in minimum regulatory capital requirements once Solvency II is implemented. This is likely to enable EIO to sustain good growth as it would provide increased resources and flexibility, allowing the Company to take advantage of any improvement in insurance market conditions.

In recent years the Company has acquired a number of insurance brokers in order to diversify its earnings stream and to obtain the benefit of economic exposure to different parts of the insurance value chain. The Company acquired 100 per cent. of South Essex Insurance Brokers Limited on 31 March 2008.

The proceeds of the Placing will more effectively allow the Company to look for additional opportunities in order for the Company to further diversify its earnings.

The purpose of this Placing is, therefore, to enable the Group to continue to take advantage of growth opportunities available to it in its core markets, whilst also preparing the Company for potentially increased future regulatory capital requirements.

Financial Highlights

Over the five years to 2009, cumulative profits before tax of £270 million have been generated, despite the impact of the 2008 stock market crash. Over the same period the general insurance business has generated underwriting profits of £84 million and a combined operating ratio of 93 per cent. and shareholders’ funds have increased by 88 per cent.

The Company also has a track record of robust cash flow generation, prudent reserving and capital strength, holding over 3.9 times the FSA regulatory capital resource requirement, as reported on in the Company’s 31 December 2009 FSA return.

Current Trading and Outlook

For the half year ended 30 June 2010, the Group reported that its general insurance results had been adversely impacted by an increase in liability claim frequency and in particular in relation to a number of catastrophic events, including the earthquake in Chile on 27 February 2010, which impacted the Group’s London Market business.

Although attritional claims experience has remained at a higher level than in 2009, the impact of one-off events has lessened in recent months. Combined with an improvement in investment market conditions since the half year, this has resulted in a more positive outlook for the full year, although the Group is still operating under challenging market conditions.

In line with Group strategy to reduce non-core operations, the Group’s London Market business ceased underwriting on 30 September 2010 and will run off over the next few years. Ecclesiastical Life Limited has disposed of a majority part of its life business to a third party, as life business is an insurance sector which carries more specific risk and is more heavily regulated than general insurance. The Group’s strategy is to focus on further penetration of its target markets from a stronger and more diversified position, and to take advantage of market opportunities as and when insurance premium rates increase.

The Board’s strategy is to run the Company conservatively and retain its reputation and high standards of integrity. The Group expects to continue producing charitable grants for the Church and not-for-profit sector. The Group will continue to focus on profitability and growth without compromise to its existing strong capital position. The Board believes that there is potential to expand the Group’s market share in the Charity, Heritage, Education and Care markets by utilising the Group’s core property insurance competencies in these markets. At the same time the Group will continue to work to protect and further expand its market share in the Faith sector.

NCIP Shares

The Company currently has 66,450,000 NCIP Shares in issue which are traded and listed on the Official List of the London Stock Exchange with a Standard Listing. The NCIP Shares are entitled to a 8.625 per cent. dividend each year out of the distributable profits of the Company, unless the Board considers the Company’s profits to be insufficient. Paragraph 3.3 of Part V of this document
further details the restrictions the Board is subject to in relation to this consideration. The NCIP Shares do not carry voting rights in ordinary circumstances and the non-cumulative dividend payments are made bi-annually. The Company has always made the bi-annual dividend payments on the NCIP Shares.

**Dividend**
The dividend entitlement of holders of existing NCIP Shares will not be affected by the issue of the Additional NCIP Shares.

**Dividend cover**
Immediately following the Placing, excluding the effect of the Placing on future profits before dividend payments, there will be a reduction in the NCIP dividend cover from available Group profits, as the total annual NCIP dividend will increase from approximately £5.7 million to £9.2 million. Based on 2009 Group profit after tax, this would equate to a reduction in dividend cover from 9.8 times to 6.1 times. In addition cumulative retained profits of the Group as at 31 December 2009 provide approximately 29 times cover for the increased annual level of NCIP dividend following the Placing.

**Covenants**
Under the terms of a Trust Deed between The Law Debenture Trust Corporation plc and EIG in respect of EIG’s listed Debenture Stock, EIG is subject to a covenant restricting the EIG group’s level of borrowings and NCIP Share capital, which is calculated annually. At 31 December 2009 the EIG group had over £700 million of headroom within the permitted level, which the Directors consider to be sufficient as it is significantly higher than the nominal value of the 40 million Additional NCIP Shares pursuant to the Placing. Further information is contained in paragraph 5 of Part VI.

**Regulatory capital**
The capital of the Group which is available to meet its current and future regulatory capital requirements will increase as a result of the Placing.

**Gearing**
Based on the Group shareholders’ funds at 31 December 2009 the NCIP Share capital as a proportion of overall shareholders’ funds will increase by approximately 7.7 percentage points immediately following the Placing. This will reduce the debt to shareholders’ funds ratio of the Group.

**Voting dilution**
As the NCIP Shares carry no voting rights under ordinary circumstances, the Placing will not be dilutive to existing NCIP Shareholders.

**Costs of the Placing**
The Company’s expenses in connection with the Placing are estimated to amount to approximately £1.2 million. These expenses will be borne by the Company.

**Conclusion**
The Board believes that the Placing will provide the Company with the ability to pursue attractive future growth opportunities and will also enhance the Company’s regulatory capital position ahead of anticipated regulatory changes.

Will Samuel  
Non-Executive Chairman
PART I

INFORMATION ON THE COMPANY

Ecclesiastical Insurance Office plc

General
The Company was incorporated on 3 August 1887 in England and is a public limited company. Its principal activity is the transaction of general insurance in the UK and overseas. As at the date of the Company’s latest published financial information, 30 June 2010, it had Group assets of over £1.5 billion and net assets of over £350 million. The Company is regularly reviewed by industry rating agencies A.M. Best and Standard & Poor’s and currently has ratings of A (stable) and A– (stable) respectively. Standard & Poor’s has affirmed the Company’s rating as at 20 October 2010.

EIG is a public limited company and intermediate holding company and is the Company’s immediate parent company. EIG is, in turn, a wholly owned subsidiary of ATL which is the ultimate parent company of the Group. ATL is a company incorporated in England with liability limited by guarantee and is a registered charity. Since 1972, the Group has provided both charitable grants and dividends to ATL out of its available profits. In 2009 this donation was £8.5 million, which put the Company in the top ten UK corporate donors. The support of the Group since ATL’s establishment in 1972 has enabled ATL to make more than £80 million of charitable donations.

Capital
The Company has two classes of shares, namely Ordinary Shares of 10p each and the NCIP Shares. The current issued share capital of the Company is 140,271,190 Ordinary Shares and 66,450,000 NCIP Shares. Only the Ordinary Shares of the Company carry voting rights under normal circumstances. The full rights, restrictions and limitations of the NCIP Shares are detailed in paragraph 3 in Part V of this document (pages 38 to 43).

The NCIP Shares of the Company are admitted to the Official List and to trading on the Main Market of the London Stock Exchange, with a Standard Listing. As well as being the beneficial owner of the entire issued Ordinary Share capital of the Company, EIG also holds approximately 9 per cent. of the issued NCIP Shares in the Company. EIG has Debenture Stock in issue which is listed on the Official List.

History
The Company was founded in 1887 by clergy, largely to protect churches from the financial consequences of fire. Since that time the Group has diversified into domestic and commercial property insurance together with ancillary liability business, motor insurance and life assurance, and also offering investment products, financial advice and insurance broking services. As a result of engaging across those business lines, the Group has developed into a financial services organisation operating across various markets specialising in the core commercial niche markets of care, charity, education, faith and heritage.

Business Operations in the United Kingdom
The Group’s largest general insurance operation is the business written by the Company in the UK trading as Ecclesiastical which accounted for over half of the Group’s Gross Written Premiums (“GWP”) in 2009. Set out in the table below is an analysis of general insurance premiums and claims data by EIO plc UK customer niche.
EIO Plc UK division

<table>
<thead>
<tr>
<th></th>
<th>Number of policies</th>
<th>Average premium (£)</th>
<th>Average gross claim (£)</th>
<th>Number of claims</th>
</tr>
</thead>
<tbody>
<tr>
<td>Faith</td>
<td>23,000</td>
<td>1,700</td>
<td>2,600</td>
<td>5,000</td>
</tr>
<tr>
<td>Education</td>
<td>3,300</td>
<td>12,000</td>
<td>2,800</td>
<td>3,300</td>
</tr>
<tr>
<td>Charity</td>
<td>6,100</td>
<td>4,100</td>
<td>4,500</td>
<td>1,500</td>
</tr>
<tr>
<td>Care</td>
<td>3,200</td>
<td>6,800</td>
<td>6,200</td>
<td>1,500</td>
</tr>
<tr>
<td>Heritage</td>
<td>461</td>
<td>15,000</td>
<td>6,900</td>
<td>256</td>
</tr>
<tr>
<td>Commercial</td>
<td>17,600</td>
<td>2,300</td>
<td>3,800</td>
<td>3,200</td>
</tr>
<tr>
<td>Household</td>
<td>106,100</td>
<td>233</td>
<td>1,500</td>
<td>8,800</td>
</tr>
<tr>
<td>Motor</td>
<td>31,100</td>
<td>587</td>
<td>1,300</td>
<td>7,700</td>
</tr>
</tbody>
</table>

Source: EIO unaudited management data

Through its direct and indirect subsidiaries in the UK, the Group also offers insurance broking services and provides financial products and advice.

**Ansvar UK subsidiary**

A key element in the Group’s diversification was the acquisition in 1998 of three Ansvar subsidiaries (UK, Australia and New Zealand).

The UK subsidiary, Ansvar Insurance Company Limited is based in Eastbourne. This subsidiary deals primarily with specialist insurance brokers who focus on the insurance needs of the not for profit sector, including churches, charities and voluntary organisations. The subsidiary also provides personal insurance to individuals associated with the not for profit sector. It allocates part of its profits to charities that encourage positive lifestyles and is a key supporter of the UK Charity Awards. As part of a Group restructuring strategy, Ansvar Insurance Company Limited is in the process of transferring all of its business to the Company by way of a Court approved Part VII transfer under FSMA, in order to achieve greater cost efficiencies. After the transfer, it is proposed to continue its operations as a separate division of EIO.

**South Essex Insurance subsidiaries**

In 2008 the Company acquired Standard Eastern Insurance Holdings Limited and its wholly owned subsidiary, Standard Eastern Insurance Brokers Limited (“SEIB”). SEIB is an insurance broker specialising in the equine, private hire motor, travel and pet insurance sectors.

**Ecclesiastical Financial Advisory Services Limited**

The principal activity of Ecclesiastical Financial Advisory Services Limited is the provision of independent financial advice. It also administers an existing book of mortgages previously provided by the Group and, as part of a Group restructuring, assumed ownership on 1 April 2010 of the mortgage book in run-off from a sister company, Allchurches Mortgage Company Limited.

**Ecclesiastical Investment Management Limited**

Ecclesiastical Investment Management Limited is authorised and regulated by the FSA and is an authorised corporate director of Ecclesiastical Investment Fund an open-ended investment company (“OEIC”), with variable capital registered in England and Wales under OEIC regulations. Ecclesiastical Investment Management Limited is also an investment manager for a number of related companies’ pension schemes and investment portfolios and a third party fund.

**Ecclesiastical Life Limited**

The principal activity of Ecclesiastical Life Limited, a wholly owned subsidiary of EIO, is the transaction of long term insurance business. In line with Group strategy the Group has decided to exit from the majority of its life business and ELL has disposed of part of its business to a third party by way of a Court approved Part VII transfer under FSMA. ELL will retain and continue to operate its funeral plan business. Further details of the terms of the sale of the life business are contained in paragraph 12.2 in Part VI of this document.
Managed companies
In 1998 the Company was appointed as the reinsurer of The Baptist Insurance Company Plc and Methodist Insurance Plc and to externally manage those companies.

London Market business and reinsurance accepted
The Company’s involvement in the London Market over recent years has been through its sister company, Ecclesiastical Underwriting Management Limited (“EUML”). EUML operates as a London Market underwriting agent on behalf of the Company. In line with Group strategy on reducing non-core operations, EUML closed on 30 September 2010, the period of insurance coverage on existing contracts will expire on 1 April 2012 and the operations will run-off over the next few years. The Company also accepts a small amount of inwards reinsurance business from some large continental insurers, primarily consisting of short-term property business.

Business Operations Overseas

Canadian branch
A Canadian branch of the Company was opened in 1972 and offers specialist insurance, valuation and risk management services for care homes, retirement living communities, schools and community organisations. The Canadian branch is licensed in all of Canada’s provinces and has offices in Toronto, Halifax, Calgary and Vancouver.

Irish Branch
In 1980 a branch of the Company was opened in Dublin. Through the branch, in Ireland the Company also underwrites household and commercial risks focusing on the charity, care, education and heritage sectors.

Ansvar overseas subsidiaries
In Australasia, the Group trades through its Australian incorporated subsidiary, Ansvar Insurance Limited. The Australian subsidiary itself has a wholly owned New Zealand incorporated subsidiary, Ansvar Insurance Limited. Both were acquired along with the UK Ansvar subsidiary in 1998. The Australian company is one of the leading insurers in Australia of places of worship, community groups, care homes, retirement villages and not for profit organisations. Its headquarters are in Melbourne and it has offices in Adelaide, Brisbane, Perth and Sydney. A proportion of its profits are allocated each year to dedicated community education programmes. The New Zealand subsidiary is based in Auckland and provides insurance primarily in the faith and education sectors.

Principal Markets of the Group
Sources of business – customer segmental analysis
A breakdown of 2009 Group GWP by customer segment is provided below:

![Source: EIO unaudited management data](image-url)
Sources of business – geographic and by risk category

In 2009, 77 per cent. of the Group’s business was written in the UK and Ireland, 18 per cent. was written in Australasia and 5 per cent. was written in Canada. A full analysis of written premiums by type of risk accepted and by territory is disclosed in note 3 to the audited consolidated financial statements of the Company for the financial years ended 31 December 2007, 31 December 2008 and 31 December 2009, which are incorporated into this document by reference.

Influential operating factors

The following factors could either directly or indirectly have a material effect on the Group’s operations:

Economic and political conditions

The Group is exposed to the current economic downturn in a number of ways, such as its investments, the risk from growth in fraud, increased claims and customers under insuring. The Group has a robust process for mitigating these risks.

Public sector cuts may affect some of the Group’s customers, as they come under pressure to reduce costs, of which insurance premiums are likely to be one. There are, however, opportunities for the Group arising from the growth within the long-term care sector due to the ageing worldwide population, and potential growth in insurance related products.

Competition

Insurance markets around the world have remained very competitive for several years with rate reductions persisting across most lines of business. The Group have maintained strong underwriting standards, successfully implementing increases where the market allows. However, overall the market has shown little evidence in recent years of any meaningful rate hardening.

Environmental

Climate change could have a potential impact on insurance claims, further information on which can be found in the Risk Factors on page 5 of this document. The Group is actively engaged and involved in considering the impact and mitigating actions at an industry level.

Technological

There is an increasing trend towards the provision of insurance products online. The Group continues to develop suitable capability to meet its customers’ requirements.

Legal and regulatory

There have, and continue to be, increasing regulation within all the industries that the Group operates in, such as IFRS Insurance Phase II and Solvency II. The Group takes advice from specialists as appropriate in order to adapt and comply.

Risk Management

As an insurer, the Group faces certain risks and uncertainties. The Group has in place certain risk mitigation and risk management policies to enable it to minimise such risks so far as possible. The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is unpredictable and difficult to quantify with certainty.

The principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities, which may occur if the frequency or severity of claims and benefits are greater than estimated. Insurance events are unpredictable and the actual level of claims and benefits may vary from year to year from the estimates established using statistical techniques. Factors that typically aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical spread and the type of customer covered. Experience shows that the larger and more diversified the portfolio of similar insurance contracts, the smaller the relative variability of the expected outcome will be. The
Group’s insurance underwriting strategy aims to diversify the type of insurance risks accepted in order to reduce the variability of the expected outcome.

**General business risks**

General insurance business classes written include property and liability. Property cover mainly compensates the policyholder for damage suffered to their properties or for the value of property lost. Property may also include cover for pecuniary loss through the inability to use damaged insured commercial properties. Liability insurance contracts protect policyholders from the liability to compensate injured employees (employers’ liability) and third parties (public liability). Motor policies provide both property and liability cover for the insured. Injury, death or incapacity as a result of an unforeseen event is covered by the accident class of business.

In all operations pricing controls are in place, underpinned by sound statistical analysis and market expertise and appropriate external consultant advice. The Group manages risks to limit severity through its underwriting strategy, a comprehensive reinsurance programme and proactive claims handling. The Group has a low maximum retention per risk (£2.5 million for property and £1.95 million for liability business) and purchases proportional and catastrophe reinsurance cover on a 1 in 250 year event basis.

**Frequency and severity of claims – property classes**

For property insurance contracts, including the property element of motor contracts, the number of claims made can be affected by weather events, changes in climate and crime rates. Individual claims can vary in amount since the property insured is diverse in both size and nature. The cost of repairing property varies according to the extent of damage, cost of materials and labour charges.

Climate change may give rise to more frequent and severe extreme weather events, such as river flooding, hurricanes and drought, and their consequences, for example, subsidence claims.

The maximum claim payable is limited to the sum insured. The Group has the right to re-price the risk on renewal. It also has the ability to impose deductibles, reject fraudulent claims and pursue third parties for payment of some or all costs. These contracts are underwritten on a reinstatement basis or repair and renovation basis as appropriate. Costs of rebuilding properties, of replacement or indemnity for contents and time taken to restart operations for business interruption are the key factors that influence the level 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 weather or recession related events.

**Frequency and severity of claims – liability classes**

For liability insurance contracts, including the liability element of motor contracts, the frequency and severity of claims can be affected by several factors. The most significant are the increasing level of awards for damages suffered and the increase in the number of cases that were latent for a long period of time. Inflation, from these and other sources, is a significant factor due to the long period typically required to settle these claims.

The Group has the right to re-price the risk on renewal. It also has the ability to impose deductibles, reject fraudulent claims and pursue third parties for payment of some or all costs. The severity of bodily injury claims is highly influenced by the value of loss of earnings and the future cost of care.

**Concentrations of risk**

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. The Group protects its gross underwriting exposure through the use of a comprehensive programme of reinsurance.

**Sources of uncertainty in the estimation of future claim payments – property classes**

The property classes, including property damage under motor contracts, give rise to a variety of different types of claims including fire, business interruption, weather damage, subsidence, accidental damage to insured vehicles and theft. There can be variability in both the number of claims in each period and the size of those claims. If a weather event happens near the end of the financial year,
then 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.

Claims payment, on average, occur within a year of the claim event, however there is variability around this average with larger claims typically taking longer to settle.

Subsidence claims are difficult to predict because the damage is often not apparent for some time. Changes in soil moisture conditions can give rise to changes in claim volumes over time. The ultimate settlements can be small or large with a greater risk of a settled claim being re-opened at a later date.

Sources of uncertainty in the estimation of future claim payments – liability classes

The settlement value of claims arising under public and employers’ liability and the liability element of motor contracts is particularly difficult to predict. There is uncertainty as to whether any payments will be made and, if they are, the amount and timing of the payments. 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 makes 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 develop which has a consequent impact on the uncertainty as to the length of the claims settlement process and the ultimate settlement amounts.

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, where uncertainty is higher. Therefore, claims for industrial diseases are less common for the Group than injury claims such as slips, trips and back injuries. Claims payment, on average, occurs about three years after the event that gives rise to the claim. However, there is significant variability around this average.

Prudence in the provisions for outstanding claims

The Group takes into account the uncertain nature of claims reporting and settlement when provisioning for outstanding claims.

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. The Group has taken a prudent approach to reflect this uncertainty and believes that it holds adequate reserves for latent claims that may result from exposure periods up to the reporting date.

Principal Risks and Uncertainties – Financial Risk

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 cash returns from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of financial risk are equity risk, interest rate risk, credit risk and currency risk.

The Group’s management and measurement of financial risks is informed by either stochastic modelling or stress testing techniques.

Equity risk

The Group is exposed to equity risk because of financial investments held by the Group and stated at fair value through the income statement. The Group mitigates this risk by holding a diversified portfolio across geographical regions and market sectors, and through the use of options and futures contracts from time to time which would limit losses in the event of a fall in equity markets.
Interest rate risk

Those financial assets and liabilities that are measured at fair value and have fixed interest rates are subject to fair value interest rate risk. Those financial assets and liabilities with variable interest rates are subject to cash flow interest rate risk.

General business insurance liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted and contractually non-interest bearing. Furthermore, these liabilities do not have maturity dates and hence are not included in the above tables.

Financial investments represent a significant proportion of the Group’s assets. Investment strategy is set in order to control the impact of interest rate risk on anticipated Group cash flows and asset values. The fair value of the Group’s investment portfolio of debt and fixed income securities reduces as market interest rates rise, and vice versa. Interest rate risk concentration is reduced by the varied maturity profiles of the investments.

The Group’s exposure to interest rate risk in respect of funeral plan contracts is dependent on the types of liabilities which interest bearing assets are being used to support. The benefits payable to policyholders under the contracts of the funeral plan business 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 can be eliminated by purchasing fixed interest investments with durations that precisely match the profile of the liabilities. For funeral plan policies, benefits are linked to RPI. Assets backing these liabilities are also linked to 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. Some interest rate risk will persist. The Group monitors its exposure by comparing projected cashflows for these assets and liabilities and making appropriate adjustments to its investment portfolio.

Credit Risk

The Group has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due.

The carrying amount of financial assets represents the Group’s maximum exposure to credit risk. Collateral is held over loans secured by mortgages.

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.

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 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 in more than one region in respect of aged or outstanding balances. Any such balances are likely to be major international brokers who 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 due to the well-diversified spread of such debtors.

The fixed interest portfolio consists of a range of 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.
Currency risk
The Group operates internationally and is exposed to foreign exchange risk. The Group’s foreign operations generally invest in assets 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’s exposure to foreign currency risk within the investment portfolios arises from purchased investments that are denominated in currencies other than sterling.

Liquidity management
The Group is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts. The Group has robust cash management processes in place and has access to funding in case of exceptional need. Sources of funding include available cash balances, other readily marketable assets and access to short term bank funding. As such, the Group does not consider that there is significant risk that it may not be available to pay obligations when due.

Investments
The Company’s principal investments consist of investment in subsidiary undertakings and financial investments. Further details of the Company’s financial investments held at the 2007, 2008, and 2009 year ends are disclosed in the audited consolidated financial statements of the Company for the financial years ended 31 December 2008 (note 24, page 66) and 31 December 2009 (note 22, page 66). At 31 December 2009, the split of the Company’s financial investments between the UK and overseas was 77 per cent. and 23 per cent. respectively. Current investing activities of the Group are financed internally.

Capital Resources
The Group’s insurance businesses in the UK are all regulated by the FSA. The Group is also subject to local insurance solvency regulations in overseas territories where it issues insurance contracts, and separate FSA capital requirements apply to the Group’s investment, insurance broking and advisory businesses. As such, the Group has restrictions on its uses of capital in that it must ensure compliance with solvency capital requirements for each entity. Regulated subsidiaries are therefore restricted in the amount of cash dividends they can transfer to the Company, in order for them to meet their individual minimum capital requirements. Insurance capital requirements are material to the Group’s operations and management of capital.

Capital requirements for insurers
In the UK, the Group and its UK regulated subsidiaries are required to submit FSA returns detailing their levels of regulatory capital held. Regulatory capital should be in excess of the higher of two amounts: the first is an amount which is calculated by applying fixed percentages to premiums and claims (general insurance business) or by applying fixed percentages to insurance liabilities and applying stress testing (long term business); and the second is an economic capital assessment by the regulated entity, which the FSA reviews and may amend by issuing Individual Capital Guidance.

Long-term business assets and liabilities must be segregated from the assets and liabilities attributable to non-life insurance business or to shareholders.

New EU solvency framework for insurers
The European Commission is developing a new prudential framework for insurance companies, ‘the Solvency II project’. It is currently planned that the new regime will be implemented in 2013. Solvency II adopts a similar approach to the prudential regulation of banks, ‘Basel II’, which has already been adopted in the banking sector in Europe. Insurers will be encouraged to improve their risk management processes and will be allowed to make use of internal economic capital models to calculate capital requirements, if approved by the FSA. The Group has been accepted by the FSA to participate in the Internal Model Approval Process dry run.
Available capital
The Group’s available capital resources at 31 December 2009, as calculated under the existing solvency regulations, amounted to £332.1 million. Reconciliation between the Group’s shareholders’ funds and the Group’s available capital resources is provided in the audited consolidated financial statements of the Company for the year ended 31 December 2009 (note 28(b) part (iv), pages 76-77) which are incorporated in to this document by reference. Under current solvency regulations, all of the Group’s available capital is long term, classified as tier one capital, and is available to meet the Group’s capital requirement.

Borrowings
With the exceptions of motor vehicle purchases on finance leases, the Group has no third party borrowings.

Sources of cash flows
The Group utilises cash flows generated from operations in order to meet its short term liabilities, primarily through insurance premiums received, dividend and interest income from investments and the sale of market securities. Consolidated cash flow statements for the Group from 1 January 2007 to 30 June 2010 form part of the documents incorporated in to this document by reference.

Summary Financial Information

<table>
<thead>
<tr>
<th></th>
<th>Six months to 30 June</th>
<th>Years ended 31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010 £ million</td>
<td>2009 £ million</td>
</tr>
<tr>
<td>Gross written premiums</td>
<td>250.2</td>
<td>447.8</td>
</tr>
<tr>
<td>(Loss)/profit from General business underwriting operations</td>
<td>(15.5)</td>
<td>27.0</td>
</tr>
<tr>
<td>(Loss)/profit after tax attributable to equity holders</td>
<td>(10.0)</td>
<td>56.2</td>
</tr>
<tr>
<td>Total shareholders’ equity</td>
<td>374.9</td>
<td>392.8</td>
</tr>
<tr>
<td>Total assets</td>
<td>1,860.0</td>
<td>1,694.4</td>
</tr>
</tbody>
</table>

Source: Audited financial statements of the Group for the years ended 2008 and 2009 and the unaudited Half Yearly financial report for the Group for the six months ended 30 June 2010.
PART II

DIRECTORS AND MANAGEMENT

1. Board Biographies

W. M. Samuel BSc, FCA (Chairman)*
Will Samuel was appointed to the Board in January 2006 and became Chairman in June 2009. He is a Vice Chairman of Lazard and Co, a Director of The Edinburgh Investment Trust plc, the Chairman of Howden Joinery Group plc (formerly Galliform plc), and Deputy Chairman and Senior Independent Non-Executive Director of Inchcape plc. Previously he was a Director of Schroder plc and a Vice Chairman of Investment Banking of Citigroup Europe.

Sir Philip J. C. Mawer DLitt, LLD (Deputy Chairman)*
Sir Philip Mawer was re-appointed to the Board in February 2008 (having served previously from 1996-2002). He became Deputy Chairman in February 2010 and the Senior Independent Director in November 2010. Formally Secretary General of the General Synod of the Church of England (1990-2002) and of the Archbishops’ Council. Parliamentary Commissioner for Standards from 2002-2007. He is currently the Prime Minister’s Independent Advisor on Ministers’ interests, lay chairman of the Professional Regulation Executive Committee of the UK Actuarial Profession and a patron or trustee of various charities.

D. Christie BA, BSc (Econ) Dip. Ed.*
David Christie was appointed to the Board in 2001. He retired as Warden of St Edward’s School, Oxford in 2004. Previously he taught and researched in economics in schools and universities in the United Kingdom and Europe.

M. D. Couve BComm, LLM, MA Law (Solicitor)*
Mervyn Couve was appointed to the Board in June 2006. He is a consultant with Speechly Bir cham LLP and a former senior partner of that firm. He is a director of Shires Income plc and a Trustee of the English National Opera Trust.

M. C. J. Hews BSc, FIA (Chief Financial Officer)
Mark Hews is the Chief Financial Officer and was appointed to the Board in June 2009. Mark joined EIO from HSBC where he was Director of HSBC Life and Chief Executive of M&S Life. Before this he was Finance Director at Norwich Union Healthcare. He started his financial career at Deloitte (formerly Bacon & Woodrow) as a consultant and actuary.

J. F. Hylands, FFA*
John Hylands was appointed to the Board in September 2007. Until March 2007 he was an Executive Director of Standard Life plc. He is currently a Director of Alliance Trust PLC, chairman of the trustees of the BOC pensions scheme, a member of the Aviva UK Life With Profits Committee and a school governor.

A. P. Latham ACII*
Anthony Latham was appointed to the Board in March 2008. Until December 2007 he was a member of the Group Executive of RSA Group plc. He is Chairman of Pool Reinsurance Limited, a director of Codan A/s and of Flagstone Reinsurance Limited.

The Venerable Dr N. Peyton MA, BD, STM, PhD Archdeacon of Newark*
Nigel Peyton was appointed to the Board in November 2005. He served in parochial ministry and as diocesan ministry development advisor and since 1999 as Archdeacon of Newark in the Diocese

* Non-Executive Directors.
of Southwell and Nottingham. A magistrate until 2003, and a member of the General Synod of the Church of England (1995-2010), he is an Honorary Teaching Fellow at Lancaster University Management School.

M. H. Tripp BSc, ARCS, FIA (Group Chief Executive)
Michael Tripp was appointed Group Chief Executive in January 2007. Previously Partner of Ernst & Young and Watson Wyatt, before that with Guardian Royal Exchange. His other directorships include The Baptist Insurance Company plc.

S. A. Wood BSc, FCII (Managing Director, UK & Ireland)
Steve Wood was appointed to the Board in January 2006. He joined the Group in September 2005 and is responsible for the General Insurance and Financial Services Businesses in the UK and Ireland.

R. J. Hall, FCIS
Rachael Hall is the Company Secretary and is Head of the Legal and Secretarial Department. The Board and Company Secretary are all based at the Company’s registered office address.

2. Senior Management
The senior management of the Company is led by the three executive directors who manage the business of the Company and Group. Michael Tripp, as the Group Chief Executive, is responsible for the overall day to day management of the Group, including the Group Risk and Actuarial and Infrastructure functions and the Group’s international business. Mark Hews, as the Chief Financial Officer, is responsible for the Finance, Strategy, Investments, and Assurance functions of the Company. Steve Wood, as the Managing Director, is responsible for Ansvar UK, Broker Sales, Claims and Risk Services, Direct Business, EUML, Financial Services, Ireland, Strategic Marketing and Underwriting.

3. Potential conflicts of interest between duties
Save as disclosed, in Part VI, paragraph 7.4, none of the Directors has any conflict of interest between any duties to the Company and to his private interest or to any other duties.

4. Declarations of Interest
As of the date of the Prospectus no person listed on pages 25 and 26 has any material interest in the capital of the Company, the Group, nor of the ultimate legal or beneficial owners of the Company and Group.
Financial Condition and Operating performance
The following is a review of the results of operations and financial condition of the Group for the years ended and as at 31 December 2009, 2008 and 2007 and the half year ended 30 June 2010. Prospective investors should read this review in conjunction with the Company’s financial statements which are incorporated by reference (as further detailed in Part IV of this document).

In addition, the following review and analysis contains information regarding significant factors materially affecting the Group’s income from operations. The Group’s principal key performance indicator is the Combined Operating Ratio (or “COR”) which is disclosed below for the years ended 31 December 2009, 2008 and 2007 and the half year ended 30 June 2010.

Comparison of the six months ended 30 June 2010 with the six months ended 30 June 2009

Financial Condition
The Group result before tax was a £9.9 million loss for the six months ended 30 June 2010 compared to £25.7 million profit for the six months ended 30 June 2009. The general business underwriting result for the six months ended 30 June 2010 was a loss of £15.5 million compared with a profit of £15.1 million for the six months ended 30 June 2009. This was due to a number of catastrophe claim events which occurred in the general insurance underwriting business, coupled with an increase in liability claims frequency and some resurgence of theft of metal losses. The highest profile loss event in the period to 30 June 2010 was the earthquake in Chile on 27 February 2010, which resulted in a net loss to the Group’s London Market business of £8.5 million.

Shareholders’ equity decreased from £392.8 million at 31 December 2009 to £374.9 million at 30 June 2010. This was after approval of a special grant of £10.0 million (£7.2 million net of tax relief) to ATL, the ultimate parent undertaking, in respect of the profits in 2009. There was no equivalent special grant made during 2009.

Operating performance
In the six months ended 30 June 2010 (compared to the six months ended 30 June 2009) there was a 9.3 per cent. growth in the Group’s general business premiums, including the 100 per cent. reinsurance of Cornish Mutual. On a constant exchange rate basis, underlying growth was 1.5 per cent.

The underwriting result in the six month period ended 30 June 2010 was significantly impacted by the Chilean earthquake, which followed the earlier Haiti earthquake, and severe hailstorms in Australia. The winter weather in the UK and Ireland was the coldest for many years which led to an increased level in claims. The overall high level of claims incurred was in contrast to the low level witnessed throughout the comparable period in 2009. The decline in the COR to 111.3 per cent. reflected the change in claims experience in the six month period ended 30 June 2010; it was 87.9 per cent. for the six months ended 30 June 2009.

Despite an overall underwriting loss for the general insurance business, Ansvar UK, which specialises in the not-for-profit sector had a COR of 87.7 per cent. (90.3 per cent. for the six months to 30 June 2009). In addition, the Group’s insurance broking business recorded a 4 per cent. increase in income to £3.2 million (£3.0 million for the six months to 30 June 2009), and there was record growth of the Group’s ethical investment funds, with gross retail sales amounting to £49.3 million in the six month period ended 30 June 2010 (£12.3 million for the six months to 30 June 2009).
During the six months to 30 June 2010, the Group entered into an agreement, subject to regulatory and court approval, to dispose of a substantial proportion of its long term business assets and liabilities, other than that supporting funeral plan business to Engage Mutual. The Group also reinsured part of this business with Engage Mutual, effective from 1 January 2010. This materially reduced reported net earned premiums for the half year, but the net impact on profit was not material.

Comparison of the financial year ended 31 December 2009 with the financial year ended 31 December 2008

Financial Condition
Pre-tax profit for the year ended 31 December 2009 was £79.0 million (the Group’s second best result ever) and the general business COR was 89.6 per cent. In comparison, the pre-tax loss for the year ended 31 December 2008 was £22.5 million and the COR was 100.8 per cent. Shareholders’ funds rose nearly 15 per cent. from £342.3 million at 31 December 2008 to £392.8 million at 31 December 2009. The reason for the improvement in the financial condition of the Group was a benign general insurance claims environment, together with a recovery in global investment markets.

The Group’s rating agencies, Standard & Poor’s and A.M. Best, each affirmed its own rating of the Group of A– (stable) and A (stable), respectively, for the year ended 31 December 2009, as they had done for the year ended 31 December 2008. Standard & Poor’s moved the Group’s Enterprise Risk Management (“ERM”) rating forward to ‘adequate with strong controls’. In the year ended 31 December 2008 the ERM rating had been ‘adequate and improving’.

Operating performance
Gross written premiums (“GWP”) increased by 11 per cent. to £447.8 million for the year ended 31 December 2009 from £403.6 million for the year ended 31 December 2008.

The Group’s underwriting result for the year ended 31 December 2009 was a £27.0 million profit compared with a loss of £1.9 million for the year ended 31 December 2008. This was due to a lessening in claim volumes and metal theft from churches, and no widespread weather events affecting the core UK business, combined with continued focus on risk control standards and underwriting disciplines within the Group.

The Group’s fund management arm provided total investment returns of £122.1 million in 2009. Market conditions in the midst of the ‘credit crunch’ had contributed to an investment loss of £52.6 million in 2008.

The grant to the Company’s charitable owner, ATL, for the year ended 31 December 2009 was £8.5 million, the largest-ever such ordinary grant made by the Company. The ordinary grant given by the Company in respect of the year ended 31 December 2008 was £7.0 million.

General insurance operations
For the year ended 31 December 2009, all general insurance business units produced underwriting profits with the COR hitting or significantly bettering the long term target of 98 per cent. The UK and Irish business, which includes Ecclesiastical (UK and Ireland), Ansvar and the London Market business, EUML, delivered an exceptional £24.0 million underwriting profit, with a COR of 87.6 per cent. This was a significant turnaround from the £1.0 million underwriting loss made for the year ended 31 December 2008 (COR of 100.7 per cent.).

The international businesses in Australia, New Zealand and Canada also performed well. Canada delivered an improved COR of 95.9 per cent. (107.9 per cent. for 2008).

The bushfires in Australia in February 2009 led to many complex claims. Although this event adversely affected the Group’s underwriting result in the early part of 2009, the year ended in profit, with a COR of 97.5 per cent. for this territory, including New Zealand (107.9 per cent. for 2008).
Financial Services
EFAS developed further in 2009, moving to the Independent Financial Advice (“IFA”) model, focused primarily in the clergy market. Funeral directors continued to be supported through ELL’s management of the Perfect Choice funeral planning business.

Investments
The Group’s ethical investment funds saw their best year of growth. Access to fund platforms and promotional efforts increased gross retail sales from £8.6 million for 2008 to £37.5 million in 2009. The underlying fund performance attracted several awards.

Total funds under management, including the Group’s own funds as well as customers’ funds, rose by 13 per cent. from £1.125 billion to £1.273 billion.

Insurance Broking
The acquisition of SEIH and SEIB in 2008 provided the Group with £4.7 million fee and commission income for the nine months to 31 December 2008, and £6 million for the year to 31 December 2009. Operating profit for the 9 months to 31 December 2008 was £1.8 million and £2.0 million for the year ended 2009.

Comparison of the financial year ended 31 December 2008 with the financial year ended 31 December 2007

Financial Condition
The year ended 31 December 2008 saw shareholders’ funds reduce to £342.3 million, down from £362.1 million at 31 December 2007. This was largely due to the severe turmoil in the global financial markets.

The Group’s pre-tax result for the year ended 31 December 2008 was a loss of £22.5 million, compared to a profit of £35.6 million for the year ended 31 December 2007. The loss was attributable to stock market losses, rather than the Group’s core operations.

The rating agencies Standard & Poor’s and A.M. Best commented positively on the Group’s progress and clear leadership and each maintained the Company’s ratings at A– and A, respectively, for the year ended 31 December 2008. In the year ended 31 December 2007 Standard & Poor’s had upgraded the Company to a ‘positive’ outlook from ‘stable’.

Operating performance
GWP for 2008 was £403.6 million, up 4 per cent. from £386.9 million for the year ended 31 December 2007.

For the year ended 31 December 2008, the Group COR was 100.8 per cent. which reflected some unusually poor claims experience in the London Market operation. This compared with 102.9 per cent. for the year ended 31 December 2007, a year which had been marked by several weather events, including exceptional floods in June and July.

The ordinary grant to the Company’s charitable owner, ATL, for the year ended 31 December 2008 was £7.0 million. The total grant in respect of the year ended 31 December 2007 was £12.7 million, which was made up of a £4.2 million ordinary grant and £8.5 million of special grants.

General insurance
There were few catastrophe weather-related claims in 2008. Theft of metal claims also abated towards the year end as a result of risk management advice, underwriting actions and falling commodity prices.

Ansvar UK had its best year ever with an exceptional profit before tax of £5.2 million and a COR of 78.0 per cent. (profit before tax of £2.0 million and a COR of 99.1 per cent., in 2007). In Ireland, the business delivered a COR of 92 per cent. The London Market business, EUML, had a
poor year with an unprecedented high level of large one-off claims, contributing to an underwriting loss of £10.5 million (£4.8 million underwriting profit in 2007).

The underwriting results for Australia and New Zealand reflected a tough year with a decline in the COR to 107.9 per cent., from 100.7 per cent. in 2007. The rise in both large and attritional claims mirrored experience across the market and rate increases were applied in SME accounts and some aspects of personal lines. The main book of business was the faith account, whilst progress was made in the care, charity and education markets. New Zealand business mirrored Australia, although claims and market conditions were less extreme. In the fourth quarter a new heritage product was launched, and immediately secured the Auckland Museum and Te Papa museum in Wellington as new customers.

In 2008 sales and renewals in Canada were ahead of 2007 and underwriting terms were maintained. Overall growth in local currency was around 7 per cent. and overall progress bettered the Group’s long term plans, although the COR declined to 107.9 per cent. compared with 100.8 per cent. for 2007.

Financial Services
The year to 31 December 2008 was the first full year of operating on a multi-tie basis; which focused on advice underpinned by products from six companies, one of which is Ecclesiastical. Commission earned through this new vehicle, EFAS, amounted to £0.5 million (no comparative in 2007).

Investments
Total funds under management at 31 December 2008, including the Group’s own money and customers’ funds, dropped by approximately 5 per cent. from £1.187 billion at 31 December 2007 to £1.125 billion. As part of Group investment strategy there was little exposure to higher risk investments such as hedge funds and the US markets.
Statutory accounts of the Company for the three financial years ended 31 December 2007, 2008 and 2009, in respect of which the Company’s Auditor has given unqualified opinions that the accounts give a true and fair view of the state of affairs of the Company and of its profit or loss for each of the three financial years ended 31 December 2007, 2008 and 2009 and have been properly prepared in accordance with the Companies Act 1985, the Act and International Financial Reporting Standards, have been incorporated in this document by reference.

The Auditors of the Company for the financial years ended 31 December 2007, 2008 and 2009 were Deloitte LLP. Deloitte LLP is a member of the Institute of Chartered Accountants in England and Wales.

The unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2010 (including comparative information for the six months ended 30 June 2009) and the independent review report thereon prepared by Deloitte LLP are incorporated in this document by reference.

Part IV of this document contains full details of the information that has been incorporated by reference into this document.
The following three-year consolidated summary information has been extracted without adjustment from the published audited consolidated financial statements of the Company for the years ended: (i) 31 December 2009, the date to which the last published audited consolidated financial statements were prepared in respect of the Company; and (ii) 31 December 2008. The half-yearly consolidated summary information has been extracted without adjustment from the published unaudited half-yearly financial report of the Company for the six months ended 30 June 2010, the date to which the last published consolidated financial statements were prepared in respect of the Company.

Ecclesiastical Insurance Office plc: Three-year Consolidated Summary

<table>
<thead>
<tr>
<th>Years ended 31 December</th>
<th>2009</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£ million</td>
<td>£ million</td>
<td>£ million</td>
</tr>
<tr>
<td>Gross written premiums</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General business</td>
<td>427.7</td>
<td>384.7</td>
<td>365.7</td>
</tr>
<tr>
<td>Long term business</td>
<td>20.1</td>
<td>18.9</td>
<td>21.2</td>
</tr>
<tr>
<td>Total</td>
<td>447.8</td>
<td>403.6</td>
<td>386.9</td>
</tr>
<tr>
<td>Profit/(loss) from General business underwriting operations</td>
<td>27.0</td>
<td>(1.9)</td>
<td>(6.7)&lt;sup&gt;(1)&lt;/sup&gt;</td>
</tr>
<tr>
<td>General business COR&lt;sup&gt;(2)&lt;/sup&gt;</td>
<td>89.6%</td>
<td>100.8%</td>
<td>102.9%</td>
</tr>
<tr>
<td>Profit/(loss) before tax</td>
<td>79.0</td>
<td>(22.5)</td>
<td>35.6</td>
</tr>
<tr>
<td>Profit/(loss) attributable to equity holders</td>
<td>56.2</td>
<td>(15.4)</td>
<td>26.3</td>
</tr>
<tr>
<td>Distributions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NCIP Share dividend</td>
<td>5.7</td>
<td>5.7</td>
<td>5.7</td>
</tr>
<tr>
<td>Ordinary Share dividend</td>
<td>–</td>
<td>–</td>
<td>0.6</td>
</tr>
<tr>
<td>Charitable grant to the ultimate parent company, net of tax relief</td>
<td>6.1</td>
<td>4.9</td>
<td>8.9</td>
</tr>
<tr>
<td>Total</td>
<td>11.8</td>
<td>10.6</td>
<td>15.2</td>
</tr>
<tr>
<td>Total shareholders’ equity</td>
<td>392.8</td>
<td>342.3</td>
<td>362.1</td>
</tr>
<tr>
<td>Total assets</td>
<td>1,694.4</td>
<td>1,530.2</td>
<td>1,556.0</td>
</tr>
</tbody>
</table>

Notes:

(1) Due to a change in the Group’s presentation of segmental results, the loss from the general business underwriting operations for the year ended 31 December 2007, whilst prepared on a directly comparable basis to both 2008 and 2009, was not explicitly stated in the published audited consolidated financial statements of the Company for the year ended 31 December 2007 and is therefore deemed unaudited. The change in disclosed segmentation has no impact on reported Group profit before tax for the year.

(2) 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 expenses as a percentage of net earned premiums.
Ecclesiastical Insurance Office plc: Half-yearly Consolidated Summary

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£ million</td>
<td>£ million</td>
</tr>
<tr>
<td><strong>Gross written premiums</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General business</td>
<td>240.8</td>
<td>220.4</td>
</tr>
<tr>
<td>Long term business</td>
<td>9.4</td>
<td>9.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>250.2</td>
<td>229.9</td>
</tr>
<tr>
<td><strong>(Loss)/profit from General business underwriting operations</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Loss)/profit before tax</td>
<td>(15.5)</td>
<td>15.1</td>
</tr>
<tr>
<td>General business COR</td>
<td>111.3%</td>
<td>87.9%</td>
</tr>
<tr>
<td><strong>(Loss)/profit attributable to equity holders</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Loss)/profit before tax</td>
<td>(9.9)</td>
<td>25.7</td>
</tr>
<tr>
<td><strong>Distributions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NCIP Share dividend</td>
<td>2.9</td>
<td>2.9</td>
</tr>
<tr>
<td>Charitable grant to ATL, net of tax relief</td>
<td>7.2</td>
<td>2.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>10.1</td>
<td>5.8</td>
</tr>
<tr>
<td><strong>Total shareholders’ equity</strong></td>
<td>374.9</td>
<td>353.0</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>1,860.0</td>
<td>1,577.7</td>
</tr>
</tbody>
</table>
Section D
Capitalisation and indebtedness statement

Financial information on the Group’s capitalisation has been prepared from the published unaudited condensed consolidated statement of financial position as at 30 June 2010. Although the information is older than 90 days there has been no material change since 30 June 2010. The following table sets out the capitalisation of the Group as at 30 June 2010:

<table>
<thead>
<tr>
<th>£ million</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total current debt</strong></td>
</tr>
<tr>
<td>Guaranteed</td>
</tr>
<tr>
<td>Secured finance lease obligations(^{(1)})</td>
</tr>
<tr>
<td>Unguaranteed/unsecured</td>
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<tr>
<td><strong>Total</strong></td>
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<tr>
<th>£ million</th>
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<tbody>
<tr>
<td><strong>Total non-current debt (excluding current portion of long-term debt)</strong></td>
</tr>
<tr>
<td>Guaranteed</td>
</tr>
<tr>
<td>Secured finance lease obligations(^{(1)})</td>
</tr>
<tr>
<td>Unguaranteed/unsecured</td>
</tr>
<tr>
<td><strong>Total</strong></td>
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<table>
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<tr>
<th>£ million</th>
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</thead>
<tbody>
<tr>
<td><strong>Shareholders’ equity</strong></td>
</tr>
<tr>
<td>Share capital</td>
</tr>
<tr>
<td>Share premium account</td>
</tr>
<tr>
<td>Other reserves(^{(2)})</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

**Total**: 124.4

\(^{(1)}\) Finance lease obligations are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

\(^{(2)}\) Excludes retained earnings.

Financial information on the Group’s net financial indebtedness has been prepared from unpublished and unaudited consolidated management accounts of the Group as at 30 September 2010, and is as follows:

<table>
<thead>
<tr>
<th>£ million</th>
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<tbody>
<tr>
<td><strong>Liquidity</strong></td>
</tr>
<tr>
<td>Cash</td>
</tr>
<tr>
<td>Cash equivalent</td>
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<tr>
<td>Trading securities</td>
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<tr>
<td><strong>Total</strong></td>
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<table>
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<tr>
<th>£ million</th>
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<tbody>
<tr>
<td><strong>Current financial receivable</strong></td>
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<table>
<thead>
<tr>
<th>£ million</th>
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</thead>
<tbody>
<tr>
<td><strong>Current financial debt</strong></td>
</tr>
<tr>
<td>Current bank debt</td>
</tr>
<tr>
<td>Current portion of non-current debt</td>
</tr>
<tr>
<td>Other current financial debt</td>
</tr>
<tr>
<td><strong>Total</strong></td>
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</tbody>
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<table>
<thead>
<tr>
<th>£ million</th>
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<tbody>
<tr>
<td><strong>Net current financial indebtedness</strong></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>£ million</th>
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</thead>
<tbody>
<tr>
<td><strong>Non-current financial indebtedness</strong></td>
</tr>
<tr>
<td>Non-current bank loans</td>
</tr>
<tr>
<td>Bonds issued</td>
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<tr>
<td>Other non-current financial debt</td>
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<tr>
<td><strong>Total</strong></td>
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</table>

<table>
<thead>
<tr>
<th>£ million</th>
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</thead>
<tbody>
<tr>
<td><strong>Net financial indebtedness</strong></td>
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</tbody>
</table>
The Group has no indirect or contingent financial indebtedness. Insurance and reinsurance balances have been considered to be outside the scope of financial indebtedness. At 30 June 2010 the Group held £974 million of liquid financial investments which are treated as non-current, but are available should they be required to settle the Group’s insurance and other liabilities as they fall due.
This document should be read and construed in conjunction with the audited consolidated financial statements of the Company for the financial years ended 31 December 2007, 31 December 2008 and 31 December 2009, respectively, together in each case with the audit reports thereon and the unaudited condensed consolidated financial statements for the six months ended 30 June 2010 (with comparative information for the six month period ended 30 June 2009 together with the independent review report thereon), which are contained in the Company's 2007 Annual Report, 2008 Annual Report, 2009 Annual Report and 2010 Half-yearly Report respectively and, in each case, which have been previously published or are published simultaneously with this document and which have been approved by the UK Listing Authority (“UKLA”) or filed with it. Such documents shall be incorporated in, and form part of this document, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this document to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this document.

Copies of documents incorporated by reference in this document may be viewed on the website of the Company at www.ecclesiastical.com and via the National Storage Mechanism.

For ease of reference, the table below sets out the relevant page references for the audited consolidated financial statements of the Company for the financial years ended 31 December 2007, 31 December 2008 and 31 December 2009, respectively, together in each case with the audit report thereon, and the unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2010 (including comparative information for the six months ended 30 June 2009) and the independent review report thereon. Any information not listed in the cross-reference table but included in the Company's 2007 Annual Report, 2008 Annual Report, 2009 Annual Report or 2010 Half-yearly financial report, as the case may be, is given for information purposes only and does not form part of this document.

**Audited Consolidated Financial Statements for the financial year ended 31 December 2007**

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<th>Document</th>
<th>Page</th>
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<td>Independent Auditors’ Report</td>
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</tr>
<tr>
<td>Consolidated Income Statement</td>
<td>19</td>
</tr>
<tr>
<td>Consolidated Statement of Recognised Income and Expenses</td>
<td>20</td>
</tr>
<tr>
<td>Consolidated Balance Sheet</td>
<td>21</td>
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<td>Consolidated Cash Flow Statement</td>
<td>22</td>
</tr>
<tr>
<td>Notes to the Financial Statements</td>
<td>23-83</td>
</tr>
<tr>
<td>Consolidated Statement of Changes in Equity (note 28)</td>
<td>69</td>
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</tbody>
</table>

**Audited Consolidated Financial Statements for the financial year ended 31 December 2008**

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Independent Auditors’ Report</td>
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<tr>
<td>Consolidated Cash Flow Statement</td>
<td>22</td>
</tr>
<tr>
<td>Notes to the Financial Statements</td>
<td>23-86</td>
</tr>
<tr>
<td>Consolidated Statement of Changes in Equity (note 31)</td>
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Audited Consolidated Financial Statements for the financial year ended 31 December 2009

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Unaudited Condensed Consolidated Financial Statements for the six months ended 30 June 2010
(including comparative information for the six month period ended 30 June 2009)

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PART V

DETAILS OF THE NCIP SHARES AND THE TERMS OF THE PLACING

A. DETAILS OF THE NCIP SHARES

1. History

15,000,000 NCIP Shares were issued pursuant to a placing on 21 September 1995. A further 1,499,999 were issued to EIG in 1996 as part consideration for the purchase of a subsidiary entity.

In July 1997, 1,600,001 NCIP Shares were issued to EIG. An additional 6,900,000 NCIP Shares were issued pursuant to a placing on 15 December 1997.

Further NCIP Shares were created in July 2004 by way of the re-designation of two existing classes of preference shares on a one-for-one basis, resulting in a total of 16,250,000 further issued NCIP Shares.

On 26 April 2005 19,000,000 NCIP Shares were issued in a placing pursuant to Listing Particulars dated 19 April 2005.

On 28 July 2005, 3,000,000 issued 10 per cent. redeemable preference shares were re-designated into NCIP Shares and redeemable deferred shares on a 10:9:1 basis, creating a further 2,700,000 issued NCIP Shares.

On 27 July 2006, 3,500,000 NCIP Shares were issued by way of a placing.

As at the date of this document there are 66,450,000 issued NCIP Shares, all of which have a standard listing on the Official List and are traded on the London Stock Exchange's Main Market.

2. Form and Title

The NCIP Shares are in registered form and are not sequentially numbered. The NCIP Shares can be held in either certificated or uncertificated form.

3. Rights attached to the NCIP Shares

The rights, limitations and restrictions that apply to the NCIP Shares are set out in full in the Company's Articles and are summarised below. Words and expressions defined in or for the purposes of the Articles shall bear the same meanings in this Part V. In the event of any conflict between the definitions used in the Articles and those set out in this document, the former shall prevail in this Part V.

3.1 Priority

The NCIP Shares shall rank pari passu with each other and in priority to the Ordinary Shares in the capital of the Company.

3.2 Dividends

The holders of the NCIP Shares shall be entitled, in priority to any payment of dividend to the holders of the Ordinary Shares, to be paid out of the profits available for distribution under legislation and permitted by law to be distributed when, as and if declared by the Board, a non-cumulative preferential dividend payable at the rate of 8.625 per cent. per annum of the nominal amount of each NCIP Share (exclusive of any associated tax credit) in sterling which will be payable in equal half-yearly instalments in arrears on 30 June and 31 December in each year (each a “Dividend Payment Date”).

If any Dividend Payment Date is not a day on which banks in the City of London are open for business (a “Business Day”), then payment of the dividend otherwise payable on such Dividend Payment Date will be made on the next succeeding Business Day and without any interest or other payment in respect of such delay.
Dividends payable on the NCIP Shares in respect of any period shorter or longer than a full dividend period will be calculated on the basis of a 365 day year and the actual number of days elapsed in such period.

Dividends remaining unclaimed after a period of 12 years after having been declared shall be forfeited and shall revert to the Company.

3.3 Dividend Restrictions

If on any Dividend Payment Date the profits of the Company available for distribution are, in the opinion of the Board, insufficient to enable payment in full to be made of the dividend which would otherwise fall to be payable on the NCIP Shares on such Dividend Payment Date ("Relevant Dividend"), then none of the relevant dividend shall be payable.

If, in the opinion of the Board, the payment of any dividend on the NCIP Shares would or might breach or cause a breach of the margins of solvency prescribed for the business of the Company pursuant to FSMA or any regulations made thereunder or any replacement or similar legislation or such payment would prevent the Company from lending monies or other assets of the Company to any subsidiary or associated undertaking of the Company which in the opinion of the Board requires such monies or assets to prevent a breach of the margins of solvency (prescribed as aforesaid) for the business of that subsidiary or associated undertaking, then none of such dividend shall be payable.

If it shall subsequently appear that any such dividend which has been paid should not, in accordance with the above provisions, have been so paid then provided the Board shall have acted in good faith it shall not incur any liability for any loss which any shareholder may suffer in consequence of such payment having been made.

Dividends are not cumulative. Therefore if a dividend or any part thereof on the NCIP Shares is not paid for the reasons specified above, the holders of the NCIP Shares shall have no claim in respect of such non-payment and unpaid dividends shall not accrue to any future financial period.

3.4 Special dividend

In any calendar year, whether or not any dividend on the NCIP Shares has been paid in full and notwithstanding any provision of the Articles, the Board may if it so resolves and subject to legislation, pay (or set aside a sufficient sum for payment of) a special dividend of 0.1p per share on any shares in the capital of the Company in respect of which no dividend has previously been paid in that calendar year.

3.5 Redemption

The NCIP Shares are not redeemable.

3.6 Return on Capital on a winding up or otherwise

The NCIP Shares rank on a return of capital in priority to the holders of Ordinary Shares.

On a return of capital on a winding up or otherwise (other than a redemption or purchase by the Company of any of its issued shares), the holders of the NCIP Shares are entitled to receive out of the surplus assets of the Company, remaining after payment of its liabilities, an amount per NCIP Share equal to the aggregate of:

(a) the nominal amount of a NCIP Share together with any premium paid on issue; and

(b) an amount equal to any dividend accrued on a NCIP Share for the then current dividend period up to and including the date of the commencement of the winding up, but only to the extent that any such amount was, or would have been, payable as a cash dividend; and

(c) an amount equal to any dividend which has been declared by the directors as payable on a NCIP Share but which remains unpaid.
If upon a return of capital the amounts available for payment are insufficient to cover the amounts payable in full on the NCIP Shares then the holders of the NCIP and any other shares expressed to rank *pari passu* with the NCIP Shares as regards participation in assets, then the holders of the NCIP Shares such other shares will share rateably in the distribution of surplus assets (if any) in proportion to the full respective preferential amount to which they are entitled.

3.7 **Meetings**

The holders of the NCIP Shares shall not be entitled to receive notice of, attend, speak and vote at a general meeting of the Company except:

(a) where at the date of the notice convening such meeting, the dividend on such shares which is (or, would be) most recently payable on such shares has not been paid in full; or

(b) where a resolution is to be proposed abrogating, varying or modifying any of the rights or privileges of the holders of the NCIP Shares, or for the winding up of the Company or for the reduction of capital of the Company (otherwise than on a redemption or purchase by the Company by any of its issued shares), in which case they shall be entitled only to speak and vote on such resolution but not on any other resolution which may be proposed at that general meeting.

Whenever the holders of the NCIP Shares are entitled to vote at a general meeting of the Company on any resolution proposed at such a general meeting, on a show of hands every holder thereof who is present in person or by proxy or (being a corporation) by a duly authorised representative shall have one vote and on a poll every holder thereof who is present in person or by proxy or (being a corporation) by a duly authorised representative shall have one vote in respect of each NCIP Share registered in the name of such holder.

3.8 **Restrictions**

No NCIP Share shall:

(a) confer any right to participate in the profits or assets of the Company other than as set out above;

(b) subject to legislation, confer any right to participate in any offer or invitation by way of rights or otherwise to subscribe for additional shares in the Company;

(c) confer any right of conversion; or

(d) confer any right to participate in any issue of bonus shares.

3.9 **Re-purchase rights**

Subject to legislation and to paragraph 3.6 (if applicable) the Company may at any time purchase any NCIP Shares upon such terms as the Board shall determine.

Following the purchase of any NCIP Shares the nominal amount of such shares comprised in the capital of the Company may be divided by resolution of the Board into, or reclassified as, shares of any other class in the capital of the Company without any further resolution or consent.

Save with such consent or sanction on the part of the holders of the NCIP Shares as is required for a variation of the rights attached to such shares, the Board shall not authorise or create, or increase the amount of, any shares of any class, or any securities convertible into any shares of any class, ranking as regards participation in the profits or assets of the Company (otherwise than on a redemption or purchase by the Company of any such share) in priority to the NCIP Shares.

3.10 **Further preference shares**

Subject to the provisions of paragraph 3.11 below, the rights attached to any NCIP Shares allotted or in issue shall (unless otherwise provided by their terms of issue) be deemed not to
be varied or abrogated by the allotment or issue of any further preference shares (in this paragraph called “Further Preference Shares”) ranking as regards participation in the profits and assets of the Company pari passu with (but not in priority to) the NCIP Shares. Any Further Preference Shares may either carry rights and restrictions as regards participation in the profits and assets of the Company which are identical in all respects with those attaching to the NCIP Shares or any other series of Further Preference Shares or carry rights and restrictions differing therefrom in any respect including, but without prejudice to the generality of the foregoing:

(a) the rate of and/or the basis of calculation of dividend may differ and may be cumulative or non-cumulative;

(b) Further Preference Shares may rank for dividend from such date as may be provided by the terms of issue thereof and the dates for payment of dividend may differ from those for the NCIP Shares;

(c) a premium may be payable on a return of capital or there may be no such premium;

(d) Further Preference Shares may be redeemable on such terms and conditions as may be prescribed by the terms of issue thereof or may be non-redeemable;

(e) Further Preference Shares may be convertible into any class of shares ranking as regards participation in the profits and assets of the Company pari passu with or after the NCIP Shares in each case on such terms and conditions as may be determined by the terms of issue thereof; and

(f) Further Preference Shares may be denominated in any currency or, if permitted by law, any basket of currencies.

3.11 Deemed variation on issues of Further Preference Shares

The rights attached to any NCIP Shares allotted or in issue shall (unless otherwise provided by their terms of issue) be deemed to be varied by the allotment or issue of Further Preference Shares where at the date of the allotment of such Further Preference Shares (“Relevant Date”), the aggregate of the nominal amount (together with any premium paid or payable on issue) of the NCIP Shares, and of any other shares ranking pari passu with or in priority to the NCIP Shares allotted or in issue on the Relevant Date and, immediately following such issue, of the Further Preference Shares exceeds a sum equal to one-third (to be calculated to two decimal places) of the Adjusted Share Capital and Reserves, immediately following such issue.

For these purposes “Adjusted Share Capital and Reserves” means the aggregate of the nominal amount paid up or credited as paid up (or deemed to be paid up) on the issued share capital of the Company and the total of the capital, general and revenue reserves of the Group (which expression for the purposes of this definition shall mean the Company and its subsidiary undertakings for the time being) (including any amount credited to share premium account, capital redemption reserve, revaluation reserve and credit balance on the profit and loss account and including any reserve (the Long term insurance business reserve) fixed by the directors following an evaluation by the Company’s actuary of the assets and liabilities of the Group’s proprietary life assurance business (such reserve being referred to, at 13 September 1995, as the “Long term insurance business reserve” in the notes to the Group’s then latest consolidated balance sheet)), in each case whether or not such amounts are available for distribution, all as shown in the latest audited consolidated balance sheet of the Group but after:

(a) making such adjustments as may be appropriate in respect of any variation in interests in subsidiary undertakings and to take account of any subsidiary undertaking which shall have become or ceased to be a subsidiary undertaking since the date as at which such balance sheet was prepared and in the amount paid up on the issued share capital or share premium account or capital redemption reserve since the date of such latest audited consolidated balance sheet and so that for this purpose if any issue or proposed issue of shares for cash or otherwise has been underwritten or otherwise agreed to be
subscribed (for cash or otherwise) then, at any time when the underwriting of such shares or other agreement as aforesaid shall be unconditional, such shares shall be deemed to have been issued and the amount (including any premium) payable (or which would have been credited as payable) in respect thereof (not being moneys payable later than six months after the date of allotment) shall be deemed to have been paid up to the extent that the underwriters or other persons are liable therefor;

(b) deducting (to the extent included) any amounts distributed or proposed to be distributed or charitable grants made or proposed to be made by the Group (but not provided in such latest audited consolidated balance sheet) other than distributions attributable to the Company or any subsidiary undertaking and any amounts attributable to goodwill (including goodwill arising only on consolidation) or other intangible assets provided always that the Long term insurance business reserve shall not be so deducted;

(c) excluding any sums set aside for taxation and any amounts attributable to outside shareholders in subsidiary undertakings of the Company;

(d) deducting any debit balance on the profit and loss account; and

(e) making such further adjustments (if any) as the auditors may consider appropriate (and so that no amount shall be included or excluded more than once).

A certificate or report by the auditors as to the amount or estimated amount of the Adjusted Share Capital and Reserves immediately prior to such issue shall be conclusive evidence of such amount.

3.12 Variation of rights

The rights attached to any NCIP Shares allotted or in issue shall (unless otherwise provided by their terms of issue) be deemed not to be varied by the consolidation and division and/or sub-division of any Ordinary Shares into shares of a larger or smaller amount in accordance with legislation or, save as provided below, by the redemption of any shares in accordance with legislation.

The rights attached to the NCIP Shares allotted or in issue may be varied or abrogated with the written consent of the holders of three-quarters in nominal value of such NCIP Shares and any shares hereafter issued of the same class then in issue ranking pari passu in all respects with the NCIP Shares then in issue (together referred to as “Class Shares”) or with the sanction of an special resolution passed at a class meeting of the holders of such shares. All the provisions of these articles relating to general meetings shall apply to every such meeting but so that the quorum thereat shall be members holding or representing by proxy at least one-third of the nominal amount of the Class Shares. Article 6 of the Articles shall not apply to the Class Shares.

Save with such consent or sanction on the part of the holders of the NCIP Shares as is required for a variation or abrogation of the rights attached to such shares, the directors shall not capitalise any part of the Company’s profits available for distribution or purchase or redeem any shares in the Company if either: (a) the dividend on the NCIP Shares for the dividend payment period immediately prior to the date of the proposed capitalisation, purchase or redemption has been declared and not been paid in full or such dividend has not been declared for a reason described in paragraph 3.3 above; or (b) after such capitalisation, purchase or redemption the amount of the profits of the Company and its subsidiary undertakings available for distribution would be less than five times the aggregate amount of the annual dividend (exclusive of any associated tax credit) payable on the NCIP Shares and any other shares of the Company then in issue ranking as regards dividends pari passu with or in priority to the NCIP Shares.

The Board is authorised to consolidate and divide and/or sub-divide any NCIP Shares into shares of a larger or smaller amount (so that the provisions of Articles 12 and 13 of the Articles shall, where relevant, apply to such consolidation, division or sub-division).
The Company shall not make, and shall procure that none of its subsidiary undertakings shall make, any Charitable Donation unless (after making such proposed Charitable Donation) a dividend on the NCIP Shares equal to twice the amount of the next half yearly dividend on such NCIP Shares could lawfully be paid by reference to accounts of the Company relevant for the purposes of section 836 of the Act and in respect of which the statutory requirements (as referred to in sub-section (5) of that section) have been complied with.

4. Application of Takeover Code to the NCIP Shares
As a public company resident in the United Kingdom, EIO is subject to the provisions of the Takeover Code. The NCIP Shares are not subject to the rules or provisions of the Takeover Code relating to mandatory takeover bids as they do not hold voting rights. However, under the terms of the Takeover Code, if a takeover offer is made for the Company's Ordinary Shares, a comparable offer must also be made for the NCIP Shares.

5. Matters to Note for Existing NCIP Shareholders
5.1 Dividend
The dividend entitlement of holders of existing NCIP Shares will not be affected by the issue of the Additional NCIP Shares.

5.2 Dividend cover
Immediately following the Placing, excluding the effect of the Placing on future profits before dividend payments, there will be a reduction in the NCIP Share dividend cover from available Group profits, as the total annual NCIP Share dividend will increase from approximately £5.7 million to £9.2 million. Based on 2009 Group profit after tax, this would equate to a reduction in dividend cover from 9.8 times to 6.1 times. Cumulative retained profits of the Group as at 31 December 2009 provide approximately 29 times cover for the increased annual level of NCIP Share dividend following the Placing.

5.3 Covenants
Under the terms of a Trust Deed between LDTC and EIG in respect of EIG's listed Debenture Stock, EIG is subject to a covenant restricting the EIG group's level of borrowings and NCIP Share capital, which is calculated annually. At 31 December 2009 the EIG group had over £700 million of headroom within the permitted level.

5.4 Regulatory capital
The capital of the Group which is available to meet its current and future regulatory capital requirements will increase as a result of the Placing.

5.5 Gearing
Based on the Group shareholders' funds at 31 December the NCIP Share capital as a proportion of overall shareholders' funds will increase by approximately 7.7 percentage points immediately following the Placing. This will reduce the debt to shareholders' funds ratio of the Group.

5.6 Voting dilution
As the NCIP Shares carry no voting rights under ordinary circumstances, the Placing will not be dilutive to existing NCIP Shareholders.
B. TERMS AND CONDITIONS OF THE PLACING

The following terms and conditions have been extracted without amendment from the announcement of the Company containing details of the terms and conditions of the Placing expected to be released on the same date as this document:

"IMPORTANT INFORMATION FOR PLACEES ONLY REGARDING THE PLACING

MEMBERS OF THE PUBLIC ARE NOT ELIGIBLE TO TAKE PART IN THE PLACING. THIS APPENDIX AND THE TERMS AND CONDITIONS SET OUT AND REFERRED TO HEREIN ARE DIRECTED ONLY AT PERSONS SELECTED BY COLLINS STEWART EUROPE LIMITED ("COLLINS STEWART" AND THE "PLACING AGENT") WHO ARE "INVESTMENT PROFESSIONALS" FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE "FPO") OR "HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS ETC." FALLING WITHIN ARTICLE 49(2) OF THE FPO OR TO PERSONS TO WHOM IT MAY OTHERWISE LAWFULLY BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "RELEVANT PERSONS"). THIS APPENDIX AND THE TERMS AND CONDITIONS SET OUT HEREIN MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS ANNOUNCEMENT RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. PERSONS DISTRIBUTING THIS ANNOUNCEMENT MUST SATISFY THEMSELVES THAT IT IS LAWFUL TO DO SO.

THE 8.625 PER CENT. NON-CUMULATIVE IRREDEEMABLE PREFERENCE SHARES OF £1 EACH THAT ARE THE SUBJECT OF THE PLACING (THE "ADDITIONAL NCIP SHARES") ARE NOT BEING OFFERED OR SOLD TO ANY PERSON IN THE EUROPEAN UNION, OTHER THAN TO "QUALIFIED INVESTORS" AS DEFINED IN ARTICLE 2.1(E) OF DIRECTIVE 2003/71/EC (THE "PROSPECTUS DIRECTIVE"), WHICH INCLUDES LEGAL ENTITIES WHICH ARE REGULATED BY THE FINANCIAL SERVICES AUTHORITY (THE "FSA") OR ENTITIES WHICH ARE NOT SO REGULATED WHOSE CORPORATE PURPOSE IS SOLELY TO INVEST IN SECURITIES, OR TO DIRECTORS AND EMPLOYEES OF THE COMPANY IN COMPLIANCE WITH THE EXEMPTION CONTAINED IN RULE 1.2.2(5) OF THE PROSPECTUS RULES MADE BY THE UK LISTING AUTHORITY (THE "PROSPECTUS RULES") PURSUANT TO AN EMPLOYEE OFFERING (THE "EMPLOYEE OFFERING").

The Additional NCIP Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") or under the securities laws of any state or other jurisdiction of the United States and may not be offered, sold, resold or delivered, directly or indirectly, in or into the United States absent registration except pursuant to an exemption from or in a transaction not subject to the registration requirements of the Securities Act. No public offering of the Additional NCIP Shares is being made in the United States. The Placing (as defined below) is being made outside the United States in offshore transactions (as defined in Regulation S under the Securities Act ("Regulation S")) meeting the requirements of Regulation S under the Securities Act. Persons receiving this Announcement (including custodians, nominees and trustees) must not forward, distribute, mail or otherwise transmit it in or into the United States or use the United States mails, directly or indirectly, in connection with the Placing.

This Announcement does not constitute an offer to sell or issue or a solicitation of an offer to buy or subscribe for Additional NCIP Shares in any jurisdiction including, without limitation, the United States, Canada, Australia, Japan or any other jurisdiction in which such offer or solicitation is or may be unlawful (a "Prohibited Jurisdiction"). This Announcement and the information contained herein are not for publication or distribution, directly or indirectly, to persons in a Prohibited Jurisdiction unless permitted pursuant to an exemption under the relevant local law or regulation in any such jurisdiction.

Any indication in this Announcement of the price at which the 8.625 per cent. non-cumulative irredeemable preference shares ("NCIP Shares") have been bought or sold in the past cannot be relied upon as a guide to future performance. Persons needing advice should consult an independent
financial adviser. No statement in this Announcement is intended to be a profit forecast and no statement in this Announcement should be interpreted to mean that priority dividends paid on each NCIP Share for the current or future financial years would necessarily match the historical published priority dividends paid on each NCIP Share in respect of any dividend payment period.

The distribution of this Announcement, the Placing and/or issue of the Additional NCIP Shares in certain jurisdictions may be restricted by law and/or regulation. No action has been taken by the Company, Collins Stewart or any of their respective Affiliates (as defined below) that would permit an offer of the Additional NCIP Shares or possession or distribution of this Announcement or any other publicity material relating to such Additional NCIP Shares in any jurisdiction where action for that purpose is required. Persons receiving this Announcement are required to inform themselves about and to observe any such restrictions.

Persons (including, without limitation, nominees and trustees) who have a contractual or other legal obligation to forward a copy of this Announcement should seek appropriate advice before taking any action.

Collins Stewart Europe Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for Ecclesiastical Insurance Office plc and for no one else in connection with the Placing and will not be responsible to anyone other than Ecclesiastical Insurance Office plc for providing the protections afforded to clients of Collins Stewart Europe Limited or for affording advice in relation to the Placing, or any other matters referred to herein.

By participating in the Placing, each person who is invited to and who chooses to participate in the Placing (a “Placee”) by making an oral offer to take up Additional NCIP Shares is deemed to have read and understood this Announcement in its entirety, to be making an offer and acquiring Additional NCIP Shares on the terms and conditions herein, and to be providing the representations, warranties, undertakings, agreements and acknowledgements contained herein.

EACH PLACEE SHOULD CONSULT WITH ITS OWN ADVISERS AS TO LEGAL, TAX, BUSINESS AND RELATED ASPECTS OF A PURCHASE OF ADDITIONAL NCIP SHARES.

Details of the Placing Agreement and the Additional NCIP Shares

The Company has entered into a placing agreement (the “Placing Agreement”) with Collins Stewart, under which Collins Stewart has, subject to the terms set out therein, agreed to use reasonable endeavours, as agents of the Company, to procure Placees for the Additional NCIP Shares (the “Placing”).

The Additional NCIP Shares will, when issued, be credited as fully paid and will rank pari passu in all respects with each other.

The Additional NCIP Shares will be issued free of any encumbrance, lien or other security interest.

Application for listing and admission to trading

Application will be made to the FSA (as the competent authority for listing) for admission of the Additional NCIP Shares to the standard segment of the Official List maintained by the FSA in accordance with section 74(1) of the Financial Services and Markets Act 2000 (“FSMA”) for the purposes of part VI of FSMA and to the London Stock Exchange plc (the “London Stock Exchange”) for admission to trading of the Additional NCIP Shares on the London Stock Exchange’s market for listed securities (“Admission”). It is expected that Admission will become effective and that dealings will commence on 16 December 2010, and in any event no later than 31 December 2010.

Participation in, and principal terms of, the Placing

Each of Collins Stewart and its respective Affiliates (as defined below) is entitled to participate as a Placee.

A single price (the “Placing Price”) will be payable to Collins Stewart by all Placees.

Prospective Placees will be identified and contacted by Collins Stewart.
The Placing is expected to close at 4.30 p.m. on 10 December 2010. However, the Company may, with the prior approval of Collins Stewart, bring forward or postpone this date. In the event such date is changed, the Company will notify investors who have applied for Additional NCIP Shares either by post, by electronic mail or by the publication of a notice through a regulatory information service provider to the London Stock Exchange.

Collins Stewart will re-contact and confirm orally to Placees the size of their respective allocations and a trade confirmation will be dispatched as soon as possible thereafter. Collins Stewart’s oral confirmation of the size of allocations and each Placee’s oral commitments to accept the same will constitute a legally binding agreement pursuant to which each such Placee will be required to accept the number of Additional NCIP Shares allocated to the Placee at the Placing Price and otherwise on the terms and subject to the conditions set out herein and in the Prospectus.

Collins Stewart reserves the right to scale back the number of Additional NCIP Shares to be subscribed by any Placee. The Placing Agent also reserves the right not to accept offers to subscribe for Additional NCIP Shares or to accept such offers in part rather than in whole. Collins Stewart shall be entitled to effect the Placing by such method as it shall in its sole discretion determine. To the fullest extent permissible by law, neither Collins Stewart or any holding company thereof, nor any subsidiary, branch or affiliate of Collins Stewart (each an “Affiliate”) nor any person acting on behalf of any of the foregoing shall have any liability to Placees (or to any other person whether acting on behalf of a Placee or otherwise). In particular, neither of Collins Stewart nor any Affiliate thereof nor any person acting on its behalf shall have any liability to Placees in respect of its conduct of the Placing. No commissions will be paid to Placees or directly by Placees in respect of any Additional NCIP Shares.

Each Placee’s obligations will be owed to the Company and to Collins Stewart. Following the oral confirmation referred to above, each Placee will also have an immediate, separate, irrevocable and binding obligation, owed to Collins Stewart, to pay to Collins Stewart (or as Collins Stewart may direct) in cleared funds an amount equal to the product of the Placing Price and the number of Additional NCIP Shares such Placee has agreed to acquire. The Company shall allot such Additional NCIP Shares to each Placee following each Placee’s payment to Collins Stewart of such amount.

All obligations of Collins Stewart under the Placing will be subject to fulfilment of the conditions referred to below under “Conditions of the Placing”.

**Conditions of the Placing**

The Placing is conditional upon the Placing Agreement becoming unconditional and not having been terminated in accordance with its terms.

The obligations of Collins Stewart under the Placing Agreement are conditional, *inter alia*, on:

1. Admission occurring by no later than 8.00 a.m. on 31 December 2010;
2. the Company delivering, by no later than 5.00 p.m. on the day prior to Admission, to Collins Stewart a certificate confirming, *inter alia*, that none of the representations and warranties given by the Company in the Placing Agreement was untrue, inaccurate or misleading when made or has at any time since that date become untrue, inaccurate or misleading in any material respect by reference to the facts and circumstances existing since that date and confirming that there has been no significant change affecting any matter in the Prospectus and no new significant matter has occurred which would require the publication of a supplementary prospectus;
3. the Company having complied with all its obligations under the Placing Agreement which fall to be performed or satisfied on or prior to Admission; and
4. the Company allotting the Additional NCIP Shares, prior to and conditionally only on Admission.

If (a) the conditions are not fulfilled (or to the extent permitted under the Placing Agreement waived by Collins Stewart), or (b) the Placing Agreement is terminated including in the circumstances specified below, the Placing will lapse and each Placee’s rights and obligations hereunder shall cease
and determine at such time and no claim may be made by a Placee in respect thereof. Collins Stewart shall not have any liability to any Placee (or to any other person whether acting on behalf of a Placee or otherwise) in respect of any decision it may make as to whether or not to waive or to extend the time and/or date for the satisfaction of any condition in the Placing Agreement or in respect of the Placing generally.

By participating in the Placing, each Placee agrees that its rights and obligations hereunder terminate only in the circumstances described above and if the Placing Agreement is terminated including in the circumstances described in “Right to terminate under the Placing Agreement” below, and will not be capable of rescission or termination by the Placee.

Right to terminate under the Placing Agreement

Collins Stewart may, in its absolute discretion, terminate the Placing Agreement by giving notice to the Company at any time prior to Admission if, *inter alia*:

(a) any of the warranties or any statement made in any of the marketing documents (which includes the Prospectus) is untrue, inaccurate or misleading in any material respect when made or becomes untrue, inaccurate or misleading in any material respect by reference to the facts and circumstances existing from time to time or any matter arises which might reasonably be expected to give rise to a claim under the indemnity in the Placing Agreement;

(b) there is a material breach by the Company of any of its obligations under the Placing Agreement (to the extent such obligations fall to be performed prior to Admission); or

(c) in the good faith opinion of Collins Stewart, there has been a material adverse change (or any development involving a material adverse change) in the financial position or prospects of the Company including any adverse change in the credit rating of the Company or indication that such a change is reasonably likely; or

(d) in the good faith opinion of Collins Stewart, there has been: a change in national or international financial, political, economic or market conditions; an incident of terrorism, outbreak or escalation of hostilities, or declaration by the UK or the US of a national emergency or war or any other analogous calamity or crisis; a suspension or limitation in trading of securities generally on the London or New York stock exchanges; the declaration of a banking moratorium in London or by the US federal or New York State authorities or any material disruption to commercial banking or securities settlement or clearance services in the US or the UK, in each case being likely to have an adverse effect on the financial or trading position or the business or prospects of the Group which is material in the context of Group as a whole or which renders the Placing impracticable or inadvisable; or

(e) there is a significant change affecting any matter contained in the Prospectus or a significant new matter arising requiring a Supplementary Prospectus to be published.

By participating in the Placing, each Placee agrees with Collins Stewart that the exercise by Collins Stewart of any right of termination or other discretion under the Placing Agreement shall be within the absolute discretion of Collins Stewart and that Collins Stewart need not make any reference to the Placee in this regard and that, to the fullest extent permitted by law, Collins Stewart shall not have any liability whatsoever to the Placee in connection with any such exercise.

Prospectus

The Prospectus has been published in connection with the Placing and Admission. The Prospectus has been approved by the UK Listing Authority. A Placee may only rely on the information contained in the Prospectus in deciding whether or not to participate in the Placing.

Placees’ commitments will be made solely on the basis of the information contained in this Announcement (including this Appendix) and the Prospectus. Each Placee, by accepting a participation in the Placing, agrees that the content of this Announcement (including this Appendix) is exclusively the responsibility of the Company and that the Prospectus is exclusively the responsibility of the Company and the persons stated therein as accepting responsibility for the
Prospectus and confirms to Collins Stewart and the Company that it has neither received nor relied on any information, representation, warranty or statement made by or on behalf of Collins Stewart (other than the amount of the relevant Placing participation in the oral confirmation given to Placees and the trade confirmation referred to below), any of its Affiliates, any persons acting on its behalf or the Company other than the Prospectus and neither Collins Stewart nor any of its Affiliates, nor any persons acting on its behalf, nor the Company will be liable for the decision of any Placee to participate in the Placing based on any other information, representation, warranty or statement which the Placee may have obtained or received (regardless of whether or not such information, representation, warranty or statement was given or made by or on behalf of any such persons) other than the Prospectus. By participating in the Placing, each Placee acknowledges to and agrees with Collins Stewart for itself and as agent for the Company that, except in relation to the information contained in this Announcement and the Prospectus, it has relied on its own investigation of the business, financial or other position of the Company in deciding to participate in the Placing. Nothing in this paragraph shall exclude the liability of any person for fraudulent misrepresentation.

Registration and settlement

Settlement of transactions in the Additional NCIP Shares (ISIN GB0003035382) following Admission will take place within the CREST system, using the DVP mechanism, subject to certain exceptions. Collins Stewart reserves the right to require settlement for and delivery of the Additional NCIP Shares to Placees by such other means that it deems necessary, if delivery or settlement is not possible or practicable within the CREST system within the timetable set out in this Announcement or in the Prospectus or would not be consistent with the regulatory requirements in the Placee’s jurisdiction.

Each Placee allocated Additional NCIP Shares in the Placing will be sent a trade confirmation stating the number of Additional NCIP Shares allocated to it, the Placing Price, the aggregate amount owed by such Placee to Collins Stewart and settlement instructions. Placees should settle against CREST ID: 288. It is expected that such trade confirmation will be despatched on 10 December 2010 and the trade date will be 13 December 2010. Each Placee agrees that it will do all things necessary to ensure that delivery and payment is completed in accordance with either the standing CREST or certificated settlement instructions which it has in place with Collins Stewart.

It is expected that settlement will be on 16 December 2010 on a T+3 basis in accordance with the instructions set out in the trade confirmation unless otherwise notified by Collins Stewart.

Interest is chargeable daily on payments not received from Placees on the due date in accordance with the arrangements set out above at the rate of 2 percentage points above the base rate of Barclays Bank Plc.

Each Placee is deemed to agree that if it does not comply with these obligations, Collins Stewart may sell any or all of the Additional NCIP Shares allocated to the Placee on such Placee’s behalf and retain from the proceeds, for its own account and profit, an amount equal to the aggregate amount owed by the Placee plus any interest due. The Placee will, however, remain liable for any shortfall below the aggregate amount owed by such Placee and it may be required to bear any stamp duty or stamp duty reserve tax (together with any interest or penalties) which may arise upon the sale of such Additional NCIP Shares on such Placee’s behalf.

If Additional NCIP Shares are to be delivered to a custodian or settlement agent, the Placee should ensure that the trade confirmation is copied and delivered immediately to the relevant person within that organisation.

Insofar as Additional NCIP Shares are registered in the Placee’s name or that of its nominee or in the name of any person for whom the Placee is contracting as agent or that of a nominee for such person, such Additional NCIP Shares will, subject as provided below, be so registered free from any liability to PTM levy, stamp duty or stamp duty reserve tax. If there are any circumstances in which any other stamp duty or stamp duty reserve tax is payable in respect of the issue or transfer of the Additional NCIP Shares, neither Collins Stewart nor the Company shall be responsible for the payment thereof. Placees will not be entitled to receive any fee or commission in connection with the Placing.
Representations and Warranties
By participating in the Placing, each Placee (and any person acting on such Placee’s behalf):

1. represents and warrants that it has read and understood this Announcement (including this Appendix) and the Prospectus in its entirety and that its purchase of the Additional NCIP Shares is subject to and based upon all the terms, conditions, representations, warranties, acknowledgements, agreements and undertakings and other information contained herein;

2. agrees to indemnify on an after-tax basis and hold harmless each of the Company, Collins Stewart, their respective Affiliates and any person acting on its behalf from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the representations, warranties, acknowledgements, agreements and undertakings in this Appendix and further agrees that the provisions of this Appendix shall survive after completion of the Placing;

3. acknowledges that the NCIP Shares of the Company in issue at the date of this Announcement are listed on the standard segment of the Official List of the UK Listing Authority, and the Company is therefore required to publish certain business and financial information in accordance with the rules and practices of the FSA (collectively, the “Exchange Information”) and that the Placee is able to obtain or access the Exchange Information without undue difficulty. Each Placee further acknowledges that as the NCIP Shares are listed on the standard segment of the Official List of the UK Listing Authority, the Company is under no obligation to adhere to those provisions of the Listing Rules which apply only to companies with shares listed on the premium segment;

4. acknowledges that neither Collins Stewart, nor any of its Affiliates nor any person acting on their behalf has provided, and will not provide it with any material or information regarding the Additional NCIP Shares or the Company other than in this Announcement; nor has it requested Collins Stewart, any of its Affiliates or any person acting on their behalf to provide it with any such material or information;

5. acknowledges that the content of this Announcement and the Prospectus is exclusively the responsibility of the Company and the persons stated therein as accepting responsibility for the Prospectus and that neither Collins Stewart, nor any of its Affiliates nor any person acting on their behalf will be responsible for or shall have any liability for any information, representation or statement relating to the Company contained in this Announcement (including this Appendix) or the Prospectus or any information previously published by or on behalf of the Company and neither Collins Stewart, nor any of its Affiliates nor any person acting on their behalf will be liable for any Placee’s decision to participate in the Placing based on any information, representation or statement contained in this Announcement, the Prospectus or otherwise. Each Placee further represents, warrants and agrees that the only information on which it is entitled to rely and on which such Placee has relied in committing to subscribe for or acquire the Additional NCIP Shares is contained in this Appendix and the Prospectus, such information being all that it deems necessary to make an investment decision in respect of the Additional NCIP Shares, and that it has relied on its own investigation with respect to the Additional NCIP Shares and the Company in connection with its decision to subscribe for or acquire the Additional NCIP Shares and acknowledges that it is not relying on any investigation that Collins Stewart, any of its Affiliates or any person acting on their behalf may have conducted with respect to the Additional NCIP Shares or the Company and none of such persons has made any representations to it, express or implied, with respect thereto;

6. acknowledges that it has not relied on any information relating to the Company contained in any research reports prepared by Collins Stewart, its Affiliates or any person acting on its or any of its Affiliates’ behalf and understands that: (i) none of Collins Stewart, any of its Affiliates nor any person acting on their behalf has or shall have any liability for public information or any representation; (ii) none of Collins Stewart, any of its Affiliates nor any person acting on their behalf has or shall have any liability for any additional information that has otherwise been made available to such Placee, whether at the date of publication, the
7. represents and warrants that: (i) it (or the beneficial owner, as applicable) is entitled to acquire the Additional NCIP Shares under the laws and regulations of all relevant jurisdictions which apply to it (or the beneficial owner, as applicable); (ii) it (or the beneficial owner, as applicable) has fully observed such laws and regulations and obtained all such governmental and other guarantees and other consents and authorities which may be required thereunder and complied with all necessary formalities; (iii) it (or the beneficial owner, as applicable) has all necessary capacity to commit to participation in the Placing and to perform its (or the beneficial owners, as applicable) obligations in relation thereto and will honour such obligations; (iv) it (or the beneficial owner, as applicable) has paid any issue, transfer or other taxes due in connection with its (or the beneficial owners, as applicable) participation in any territory; and (v) it (or the beneficial owner, as applicable) has not taken any action which will or may result in the Company, Collins Stewart, any of their Affiliates or any person acting on their behalf being in breach of the legal and/or regulatory requirements of any territory in connection with the Placing;

8. represents and warrants that the allocation, allotment, issue or transfer and delivery to the Placee, or the person specified by the Placee for registration as holder, of Additional NCIP Shares will not give rise to a liability under any of sections 67, 70, 93 or 96 of the Finance Act 1986 (depositary receipts and clearance services) and that the Additional NCIP Shares are not being acquired in connection with arrangements to issue depositary receipts or to issue or transfer Additional NCIP Shares into a clearance system;

9. represents and warrants that it understands that the Additional NCIP Shares have not been and will not be registered under the Securities Act or under the securities laws of any state or other jurisdiction of the United States (as defined below) and that the Company has not been registered as an “investment company” under the United States Investment Company Act of 1940, as amended;

10. represents and warrants that it has not offered or sold and will not offer or sell any Additional NCIP Shares to persons in the United Kingdom prior to Admission except to persons falling within Article 2.1(e)(i), (ii) or (iii) of the Prospectus Directive or to directors and employees of the Company in compliance with the exemption contained in Rule 1.2.2(5) of the Prospectus Rules;

11. represents and warrants that it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) relating to the Additional NCIP Shares in circumstances in which it is permitted to do so pursuant to section 21 of FSMA;

12. represents and warrants that it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the Additional NCIP Shares in, from or otherwise involving the United Kingdom;

13. represents and warrants that it has complied with its obligations in connection with money laundering and terrorist financing under the Criminal Justice Act 1993, the Proceeds of Crime Act 2002, the Terrorism Act 2000, the Anti-terrorism Crime and Security Act 2001 and the Money Laundering Regulations (2007) (the “Regulations”) and, if it is making payment on behalf of a third party, that satisfactory evidence has been obtained and recorded by it to verify the identity of the third party as required by the Regulations;

14. represents and warrants that it is: (a) a person falling within Article 19(5) of the FPO; or (b) a person falling within Article 49(2)(a) to (d) of the FPO and undertakes that it will acquire, hold, manage or dispose of any Additional NCIP Shares that are allocated to it for the purposes of its business;
15. represents and warrants that it is a qualified investor as defined in section 86(7) of FSMA, being a person falling within Article 2.1(e)(i), (ii) or (iii) of the Prospectus Directive;

16. undertakes that it (and any person acting on its behalf) will pay for the Additional NCIP Shares acquired by it in accordance with this Announcement on the due time and date set out herein against delivery of such Additional NCIP Shares against it, failing which the relevant Additional NCIP Shares may be placed with other Placees or sold as Collins Stewart may, in its absolute discretion, determine and it will remain liable for any shortfall below the net proceeds of such sale and the placing proceeds of such Additional NCIP Shares and may be required to bear any stamp duty or stamp duty reserve tax (together with any interest or penalties due pursuant to the terms set out or referred to in this Appendix) which may arise upon the sale of such Placee’s Additional NCIP Shares on its behalf;

17. acknowledges that none of Collins Stewart, any of its Affiliates nor any person acting on their behalf is making any recommendations to it or advising it regarding the suitability or merits of any transaction it may enter into in connection with the Placing, and acknowledges that neither Collins Stewart, any of its Affiliates nor any person acting on their behalf has any duties or responsibilities to it for providing advice in relation to the Placing or in respect of any representations, warranties, undertakings or indemnities contained in the Placing Agreement or for the exercise or performance of any of Collins Stewart’s rights and obligations thereunder, including any right to waive or vary any condition or exercise any termination right contained therein;

18. undertakes that: (i) the person whom it specifies for registration as holder of the Additional NCIP Shares will be: (a) the Placee; or (b) the Placee’s nominee; or (c) an employee or director of the Company or any of its subsidiaries participating in the Placing pursuant to the Employee Offering, as the case may be; (ii) neither Collins Stewart nor the Company will be responsible for any liability to stamp duty or stamp duty reserve tax resulting from a failure to observe this requirement; and (iii) the Placee and any person acting on its behalf agrees to subscribe for or acquire the Additional NCIP Shares on the basis that the Additional NCIP Shares will be allotted to the CREST stock account of Collins Stewart which will hold them as settlement agent as nominee for the Placees until settlement in accordance with its standing settlement instructions with payment for the Additional NCIP Shares being made simultaneously upon receipt of the Additional NCIP Shares in the Placee’s stock account on a delivery versus payment basis;

19. acknowledges that any agreements entered into by it pursuant to these terms and conditions (and any non-contractual obligations connected with such agreements) shall be governed by and construed in accordance with the laws of England and it submits (on behalf of itself and on behalf of any person on whose behalf it is acting) to the exclusive jurisdiction of the English courts as regards any claim, dispute or matter arising out of any such contract;

20. acknowledges that it irrevocably appoints any director of Collins Stewart as its agent for the purposes of executing and delivering to the Company and/or its registrars any documents on its behalf necessary to enable it to be registered as the holder of any of the Additional NCIP Shares agreed to be taken up by it under the Placing;

21. represents and warrants that it is not a resident of any Prohibited Jurisdiction and acknowledges that the Additional NCIP Shares have not been and will not be registered nor will a prospectus be cleared in respect of the Additional NCIP Shares under the securities legislation of any Prohibited Jurisdictions and, subject to certain exceptions, may not be offered, sold, taken up, renounced, delivered or transferred, directly or indirectly, within any Prohibited Jurisdiction;

22. represents and warrants that any person who confirms to Collins Stewart on behalf of a Placee an agreement to subscribe for or acquire Additional NCIP Shares and/or who authorises Collins Stewart to notify the Placee’s name to the Company’s registrar, has authority to do so on behalf of the Placee;

23. acknowledges that the agreement to settle each Placee’s acquisition of Additional NCIP Shares (and/or the acquisition of a person for whom it is contracting as agent) free of stamp duty and stamp duty reserve tax depends on the settlement relating only to an acquisition by it
and/or such person direct from the Company of the Additional NCIP Shares in question. Such agreement assumes that the Additional NCIP Shares are not being acquired in connection with arrangements to issue depositary receipts or to issue or transfer the Additional NCIP Shares into a clearance service. If there were any such arrangements, or the settlement related to other dealing in the Additional NCIP Shares, stamp duty or stamp duty reserve tax may be payable, for which neither the Company nor Collins Stewart will be responsible. If this is the case, the Placee should take its own advice and notify Collins Stewart accordingly;

24. acknowledges that the Additional NCIP Shares will be issued and/or transferred subject to the terms and conditions set out in this Appendix and otherwise as stated in the Prospectus;

25. acknowledges that when a Placee or any person acting on behalf of the Placee is dealing with Collins Stewart any money held in an account with Collins Stewart on behalf of the Placee and/or any person acting on behalf of the Placee will not be treated as client money within the meaning of the relevant rules and regulations of the FSA. The Placee acknowledges that the money will not be subject to the protections conferred by the client money rules; as a consequence, this money will not be segregated from Collins Stewart money in accordance with the client money rules and will be used by Collins Stewart in the course of its business; and the Placee will rank only as a general creditor of Collins Stewart (as the case may be);

26. acknowledges and understands that the Company, Collins Stewart, and others will rely upon the truth and accuracy of the foregoing representations, warranties, agreements, undertakings and acknowledgements;

27. acknowledges that until 40 days after the later of the commencement of the Placing and the closing date, an offer or sale of Additional NCIP Shares within the United States by any dealer (whether or not participating in the Placing) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act or pursuant to another exemption from registration under the Securities Act to a person that is a “qualified purchaser” (as defined in Section 2(a)(51) of the United States Investment Company Act of 1940, as amended); and

28. acknowledges that the basis of allocation will be determined by Collins Stewart at its absolute discretion. The right is reserved to reject in whole or in part and/or scale back any participation in the Placing.

The acknowledgements, agreements, undertakings, representations and warranties referred to above are given to each of the Company and Collins Stewart (for its own benefit and, where relevant, the benefit of its Affiliates and any person acting on its behalf) and are irrevocable.

No UK stamp duty or stamp duty reserve tax should be payable to the extent that the Additional NCIP Shares are issued or transferred (as the case may be) into CREST to, or to the nominee of, a Placee who holds those shares beneficially (and not as agent or nominee for any other person) within the CREST system and registered in the name of such Placee or such Placee’s nominee.

Any arrangements to issue or transfer the Additional NCIP Shares into a depositary receipts system or a clearance service or to hold the Additional NCIP Shares as agent or nominee of a person to whom a depositary receipt may be issued or who will hold the Additional NCIP Shares in a clearance service, or any arrangements subsequently to transfer the Additional NCIP Shares, may give rise to UK stamp duty and/or stamp duty reserve tax, for which neither the Company nor Collins Stewart will be responsible and the Placee to whom (or on behalf of whom, or in respect of the person for whom it is participating in the Placing as an agent or nominee) the allocation, allotment, issue or delivery of Additional NCIP Shares has given rise to such stamp duty or stamp duty reserve tax undertakes to pay such stamp duty or stamp duty reserve tax forthwith and to indemnify on an after-tax basis and to hold harmless the Company and Collins Stewart in the event that any of the Company and/or Collins Stewart has incurred any such liability to stamp duty or stamp duty reserve tax.

In addition, Placees should note that they will be liable for any capital duty, stamp duty and all other stamp, issue, securities, transfer, registration, documentary or other duties or taxes (including
any interest, fines or penalties relating thereto) payable outside the UK by them or any other person on the acquisition by them of any Additional NCIP Shares or the agreement by them to subscribe for or acquire any Additional NCIP Shares.

All times and dates in this Appendix may be subject to amendment. Collins Stewart shall notify the Placees and any person acting on behalf of the Placees of any such changes.

This Announcement has been issued by the Company and is the sole responsibility of the Company.

The rights and remedies of Collins Stewart and the Company under these terms and conditions are in addition to any rights and remedies which would otherwise be available to each of them and the exercise or partial exercise or partial exercise of one will not prevent the exercise of others.

Each Placee may be asked to disclose in writing or orally to Collins Stewart:

(a) if he is an individual, his nationality; or

(b) if he is a discretionary fund manager, the jurisdiction in which the funds are managed or owned.
C. THE PLACING AGREEMENT

A full description of the terms of the Placing Agreement in relation to the Placing is summarised at paragraph 12.1 of Part VI of this document.
PART VI

ADDITIONAL INFORMATION

1. Responsibility
The Company, whose registered office appears in paragraph 2(b) of this Part VI of the document, and the Directors, whose names and functions appear on pages 25 and 26 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.

2. The Company
Statutory Information
(a) The Company was incorporated in England and Wales on 3 August 1887 under the Companies Acts 1862 to 1886. The Company is registered as a public limited company with registered number 24869.
(b) The registered office of the Company is Beaufort House, Brunswick Road, Gloucester GL1 1JZ and its telephone number is 0845 777 3322.
(c) The Company’s NCIP Shares are currently admitted to trading on the Main Market of the London Stock Exchange, with a Standard Listing. The ISIN of the NCIP Shares is GB0003035382.
(d) The principal legislation under which the Company operates is the Act and regulations promulgated thereunder.

Principal Activities of the Company
The principal activity of the Company is to carry on business as an insurance company.

3. Organisational Structure
The Company’s significant direct and indirect subsidiaries are:

<table>
<thead>
<tr>
<th>Name</th>
<th>Country of Incorporation</th>
<th>Proportion of voting power</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ecclesiastical Investment Management Limited</td>
<td>England</td>
<td>Subsidiary 100%</td>
</tr>
<tr>
<td>Ansvar Insurance Company Limited</td>
<td>England</td>
<td>Subsidiary 100%</td>
</tr>
<tr>
<td>Ansvar Insurance Limited</td>
<td>Australia</td>
<td>Subsidiary 100%</td>
</tr>
<tr>
<td>Ansvar Insurance Limited</td>
<td>New Zealand</td>
<td>Indirect Subsidiary 100%</td>
</tr>
<tr>
<td>Ecclesiastical Financial Advisory Services Limited</td>
<td>England</td>
<td>Subsidiary 100%</td>
</tr>
<tr>
<td>Ecclesiastical Life Limited</td>
<td>England</td>
<td>Subsidiary 100%</td>
</tr>
<tr>
<td>South Essex Insurance Holdings Limited</td>
<td>England</td>
<td>Subsidiary 100%</td>
</tr>
<tr>
<td>South Essex Insurance Brokers Limited</td>
<td>England</td>
<td>Indirect Subsidiary 100%</td>
</tr>
</tbody>
</table>

All of the companies incorporated in England have their registered office at Beaufort House, Brunswick Road, Gloucester, GL1 1JZ. Ansvar Insurance Limited (Australia) has its registered office at Level 18, 303 Collins Street, Melbourne, VI 300, Australia. Ansvar Insurance Limited (New Zealand) has its registered office at Level 6, Sofrana House, Queen Street, Auckland 1010, New Zealand.

4. Share Capital
4.1 The following table shows the issued share capital of the Company as at 31 December 2009. There have been no changes to this information as at the latest practicable date prior to the publication of this document being 9 December 2010.
Nominal Number of Value (£) shares
Ordinary Shares of £0.10p each 14,027,119 140,271,190
NCIP Shares of £1.00 each 66,450,000 66,450,000

There have been no changes to the Company’s issued share capital in the period covered by the historical financial information (as incorporated by reference into this document).

4.2 By resolution passed at a General Meeting of the Company on 23 November 2010, the Ordinary Shareholders of the Company gave the Directors authority to allot the Additional NCIP Shares pursuant to the Placing.

5. Major Shareholders
As at 9 December 2010 (being the latest practicable date before publication of this document) insofar as known to the Company, the following parties hold voting rights or interests in the capital of the Company would be notifiable under Chapter 5 of the DTRs in the event that the NCIP Shares became enfranchised. The Ordinary Shares are not admitted to trading on a regulated market and therefore are not subject to Chapter 5 of the DTRs.

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Ordinary Shares</th>
<th>% of voting rights</th>
<th>NCIP Shares</th>
<th>% of NCIP Share capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ecclesiastical Insurance Group plc</td>
<td>140,271,190(1)</td>
<td>100</td>
<td>5,997,000(2)</td>
<td>9.016</td>
</tr>
<tr>
<td>HSBC Global Custody Nominee (UK) Limited (A/C 812644)</td>
<td>–</td>
<td>–</td>
<td>4,240,000</td>
<td>6.381</td>
</tr>
<tr>
<td>Chase Nominees Limited</td>
<td>–</td>
<td>–</td>
<td>4,000,000</td>
<td>6.020</td>
</tr>
<tr>
<td>Smith &amp; Williamson Nominees Limited</td>
<td>–</td>
<td>–</td>
<td>3,550,988</td>
<td>5.344</td>
</tr>
<tr>
<td>Giltspur Nominees Limited</td>
<td>–</td>
<td>–</td>
<td>3,049,521</td>
<td>4.589</td>
</tr>
<tr>
<td>N W Brown Nominees Limited</td>
<td>–</td>
<td>–</td>
<td>2,926,900</td>
<td>4.405</td>
</tr>
<tr>
<td>The Bank of New York (Nominees) Limited (A/C MBIF)</td>
<td>–</td>
<td>–</td>
<td>2,030,000</td>
<td>3.055</td>
</tr>
</tbody>
</table>

(1) 50 Ordinary Shares are held by LDTC and 140,271,140 Ordinary Shares by LDTC's subsidiary Beagle Nominees Limited on behalf of EIG pursuant to the terms of the Debenture Stock Trust Deed.

(2) 6,002 NCIP Shares are held by LDTC and 5,990,998 NCIP Shares are held by Beagle Nominees Limited on behalf of EIG pursuant to the terms of the Debenture Stock Trust Deed.

All Ordinary Shareholders have the same voting rights in respect of the share capital of the Company. The NCIP Shares only have voting rights in certain circumstances and in such circumstances all NCIP Shareholders have equal voting rights. The rights attaching to the NCIP Shares are more fully set out in Section A paragraph 3 of Part V of this document.

As the entire issued Ordinary Share capital of the Company is held by LDTC and Beagle on behalf of EIG, EIG directly or indirectly owns and controls the Company. All decisions relating to the operations and management of the Company are taken by the Board of Directors of the Company, which in making its decisions acts independently of EIG. The Directors are satisfied that the Company is capable of carrying on its business independently of EIG.

All shares in the Company which EIG holds the beneficial title to are charged by EIG to LDTC (and to Beagle) by way of a first fixed charge as security for EIG’s listed £6,000,000 13 per cent. Debenture Stock 2018 (“Stock”). The charge is in favour of LDTC, the trustee of the Stock and provides, inter alia, that until the occurrence of certain events LDTC will exercise all voting and other rights and powers while it is the registered owner of the shares, as EIG may reasonably direct. The events include any event which results in the Stock becoming repayable, one of which is default in the payment of any interest on the Stock.
The Company and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Company.

6. **Articles of Association**

The Articles were adopted with effect from, and including, 1 October 2009. They contain, *inter alia*, provisions to the following effect:

6.1 **Share capital**

(a) The rights attached to any class of shares can be changed or abrogated if this is approved by a special resolution passed at a separate meeting of the holders of the relevant class of shares.

(b) The Board can decide what to do with any shares. For example, it can allot them on any terms, grant options to give people a choice to acquire them in the future or dispose of them in any other way. The Board is free to decide who it deals with, when it deals with the shares, the class or classes of shares concerned, and the terms on which it deals. However, in making its decision, it must take account of:

(i) the provisions of the legislation relating to authority, pre-emption rights and other matters;

(ii) the provisions of the articles;

(iii) any resolution passed by the shareholders; and

(iv) any rights attached to existing shares;

but can nevertheless decide whether the shares to be issued are to be Ordinary Shares, NCIP Shares, some other class of share (which may be a new share class) or a mixture of share classes; and the class or classes of share to be offered or issued to holders of each class of ordinary share and different classes, or mixtures of classes, of shares may be offered or issued to holders of each class of ordinary share.

6.2 **Director's authority to allot securities**

(a) The Board is authorised, generally and without conditions, under section 551 of the Act, to allot securities. It is authorised to allot them for any prescribed period.

(b) Under the Board's general authority, it has the power to allot equity securities, entirely paid for in cash, free of the restriction in section 561 of the Act. The Board has the power to allot them for any prescribed period. There is no maximum amount of equity securities which the Board can allot when the allotment is in connection with a rights issue.

(c) As long as this is not restricted by any rights attached to existing shares, the Company may issue shares which are to be redeemed or are liable to be redeemed at the option of the Company or the holder.

6.3 **Uncertificated shares**

(a) Under the uncertificated securities rules, the Board can allow shares to be held in uncertificated form (and for their ownership to be transferred through a relevant system) or can allow shares to no longer be held and transferred in uncertificated form. Uncertificated shares do not form a class of shares separate from certificated shares with the same rights.

(b) Provided the requirements of the uncertificated securities rules are met, uncertificated shares can be changed to become certificated shares and certificated shares can be changed to become uncertificated shares.

(c) Unless the Board decides otherwise, uncertificated shares held by a shareholder will be treated as separate holdings from any certificated shares which that shareholder holds.
(d) Unless the uncertificated securities rules otherwise require or the Board otherwise
determines, shares which are issued or created from or in respect of uncertificated shares
will be uncertificated shares and shares which are issued or created from or in respect
of certificated shares will be certificated shares.

(e) The Company can assume that entries on any record of securities kept by it as required
by the uncertificated securities rules and regularly reconciled with the register of
securities held by the operator of a relevant system are a complete and accurate
reproduction of the particulars entered in that register and therefore will not be liable
in respect of anything done or not done by or on its behalf in reliance on such
assumption; in particular, any provision of these articles which requires or envisages
action to be taken in reliance on information contained in the register will be taken to
allow that action to be taken in reliance on information contained in any relevant
record of securities (as so maintained and reconciled).

6.4  **Share certificates**

(a) When a shareholder is first registered as the holder of any class of certificated shares,
he is entitled, free of charge, to one certificate for all the certificated shares of that class
which he holds. If a shareholder holds certificated shares of more than one class, he is
entitled to a separate certificate for each class. This does not apply if the legislation
allows the Company not to issue share certificates. The Company can deliver a
certificate to a broker or agent who is acting for a person who is buying certificated
shares or who is having certificated shares transferred to him.

(b) If a shareholder receives more certificated shares of any class, he is entitled, free of
charge, to a certificate for the extra shares. If a shareholder transfers some of the shares
covered by a certificate, he is entitled, free of charge, to a new certificate for the balance
if the balance is to be held in certificated form.

(c) The Company does not have to issue more than one certificate for a certificated share,
even if that share is held jointly. The maximum number of joint holders is four. When
the Company delivers a certificate to the first-named joint holder of certificated shares,
this is treated as delivery to all of the joint holders.

(d) Share certificates must be sealed or made effective in such other way as the Board
decides, having regard to the terms of issue and any listing requirements. The Board can
resolve that signatures on any share certificates can be applied by mechanical or other
means or can be printed on them or that signatures are not required.

(e) A share certificate must state the number and class of shares to which it relates, the
nominal value of those shares, and the amount paid up on those shares. It cannot be
for shares of more than one class.

(f) The time limit for the Company to provide a share certificate under this article is as
prescribed by the legislation or, if this is earlier, within any prescribed time limit or
within a time specified when the shares were issued.

6.5  **Transferring Shares**

(a) Unless the Articles say otherwise, any shareholder can transfer some or all of his shares
to another person. However, transfers cannot be in favour of more than four joint
holders.

(b) Every transfer of certificated shares must be in writing and either in the usual standard
form or another form approved by the Board.

(c) Every transfer of uncertificated shares must be made through a relevant system and
comply with the uncertificated securities rules.

(d) A transfer form must be made effective by or on behalf of the person making the
transfer.
(e) The transfer form for certificated shares must be delivered to the office or any other place the Board decides. It must have with it:

(i) the share certificate for the shares being transferred unless the transfer is being made by a person to whom the Company was not required to, and did not send, a certificate;

(ii) any other evidence which the Board asks for to prove that the person wanting to make the transfer is entitled to do this; and

(iii) if the transfer form is made effective by someone other than the person making the transfer, evidence of the authority of that person to do so.

It must also be properly stamped to show payment of any applicable stamp duty or certified or otherwise shown to the satisfaction of the Board to be exempt from stamp duty.

(f) No fee is payable to the Company for transferring shares or registering changes relating to the ownership of shares.

(g) The Board can refuse to register the transfer of:

(i) a share that is not fully paid. However, if those shares are admitted to the Official List and to trading on the London Stock Exchange’s market for listed securities, the Board may not exercise its powers in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis; or

(ii) a share on which the Company has a lien; or

(iii) an uncertificated share in the circumstances stated in the uncertificated securities rules.

(h) If the Board decides not to register a transfer of a share, it must notify the person to whom that share(s) was to be transferred and state the reasons for such refusal. This must be done no later than two months after the Company receives the transfer form (in the case of a certificated share) or instruction from the operator of a relevant system (in the case of an uncertificated share).

(i) The person making a transfer will be treated as continuing to be the holder until the name of the person to whom the share is being transferred is entered on the register for that share.

(j) Where a share has not yet been entered on the register, the Board can recognise a renunciation by that person of his right to the share in favour of some other person. Such renunciation will be treated as a transfer and the Board has the same powers of refusing to give effect to such a renunciation as if it were a transfer.

6.6 Disenfranchisement

(a) Unless the Board decides otherwise, no shareholder shall be entitled in respect of shares held by him:

(i) to vote at a general meeting or meeting of the holders of any class of shares of EIO, either personally or by proxy, or

(ii) to exercise any other right conferred by membership in relation to any general meeting or class meetings, if any call or other sum presently payable by him to EIO in respect of such shares remain unpaid.

(b) If any shareholder, or any person appearing to be interested in shares held by such shareholder, has been duly served with a notice under section 793 of the Act and is in default for the prescribed period in supplying to the Company the information thereby required, then the Board may in its absolute discretion at any time thereafter serve a notice (a direction notice) upon such member as follows:
(i) a direction notice may direct that, in respect of the shares in relation to which the default occurred (default shares), the shareholder shall not be entitled to attend and vote at a general meeting either personally or by proxy; and

(ii) where the default shares represent at least 0.25 per cent. of the class of shares concerned, then the direction notice may additionally direct that:

(aa) in respect of the default shares any dividend which would otherwise be payable on such shares (or any shares issued in lieu of dividend) shall be retained by EIO without any liability to pay interest thereon when such money is finally paid to the shareholder;

(bb) none of the shares held by such shareholder shall be transferred unless the transfer is an approved transfer or the shareholder is not himself in default as regards supplying the information requested; and the transfer is of part only of the shareholder’s holding and when presented for registration is accompanied by a certificate by the shareholder in a form satisfactory to the Board to the effect that after due and careful enquiry the shareholder is satisfied that no person in default as regards supplying such information is interested in any of the shares which are the subject of the transfer.

The Company shall send to each other person appearing to be interested in the shares the subject of any direction notice a copy of the notice, but the failure or omission by the Company to do so shall not invalidate such notice.

(c) Any direction notice shall cease to have effect not more than seven days after the earlier of:

(i) receipt by EIO of notice that the default shares have been transferred by means of an approved transfer; and

(ii) due compliance, to the satisfaction of the Board, with the notice under section 793 of the Act.

6.7 General Meetings

(a) If a separate general meeting of holders of shares of a class is called otherwise than for changing or abrogating the rights of the shares of that class, the provisions of these articles relating to general meetings will apply to such a meeting with any necessary changes. A general meeting where ordinary shareholders are the only shareholders who can attend and vote in their capacity as shareholders will also constitute a separate general meeting of the holders of the ordinary shares.

(b) Notice of general meetings shall be given to such persons as are, under the legislation, entitled to receive such notices from EIO.

(c) There must be a quorum present before a general meeting starts any business. If a quorum is not present, a chairman of the meeting can still be chosen and this will not be treated as part of the business of the meeting. Unless these articles say otherwise, a quorum for all purposes is two people who are entitled to vote; they can be shareholders or proxies or a combination of both.

(d) If a quorum is not present within thirty minutes after the time fixed for a general meeting to start (or within any longer period which the chairman of the meeting decides) or if a quorum ceases to be present during a general meeting then the meeting is cancelled if it was called by shareholders. If it was not called by shareholders, it is adjourned to the day, time and place stated in the notice of meeting or, if the notice does not provide for that, to a day, time and place decided by the chairman of the meeting.

(e) The chairman of a meeting can take any action he considers appropriate for proper and orderly conduct at a general meeting. His decision on points of order, matters of procedure or on matters arising incidentally out of the business of a general meeting is final, as is his decision, acting in good faith, on whether a point or matter is of this nature.
(f) Each director can attend and speak at any general meeting.

(g) The chairman of a meeting can also allow anyone who is not a shareholder or otherwise entitled to exercise the rights of members in relation to general meetings, to attend and speak where he considers that this will help the business of the meeting.

(h) If a resolution is put to the vote at a general meeting, it will be decided by a show of hands, unless a poll is demanded as soon as, or before, the result of the show of hands is declared by the chairman.

6.8 Directors

(a) The Company must have at least five directors and not more than fifteen. Subject to legislation, the shareholders can change this minimum and/or change a maximum number by passing an ordinary resolution.

(b) Any person who is willing to act as a director, and is permitted by law to do so, may be appointed to be a director, either as an additional director or as a replacement for another director by ordinary resolution or a resolution of the directors.

(c) At every annual general meeting: (i) any director who has been appointed by the Board since the last annual general meeting; and (ii) any director who held office at the time of the two preceding annual general meetings and who did not retire at either of them shall retire from office. Any director who retires at an annual general meeting may offer himself for re-appointment by the shareholders.

(d) A director automatically stops being a director if:

(i) he stops being a director under the legislation or is removed from office under the articles;

(ii) he is prohibited from being a director under the legislation;

(iii) he becomes bankrupt or a composition is made with his creditors generally in satisfaction of that person’s debts;

(iv) a registered medical practitioner who is treating that person gives a written opinion to the Company stating that that person has become physically or mentally incapable of acting as a director and may remain so for more than three months;

(v) by reason of that person’s mental health, a court makes an order which wholly or partly prevents that person from personally exercising any powers or rights which that person would otherwise have;

(vi) except where his contract prevents him resigning, he delivers to the Company a written notice of resignation from office which has become effective or he offers to resign and the Board passes a resolution accepting his offer;

(vii) he has missed board meetings for a continuous period of six months without permission from the Board and the Board passes a resolution removing him from office;

(viii) his contract expires or is terminated for any reason and is not renewed or replaced within 14 days; or

(ix) he shall be requested by all his fellow directors to resign.

(e) Any director (but not an alternate director) may by sending a written notice to the secretary at the office, or in any other way the Board approves, appoint as his alternate director another director or any other willing person approved by the Board. No appointment of anyone who is not already a director is effective until his consent to act as a director in the form prescribed by the legislation has been received at the office.

(f) The Board or any committee authorised by the Board can decide on the amount, timing and method of payment of directors’ fees, but the total fees paid to all the directors,
excluding amounts payable under any other provision of the articles, must not exceed
the sum decided on by an ordinary resolution at a general meeting (whether before or
after the date on which these articles became effective), which resolution can increase
the fee paid to all or any directors either permanently or for a particular period. A fee
payable to a director pursuant to this Article is distinct from any salary, remuneration
or other amount payable to him pursuant to any other provision of the articles.

(g) The Company will repay to a director all expenses properly incurred by him in
attending and returning from general meetings, board meetings, board committee
meetings and any other meetings which, as a director, he is entitled to attend. The
Company will pay all other expenses properly and reasonably incurred by each director
in connection with the business of the Company or in the performance of his duties as
a director.

(h) The Board or any committee authorised by the Board can decide whether to provide
pensions, annual payments or other allowances or benefits to any people including
people who are or who were directors. The Board can decide to extend these
arrangements to relations or dependants of, or people connected to, these people. The
Board can also decide to contribute to a scheme or fund or to pay premiums to a third
party for these purposes. No director or former director is accountable to the Company
or the shareholders for a benefit of any kind given in accordance with this provision.
The receipt of a benefit of any kind given in accordance with this provision does not
prevent a person from being or becoming a director.

(i) The Board can decide when and where to have meetings and how they will be
conducted. They can also adjourn their meetings. A meeting can be called by any
director or the secretary. The secretary must call a meeting if asked to by any director.

Board meetings are called by giving notice to all the directors. Notice is treated as
properly given if it is given personally, by word of mouth or in writing to the director's
last known address or any other address given by him to the Company for this purpose.

Any director can waive his entitlement to notice of a meeting, including one that has
already taken place. Any waiver after the meeting has taken place will not affect the
validity of the meeting or any business conducted at it. If no other quorum is fixed by
the Board, two directors present in person or by alternate director form a quorum.

Matters to be decided at a board meeting will be decided by a majority of the votes of
those participating and who are eligible to vote on that matter. If the votes are equal,
the chairman of the meeting has a second, or casting, vote unless the matter is one upon
which the chairman of the meeting is not to be counted as participating in the
decision-making process for quorum or voting purposes.

(j) The Board may, subject to the quorum and voting requirements, authorise any matter
which would otherwise involve a director breaching his duty under the legislation to
avoid a situation in which he has, or can have, a direct or indirect interest that
conflicts, or possibly may conflict, with the interests of the Company (a “Relevant
Situation”). A director seeking authorisation in respect of a Relevant Situation must tell
the Board of the nature and extent of his interest in a Relevant Situation as soon as
possible. The director must give the Board sufficient details of the relevant matter to
enable it to decide how to address the Relevant Situation together with any additional
information which it may request.

Any director (including the relevant director) may propose that the relevant director be
authorised in relation to any matter the subject of a Relevant Situation. Such proposal
and any authority given by the Board shall be effected in the same way that any other
matter may be proposed to and resolved upon by the Board under the provisions of
these articles except that:
(i) the relevant director and any other director with a similar interest cannot count in the quorum or vote on a resolution giving such authority; and

(ii) the relevant director and any other director with a similar interest may, if the other directors so decide, be excluded from any meeting of the Board while the Relevant Situation is under consideration.

Where the Board gives authority in relation to a Relevant Situation it may impose (whether at the time of giving the authority or subsequently) or subsequently vary any terms upon the relevant director which it thinks fit, including:

(i) the exclusion of that director from the receipt of information, or participation in discussion (whether at meetings of the Board or otherwise) related to the Relevant Situation;

(ii) the extent to which the relevant director may vote (or by counted in any quorum at a meeting) in relation to any resolution relating to the Relevant Situation; and

(iii) the imposition of a specific duty of confidentiality for any confidential information of the Company relating to the Relevant Situation.

If the director has disclosed the nature and extent of his interest to the other directors in accordance with the legislation, he can:

(i) have any kind of interest in a contract with or involving the Company or another company in which the Company has an interest;

(ii) be or become a director or other officer of, or employed by or otherwise be interested in any holding company or subsidiary company of the Company or any other company in which the Company has an interest;

(iii) hold any other office or place of profit with the Company (other than as auditor) in conjunction with his office of director for such period and on such terms, including as to remuneration, as the Board may decide;

(iv) alone (or through some company or firm with which he is associated) do paid professional work (other than as auditor) for the Company or another company in which the Company has an interest on such terms as the Board may decide; or

(v) be or become a director of any other company in which the Company does not have an interest and which cannot reasonably be regarded as giving rise to a conflict of interest at the time of his appointment as a director of that other company.

A director does not have to hand over to the Company any benefit received or profit made as a result of anything authorised or allowed under the articles nor is any type of contract authorised or allowed under the articles liable to be avoided.

(k) A director cannot vote or be counted in the quorum on a resolution of the Board concerning his own appointment to a position with the Company or any company in which the Company has an interest or the terms or the termination of the appointment. Where the Board is considering proposals about appointing two or more directors to positions with the Company or any company in which the Company has an interest (or the terms or the termination of their appointments), these proposals can be split up to deal with each director separately. If this is done, each director can vote and be counted in the quorum for each resolution, except the one concerning him.

(l) A director cannot vote or be counted in the quorum on a resolution of the Board about a contract in which he has an interest which (together with any interest of any person connected with him within the meaning of section 252 of the Act) is to his knowledge a material interest otherwise than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through the Company and, if he does vote, his vote will not be counted, but this restriction will not apply to any resolution where that interest cannot reasonably be regarded as likely to give rise to a conflict of interest.
6.9 Borrowing Powers

The Board may exercise all the powers of the Company to borrow money, and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures, debenture stock, and other securities, whether outright or as security for any debt, liability or obligations of the Company or any third party. The directors shall restrict the borrowings of the Company and exercise all voting and other rights and powers of control exercisable by the Company in respect of its subsidiaries so as to ensure (as regards its subsidiaries so far as by such exercise it can secure) that the aggregate amount for the time being outstanding in respect of the monies borrowed or secured by the Group (exclusive of inter-group borrowings) shall not at any time, without the previous sanction of the Company in general meeting, exceed an amount equal to the aggregate of:

(i) 25 per cent. of the amount of the long term assurance funds of the Company and any of its subsidiaries which carry on long term insurance business; and

(ii) twice the share capital and consolidated reserves (other than long term assurance funds) of the Company and its subsidiaries; and

(iii) all as shown by the latest audited consolidated balance sheet of the Company and its subsidiaries.

7. Interests of Directors

7.1 Directors’ Remuneration

(a) The remuneration of the Directors including benefits in kind and excluding pension benefits for the last full financial year of the Company, to 31 December 2009 was as follows:

<table>
<thead>
<tr>
<th>Director</th>
<th>Salary/fees (including committee fees) £000</th>
<th>Benefits £000</th>
<th>Annual cash incentive £000</th>
<th>Long term incentive £000</th>
<th>Total £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Directors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>M. Tripp</td>
<td>316</td>
<td>1</td>
<td>43</td>
<td>26</td>
<td>386</td>
</tr>
<tr>
<td>S. Wood</td>
<td>248</td>
<td>14</td>
<td>33</td>
<td>26</td>
<td>321</td>
</tr>
<tr>
<td>M. Hews(1)</td>
<td>127</td>
<td>–</td>
<td>50</td>
<td>–</td>
<td>177</td>
</tr>
<tr>
<td>G. Prescott(2)</td>
<td>205</td>
<td>–</td>
<td>32</td>
<td>32</td>
<td>269</td>
</tr>
<tr>
<td>Non-executive Directors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N. J. E. Sealy(3)</td>
<td>34</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>34</td>
</tr>
<tr>
<td>W. Samuel</td>
<td>57</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>57</td>
</tr>
<tr>
<td>D. Christie(6)</td>
<td>28</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>28</td>
</tr>
<tr>
<td>N. Peyton(7)</td>
<td>26</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>26</td>
</tr>
<tr>
<td>N. Baines(8)(4)</td>
<td>23</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>23</td>
</tr>
<tr>
<td>M. D. Couve(9)</td>
<td>27</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>27</td>
</tr>
<tr>
<td>J. F. Hylands(10)</td>
<td>31</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>31</td>
</tr>
<tr>
<td>Sir Philip Mawer(5)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>22</td>
</tr>
<tr>
<td>A. Latham(11)</td>
<td>31</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>31</td>
</tr>
<tr>
<td>Total</td>
<td>1,175</td>
<td>15</td>
<td>158</td>
<td>84</td>
<td>1,432</td>
</tr>
</tbody>
</table>

(1) M. Hew joined the Company in April 2009 and became a director on 2 June 2009.
(2) G. Prescott resigned as a director of the Company on 2 June 2009.
(3) N. J. E. Sealy retired as Chairman of the Company and W. Samuel was appointed as a Chairman of the Company on 24 June 2009.
(4) N. Baines retired as a director of the Company at the annual general meeting on 23 June 2010.
(5) Sir Philip Mawer was appointed as Deputy Chairman of the Company on 2 February 2010.
(6) Includes £6,600 committee fee.
(7) Includes £2,200 committee fee.
(8) Includes £1,100 committee fee.
(9) Includes £6,200 committee fee.
(10) Includes £10,000 committee fee.
(11) Includes £9,100 committee fee.
In addition, a payment of £15,300 was made to a former Executive Director in the year to 31 December 2009 in relation to entitlements under the long term incentive plan. A post termination payment of £70,000 (gross) was made to one Executive Director in 2009 in relation to loss of office.

(b) The following pension benefits were accrued in the year to 31 December 2009 by Executive Directors participating in the Defined Benefit pension scheme:

<table>
<thead>
<tr>
<th>Director</th>
<th>Increase in accrued pension during 2009 £000 pa</th>
<th>Increase in accrued lump sum during 31 December 2009 £000</th>
<th>Total accrued annual lump sum at 31 December 2009 £000</th>
<th>Total accrued lump sum at 31 December 2009 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>G. Prescott</td>
<td>7</td>
<td>20</td>
<td>127</td>
<td>381</td>
</tr>
<tr>
<td>S. Wood</td>
<td>2</td>
<td>5</td>
<td>7</td>
<td>21</td>
</tr>
<tr>
<td>Total</td>
<td>9</td>
<td>25</td>
<td>134</td>
<td>402</td>
</tr>
</tbody>
</table>

The following employer pension contributions were received in 2009 by Executive Directors participating in the Defined Contribution pension scheme:

<table>
<thead>
<tr>
<th>Director</th>
<th>Employer contribution 2009 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>M. Tripp</td>
<td>45</td>
</tr>
<tr>
<td>M. Hews</td>
<td>18</td>
</tr>
</tbody>
</table>

Non-Executive Directors are not eligible to participate in either the Defined Benefit or Defined Contribution schemes or to receive other benefits or to participate in the annual or long term cash incentive plans. No significant awards were made to past or present Non-Executive Directors in the year to 31 December 2009.

7.2 Directors’ Service Contract Details

Details of Executive Directors’ contractual notice periods are contained in the following table. Executive Directors’ have no contractual entitlement to termination payments other than:

(i) in relation to payment in lieu of salary (excluding bonuses) and contractual benefits during the notice periods set out below where notice is not worked; and

(ii) in relation to compensation under the Group’s redundancy policy should a redundancy situation arise.

Where an Executive Director is eligible to retire early, the pension entitlement will be calculated subject to the scheme rules and no enhanced early retirement terms other than those applicable in general under the scheme rules would apply.

<table>
<thead>
<tr>
<th>Director</th>
<th>Effective date of Contract</th>
<th>Unexpired term and notice period</th>
</tr>
</thead>
<tbody>
<tr>
<td>M. Tripp</td>
<td>18 December 2006</td>
<td>12 months</td>
</tr>
<tr>
<td>S. Wood</td>
<td>1 September 2005</td>
<td>9 months</td>
</tr>
<tr>
<td>M. Hews</td>
<td>1 April 2009</td>
<td>6 months</td>
</tr>
</tbody>
</table>

Non-Executive Directors do not have service contracts, but are appointed for three year terms under letters of appointment. Non-Executive Directors are expected to serve at least two terms of three years, subject to election and re-election pursuant to the Articles.

There are no outstanding loans granted or guarantees provided by any Group company to, or for the benefit of, the directors.
### Other Interests

Over the five years preceding the date hereof, the Directors have held the following directorships (apart from their directorships of the Company or subsidiaries of the Company) and/or partnerships:

<table>
<thead>
<tr>
<th>Name</th>
<th>Current directorships</th>
<th>Past directorships</th>
</tr>
</thead>
<tbody>
<tr>
<td>W. M. Samuel</td>
<td>Inchcape plc</td>
<td>Howden Joinery Group plc</td>
</tr>
<tr>
<td></td>
<td></td>
<td>International Alert</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The Edinburgh Investment Trust plc</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Allchurches Trust Limited</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Beaufort House Trust Limited</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ecclesiastical Insurance Group plc</td>
</tr>
<tr>
<td>Sir Philip Mawer</td>
<td>Allchurches Trust Limited</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Beaufort House Trust Limited</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ecclesiastical Insurance Group plc</td>
</tr>
<tr>
<td>D. Christie</td>
<td>St Clare's Oxford</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Loretto School Limited</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ecclesiastical Insurance Group plc</td>
<td></td>
</tr>
<tr>
<td>M. D. Couve</td>
<td>Wiston Investment Company Limited</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Shires Income plc</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Topshire Limited</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ecclesiastical Insurance Group plc</td>
<td></td>
</tr>
<tr>
<td>M. C. J. Hews</td>
<td>Ecclesiastical Insurance Group plc</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>HSBC Life (UK) Limited</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Marks and Spencer Life Assurance Limited</td>
</tr>
<tr>
<td>J. F. Hylands</td>
<td>BOC Pension Scheme Trustees Limited</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BOC SEPS Trustees Limited</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BOC Pensions Limited</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Alliance Trust plc</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Alliance Trust Savings Limited</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ecclesiastical Insurance Group plc</td>
<td></td>
</tr>
<tr>
<td>A. P. Latham</td>
<td>Pool Reinsurance Limited</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Great Ledge Devon Limited</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Codan A/S</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Torus Insurance (UK) Limited</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Flagstone Reinsurance Holding S.A.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Codan Forsikring A/S</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Pool Reinsurance (Nuclear) Limited</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ecclesiastical Insurance Group plc</td>
<td></td>
</tr>
<tr>
<td>The Venerable</td>
<td>Ecclesiastical Insurance Group plc</td>
<td></td>
</tr>
<tr>
<td>Dr N. Peyton</td>
<td>Southwell and Nottingham Diocesan Board of Finance</td>
<td></td>
</tr>
</tbody>
</table>

---

66


<table>
<thead>
<tr>
<th>Name</th>
<th>Current directorships</th>
<th>Past directorships</th>
</tr>
</thead>
<tbody>
<tr>
<td>M. H. Tripp</td>
<td>Methodist Insurance plc</td>
<td>Institute of Operational Risk</td>
</tr>
<tr>
<td></td>
<td>The Baptist Insurance Company plc</td>
<td>Ernst &amp; Young LLP</td>
</tr>
<tr>
<td></td>
<td>Gloucestershire Development Agency Limited</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ecclesiastical Insurance Group plc</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Lycetts Holdings Limited</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Mapfre Re</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Isobilies LLP</td>
<td></td>
</tr>
<tr>
<td>S. A. Wood</td>
<td>Ecclesiastical Insurance Group plc</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Regis Mutual Management Limited</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Lycetts Holdings Limited</td>
<td></td>
</tr>
</tbody>
</table>

7.4 Save as disclosed below none of the directors has any conflict of interest between any duties to the Company and to his private interests or to any other duties.

7.4.1 all of the directors of the Company are also directors of the Company’s immediate parent, EIG. Details of the relationship between the Company’s board and that of EIG are detailed at paragraph 8 of this Part VI;

7.4.2 W. M. Samuel and Sir Philip Mawer are both non-executive directors of the Company’s ultimate parent, ATL;

7.4.3 M. D. Couve is a former partner of, and a current consultant to Speechly Bircham LLP, legal advisers to the Company;

7.4.4 A. P. Latham is a director and Chairman of Pool Reinsurance Limited and a director of Flagstone Reinsurance Holdings S.A., both of which provide the Company with reinsurance cover;

7.4.5 M. H. Tripp is a director of both Methodist Insurance plc and The Baptist Insurance Company plc, companies which are managed and reinsured by the Company. He is also a shareholder in Methodist Insurance plc and a director of Mapfre Re, a company which provides reinsurance to the Company; and

7.4.6 S. A. Wood and M. H. Tripp are both directors of Lycetts Holdings Limited, a company in which EIG has a 49 per cent. holding.

These positions and directorships could give rise to situations in which the relevant directors could have a direct or indirect interest that conflicts or possibly may conflict with the interests of the Company.

7.5 As at 9 December 2010 (being the latest practicable date prior to the date of this document), the interests of each Director, including those of any connected person (within the meaning of section 346 of the Act and the provisions of the Disclosure and Transparency Rules), the existence of which is known to, or could with reasonable diligence be ascertained by, that Director whether or not held through another party, in the NCIP Share capital of the Company, so far as the Company is aware, were as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Current Number of NCIP Shares</th>
<th>Percentage of Existing NCIP Shares</th>
<th>Number of Existing Subscribed for NCIP Shares in Placing</th>
<th>Percentage of Enlarged NCIP Share Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mervyn Donald Couve</td>
<td>—</td>
<td>—</td>
<td>19,000</td>
<td>0.0%</td>
</tr>
<tr>
<td>Nigel Peyton</td>
<td>—</td>
<td>—</td>
<td>3,800</td>
<td>0.0%</td>
</tr>
<tr>
<td>Mark Hews(1)</td>
<td>—</td>
<td>—</td>
<td>100,000(2)</td>
<td>0.1%</td>
</tr>
<tr>
<td>David Christie</td>
<td>—</td>
<td>—</td>
<td>15,000(2)</td>
<td>0.0%</td>
</tr>
<tr>
<td>William Samuel</td>
<td>—</td>
<td>—</td>
<td>200,000(2)</td>
<td>0.2%</td>
</tr>
</tbody>
</table>

(1) To be held by Jayne Hews.

(2) Represents amount of NCIP Shares applied for, a lower number of NCIP Shares may be allotted for the account of that person.
None of the other Directors hold any NCIP Shares nor intend to participate in the Placing. No Directors hold any options over NCIP Shares and no Directors hold any Ordinary Shares or any options over Ordinary Shares.

7.6 So far as the Company is aware 490,420 Additional NCIP Shares in the Placing have been acquired for the account of Group employees (excluding Directors).

7.7 In the five year period prior to 9 December 2010 (being the latest practicable date prior to publication of this document), none of the directors:

(a) has had any convictions in relation to fraudulent offences;

(b) was associated with any bankruptcies, receiverships or liquidations of any partnership or company through acting in the capacity as a member of the administrative, management or supervisory body or as a partner, founder or senior manager of such partnership or company; nor

(c) received any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) and has not been disqualified by a court from acting as a member of the administration, management of supervisory bodies of any issuer or from acting in the management or conduct of the affairs of any issuer.

8. Corporate Governance

Neither the Ordinary Shares of the Company nor the NCIP Shares have a Premium Listing on the London Stock Exchange and therefore the Company is not required to apply the Financial Reporting Council’s UK Corporate Governance Code (the “Code”). However, the Board of Directors are committed to applying the highest standards of corporate governance and believe that the affairs of the Company should be conducted in accordance with best business practice. Accordingly, the Company has chosen to voluntarily comply with the Code, which UK listed companies are subject to, and to recommendations such as the Walker Report to the extent possible. The only area that the Company does not comply with the Code is the annual re-election of directors, which applies to FTSE 350 Companies only (8.7.1).

Relationship between EIO, EIG and ATL

EIG is an intermediate holding company that sits above EIO and under ATL. As ATL is the ultimate owner of the Company, they have ultimate control of the Group. There is no relationship agreement between EIO and ATL, however both companies have controls in place to ensure that the Group carries on its business independently of ATL. The Boards of EIO and ATL are also independent of each other and have robust governance and Board procedures in place to ensure that Board decisions and any conflicts, which may arise, are carefully managed.

8.1 The Board

The Board comprises the Non-Executive Chairman, Mr W. M. Samuel, six other Non-Executive Directors, and three Executive Directors. The Company believes the size and composition of the Board gives sufficient independence, balance and wider experience to consider issues of strategy, performance, resources and standards of conduct. The senior management of the Company is led by the three executive directors who, the Company believes, have the necessary expertise and experience to manage the business of the Company and the Group.

The Board sets the Group’s strategic direction, which it implements through approval and regular monitoring of the business plan and strategy. Day to day management of the business is delegated to the Group Chief Executive who is supported by senior executives. The Board delegates specific and relevant authority to the Board committees detailed below, as set out in their terms of reference. These can be found on the Company’s website at www.ecclesiastical.com.

Board meetings are scheduled and held regularly throughout the year. In addition the Board also attends two off-site strategy days a year. A one year rolling plan of items for discussion
is reviewed and agreed by the Board annually to ensure that the plan is timely, relevant and suitable to the current business and financial environment.

Under the provisions of the Articles the Directors retire every third annual general meeting and are eligible for reappointment, or for newly appointed Directors at the first annual general meeting following appointment.

8.2 **Group Audit Committee**

The Group Audit Committee (“GAC”) comprises the following three Non-Executive Directors, appointed by the Board:

- J. Hylands (Chairman)
- A. Latham
- M. Couve

The GAC holds five scheduled meetings per year and deals with accounting, legal and compliance, internal control and security matters, reviews the group’s annual results and the work and reports of internal and external auditors.

8.3 **Group Risk Committee**

Following the Walker Report in November 2009, a Group Risk Committee (“GRC”) was set up and comprises the following three directors, appointed by the Board:

- A. Latham (Chairman)
- M. Hews
- J. Hylands

The GRC meets on a quarterly basis and has responsibility for determining and monitoring the Group’s overall risk appetite, tolerance and strategy, and its policy for risk management throughout the Group. It also provides advice to the Remuneration Committee on the risk impact of remuneration policy and proposals, and is encouraged to seek external input as appropriate.

The Head of Risk and Actuarial is the Chief Risk Officer (“CRO”). He reports directly to the GRC and has direct access to the Chairman and Non-executive Directors. His remuneration is approved by the Remuneration Committee and by the Board.

8.4 **Nominations Committee**

The Nominations Committee (formerly called the Appointments Committee) comprises the following Non-executive Directors, appointed by the Board:

- W. Samuel (Chairman)
- Sir P. Mawer
- D. Christie

This committee has three scheduled meetings per year. It reviews the structure, size and composition of the Board, and assesses all directors’ skills, knowledge and experience. This enables this committee to monitor and develop Board balance, leadership needs, training and continuing professional development, and succession planning in respect of the Board and senior executives.

8.5 **Remuneration Committee**

The Remuneration Committee comprises the following three Non-executive Directors, appointed by the Board:

- M. Couve (Chairman)
- A. Latham
- The Venerable Dr N. Peyton

This committee has three scheduled meetings each year and determines the conditions of employment, and pay and benefits of the Chairman, Executive Directors and senior management. In light of the Walker Report recommendations, the remit of the Remuneration Committee has been reviewed and extended to cover the employment policy for the whole Group including the overall principles and parameters of remuneration, and employment terms and conditions.
9. Employees

Number of employees

The average number of employees, including Executive Directors, employed by the Group for each of the three financial years to 31 December 2009 by segment and geographical location was:

<table>
<thead>
<tr>
<th></th>
<th>General business</th>
<th>Long term business</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Number</td>
<td>Number</td>
<td>Number</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>753</td>
<td>35</td>
<td>101</td>
<td>889</td>
</tr>
<tr>
<td>Australia and New Zealand</td>
<td>167</td>
<td>-</td>
<td>-</td>
<td>167</td>
</tr>
<tr>
<td>Canada</td>
<td>57</td>
<td>-</td>
<td>-</td>
<td>57</td>
</tr>
<tr>
<td>Republic of Ireland</td>
<td>19</td>
<td>-</td>
<td>-</td>
<td>19</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>996</strong></td>
<td><strong>35</strong></td>
<td><strong>101</strong></td>
<td><strong>1,132</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>General business</th>
<th>Long term business</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Number</td>
<td>Number</td>
<td>Number</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>777</td>
<td>31</td>
<td>105</td>
<td>913</td>
</tr>
<tr>
<td>Australia and New Zealand</td>
<td>156</td>
<td>-</td>
<td>-</td>
<td>156</td>
</tr>
<tr>
<td>Canada</td>
<td>58</td>
<td>-</td>
<td>-</td>
<td>58</td>
</tr>
<tr>
<td>Republic of Ireland</td>
<td>22</td>
<td>-</td>
<td>-</td>
<td>22</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,013</strong></td>
<td><strong>31</strong></td>
<td><strong>105</strong></td>
<td><strong>1,149</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>General business</th>
<th>Long term business</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Number</td>
<td>Number</td>
<td>Number</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>830</td>
<td>52</td>
<td>19</td>
<td>901</td>
</tr>
<tr>
<td>Australia and New Zealand</td>
<td>132</td>
<td>-</td>
<td>-</td>
<td>132</td>
</tr>
<tr>
<td>Canada</td>
<td>55</td>
<td>-</td>
<td>-</td>
<td>55</td>
</tr>
<tr>
<td>Republic of Ireland</td>
<td>16</td>
<td>-</td>
<td>-</td>
<td>16</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,033</strong></td>
<td><strong>52</strong></td>
<td><strong>19</strong></td>
<td><strong>1,104</strong></td>
</tr>
</tbody>
</table>

10. Property Plant & Equipment

10.1 The location, size and tenure of the Group’s main establishments are as follows:

<table>
<thead>
<tr>
<th>Location</th>
<th>Size &amp; Description</th>
<th>Tenure:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beaufort House, Brunswick Road, Gloucester, GL1 1JZ</td>
<td>41,680 sq. ft of office space</td>
<td>Leasehold due to expire in 2020</td>
</tr>
<tr>
<td>19-21 Billiter Street, London, EC2M 2RY</td>
<td>11,771 sq. ft of office space</td>
<td>Leasehold due to expire in December 2014</td>
</tr>
<tr>
<td>Fitzalan House, Park Road, Gloucester</td>
<td>23,000 sq ft of office space</td>
<td>Leasehold due to expire in December 2014</td>
</tr>
</tbody>
</table>

10.2 The Group has entered into a development contract for a new headquarters premises in Gloucester. Further details of this contract can be found at paragraph 12.5 of this Part VI.

11. Related Party Transactions

Details of related party transactions entered into by the Group during the period 1 January 2007 to 31 December 2009 are disclosed in the audited consolidated financial statements of the Company for the financial years ended 31 December 2008 (page 86) and 31 December 2009 (page 86) in
accordance with IAS 24, *Related Party Disclosures*. There were no material changes to related party transactions for the six month period to 30 June 2010 and no material changes to such transactions in the period from 1 July 2010 to the date of this document.

Related party transactions are made on commercial terms. Trading, investment and other income of the Group from related parties relates to loan repayments, including interest, and recharged expenses. None of the Group's GWP, being the principal measure of turnover, is from related parties.

12. **Material Contracts**

The following contracts, not being a contract entered into in the ordinary course of business, are the only such contracts that have been entered into by any member of the Group, either within the two years immediately preceding the publication of this document, or which contains any provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document, and which are, or may be, material:

12.1 **The Placing Agreement**

An agreement dated 10 December 2010 and made between the Company and Collins Stewart, whereby, subject to the fulfilment of certain conditions, Collins Stewart as agent for the Company, has agreed to use its reasonable endeavours to procure subscribers for the Additional NCIP Shares.

Collins Stewart is under no obligation to subscribe for or purchase any Additional NCIP Shares to the extent that it is not able to procure subscribers or purchasers.

The Placing Agreement is conditional, *inter alia*, on Admission taking place by not later than 8.00 a.m. on 31 December 2010 and the Company having complied with all its obligations under the Placing Agreement which fall to be performed or satisfied on or prior to Admission.

The Company has agreed to pay Collins Stewart a commission equal to 1.2 per cent. of the gross proceeds of the Placing up to £20 million and, to the extent that the gross proceeds of the Placing are above £20 million, a commission equal to 1.6 per cent. of the gross proceeds of the Placing above £20 million. Under the terms of the Placing Agreement, “gross proceeds” excludes those Additional NCIP Shares allotted or sold to certain connected persons, including companies within the Group and directors and employees of the Company or any of its subsidiary companies. If Collins Stewart and either or both of the Company and EIG agree to undertake a further placing of NCIP Shares within 12 months from the date of the Placing Agreement, the fees will be payable on the above basis, with the gross proceeds of the Placing and the further placing aggregated.

The Company has agreed to pay all other costs, charges and expenses of, or incidental to, the Placing, including if the conditions to the Placing Agreement are not fulfilled or if the Placing Agreement is terminated.

The Company has given certain customary representations and warranties to Collins Stewart including, amongst others, warranties in relation to the business and the legal compliance of the Company and in relation to the information contained in this document. The Company has agreed to indemnify Collins Stewart against certain liabilities, including in respect of the accuracy of the information contained in this document, losses arising from a breach by the Company of the Placing Agreement and in respect of certain other losses suffered or incurred in connection with the Placing. The liability of the Company under the Placing Agreement is not limited in time or amount.

In addition, between the date of the Placing Agreement and Admission, Collins Stewart may terminate the Placing Agreement in certain circumstances, including where there is a material adverse change in the condition, the earnings or business affairs or business prospects of the Group, where certain *force majeure* events occur which in the opinion of Collins Stewart (acting in good faith) are likely to have an adverse effect on the financial or trading position or the business or prospects of the Group which is material in the context of Group as a whole or which renders the Placing impracticable or inadvisable or if there is a material breach of warranty or a material breach of the Placing Agreement by the Company.
12.2 *Transfer Agreement relating to the disposal of a majority of ELL’s life business*

On 28 May 2010, the Company and ELL entered into a transfer agreement with Homeowners Friendly Society Limited (known as Engage Mutual) in order to sell ELL’s life business, excluding its funeral plan-related business, to Engage Mutual. This was effected by way of an insurance business transfer scheme under Part VII of FSMA. The Court order to sanction the Scheme was made on 26 November 2010 and the Scheme took effect at 11.59 p.m. on 30 November 2010.

The Scheme transferred all the assets and liabilities of ELL’s With Profits Fund to Engage Mutual, as well as the Non-Profit policies attributable to the business being transferred. The liabilities under the transferring non profit fund policies were reinsured to Engage Mutual with effect from 1 January 2010.

Based on 31 December 2009 FSA valuations, the value of the liabilities which would have transferred under the transaction had it completed as at that date was approximately £258 million, and the value of the assets that would have transferred as at that date (including the surplus of £21 million in the With Profit Fund) was approximately £279 million.

The transfer agreement contains customary warranties in relation to the business being transferred and an indemnity in respect of certain potential liabilities for historic mis-selling (if any). Engage Mutual has given certain warranties to EIO principally in respect of capacity and authority.

12.3 *Acquisition of South Essex Insurance Brokers Limited*

On 1 April 2008, the Company entered into a share acquisition agreement with Mr Barry Fehler under which the Company agreed to acquire SEIH and its subsidiary, SEIB. The transaction completed on the same day. The initial consideration payable was £21.7 million, plus a deferred payment based on a multiple of EBITDA in each of the three financial years up to 31 December 2010 or, if higher, £2.2 million in aggregate.

12.4 *Acquisition of part of Lycetts Holdings Limited*

On 31 March 2009, EIG acquired 40 per cent. of the issued ordinary share capital of LHL, the holding company of a group whose primary activity is insurance brokerage business.

As at 9 December 2010, EIG’s holding in LHL was 49 per cent. of the issued ordinary share capital. There are arrangements in place which would enable and/or require EIG to acquire the balance of the share capital which it does not already own over a period ending in 2014, based on a two-yearly average EBITDA calculation up to the financial year ending 31 December 2013.

Although there are no binding obligations or commitments on the Company to provide any of the funding required to acquire the balance of LHL’s share capital, the Company may provide all or some of any required funding.

12.5 *Development Contract for new Headquarters development*

On 21 July 2010, the Company signed heads of terms for an agreement with the South West of England Regional Development Agency (the Agency) for the development of a new head office building at 3 & 4 Southgate Moorings at Gloucester docks in Gloucester. The agreement is conditional on satisfaction of various conditions before the end June 2012, in which event the Agency will grant a long lease of the land.

13. *Working Capital*

In the Company’s opinion, the Group has sufficient working capital for its present requirements, that is, for at least the 12 months following the date of this document.

14. *UK taxation applicable to the NCIP Shares*

The statements set out below are intended only as a general guide to current UK tax law and practice. They are intended to apply only to NCIP Shareholders who are resident for tax purposes in the UK (except insofar as express reference is made to the treatment of non-UK residents). The
summary does not purport to be a complete analysis or listing of all the potential tax consequences of holding the NCIP Shares. NCIP Shareholders are advised to consult their own tax advisers concerning the consequences under UK law of the proposals and as to the ownership of NCIP Shares. This summary is based upon UK law and the practices of HMRC in the UK in effect as of the date of this document and which may be subject to change, and be applied retrospectively.

The statements are not applicable to all categories of NCIP Shareholders and in particular are not addressed to: (i) NCIP Shareholders who do not hold their shares as capital assets; (ii) NCIP Shareholders who own (or are deemed to own) 10 per cent. or more of the voting power of the Company; (iii) special classes of NCIP Shareholders such as dealers in securities, insurance companies and investment companies; (iv) NCIP Shareholders holding NCIP Shares in connection with a trade, profession or vocation carried on in the UK (whether through a branch or agency or otherwise), and NCIP Shareholders who have (or are deemed to have) acquired their NCIP Shares by reason of an office of employment.

Special rules and different tax rates may apply to UK resident individual NCIP Shareholders who are not domiciled in the UK or are resident but not ordinary resident in the UK.

14.1 Taxation of Dividends and Distribution

The Company will not be required to withhold tax at source when paying a dividend. An individual NCIP Shareholder who is resident for tax purposes in the UK and who receives a dividend on the NCIP Shares will generally be chargeable to UK income tax on dividends at the dividend ordinary rate of 10 per cent. or, to the extent that the amount of the gross dividend when treated as the top slice of the NCIP Shareholder's income exceeds the threshold for higher rate tax, at the dividend upper rate of 32.5 per cent. (with an effective rate of 25 per cent. after deducting a non-repayable dividend tax credit). From 6 April 2010, a new 42.5 per cent. dividend additional rate (with an effective rate of 36.11 per cent. after deducting a non-repayable dividend tax credit) applies where dividend income forms part of an individual's taxable income in excess of £150,000.

UK resident taxpayers who are not liable to UK tax on dividends, including pension funds and charities, will not be entitled to claim repayment of the tax credit attaching to dividends paid by the Company. UK resident corporate NCIP Shareholders will generally not be subject to corporation tax on dividends paid by the Company. Such NCIP Shareholders will not be able to claim repayment of tax credits attaching to dividends.

Non-UK resident NCIP Shareholders will not generally be able to claim repayment from HMRC of any part of the tax credit attaching to dividends paid by the Company. An NCIP Shareholder resident outside the UK may also be subject to foreign taxation on dividend income under local law. An NCIP Shareholder who is not resident for tax purposes in the UK should consult their own tax adviser concerning their tax liabilities on dividends received from the Company.

14.2 UK Taxation of Capital Gains

UK resident NCIP Shareholders

A disposal of NCIP Shares by an NCIP Shareholder who is resident or ordinarily resident in the UK for tax purposes may give rise to a gain (or loss) for the purposes of taxation of capital gains.

NCIP Shareholders temporarily not resident in the UK

An NCIP Shareholder who is an individual and who has, on or after 17 March 1998, ceased to be resident and ordinarily resident in the UK for tax purposes for a period of less than five complete years of assessment and who disposes of NCIP Shares during that period, may, upon their return, be liable to UK tax on any capital gain realised (subject to available exemptions or reliefs).

Non UK resident NCIP Shareholders

NCIP Shareholders who are neither resident nor ordinarily resident in the UK for tax purposes and who are not temporarily non-resident as explained in the above paragraph will not be
liable to UK taxation on capital gains realised on the disposal of their NCIP Shares unless such shares are used, held or acquired for the purposes of a trade, profession or vocation carried on in the UK through a branch or agency or for the purposes of such branch or agency. Such NCIP Shareholders may be subject to foreign taxation on any gain under local law.

14.3 UK Inheritance Tax

The NCIP Shares will be assets situated in the UK for the purposes of UK inheritance tax. A gift of such assets by, an individual NCIP Shareholder may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax even if the holder is neither domiciled in the UK nor deemed to be domiciled there under certain rules relating to long residence or previous domicile. Such a liability to UK inheritance tax may also arise on the death of an individual NCIP Shareholder.

14.4 UK Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)

NCIP Shareholders will be registered on the NCIP Share register of the Company in the UK. Persons who are a “system member” of CREST (as defined in the CREST regulations) may elect to hold their NCIP Shares through CREST for trading on the London Stock Exchange.

NCIP Shares held in certificated form

Stamp duty calculated at the rate of 0.5 per cent. of the actual consideration paid (but rounded up to the next multiple of £5) will be payable on an instrument transferring shares pursuant to a sale thereof. A charge to SDRT will also arise on an unconditional agreement to transfer the NCIP Shares (at the rate of 0.5 per cent. of the consideration paid) although the liability will be cancelled and any SDRT already paid will be repaid, generally with interest, provided that the instrument transferring the NCIP Shares is executed and duly stamped within six years of the date on which the liability to SDRT arises.

NCIP Shares held through CREST

No stamp duty or SDRT will arise on a transfer of NCIP Shares into the CREST system for paperless share transfers unless the transfer is made for a consideration in money or money’s worth, in which case a liability to SDRT at a rate of 0.5 per cent. of the value of the consideration given will arise. Paperless transfers of the NCIP Shares within CREST will be liable to SDRT rather than stamp duty.

The statements in this UK Stamp Duty and SDRT paragraph summarise the current position and are intended as a general guide only. Special rules apply to agreements made by, amongst others, intermediaries and certain categories of person may be liable to stamp duty or SDRT at higher rates or may, although not primarily liable for the duty or tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

14.5 Individual Savings Accounts (“ISAs”)

The NCIP Shares will be qualifying investments for a stocks and shares ISA under the current ISA regulations. No taxation will be chargeable on an account investor on any dividends, distributions or gains received in respect of NCIP Shares held through an ISA.

15. Auditors

Deloitte LLP of Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR, are the auditors of the Company, who audited, without qualification, the annual accounts of the Company for each of the three years ended 31 December 2007, 31 December 2008 and 31 December 2009, respectively.

16. Significant change

There has been no significant change in the financial or trading position of the Group which has occurred since 30 June 2010, the date as at which the latest unaudited condensed consolidated financial statements of the Company were prepared.
17. **Litigation**

Neither the Company nor any of its subsidiary undertakings is, or has been, engaged in any legal or arbitration proceedings nor so far as the directors are aware, are any such legal or arbitration proceedings pending or threatened by or against any member of the Group which may have or have had during the twelve months preceding the date of this document a significant effect on the financial position or profitability of the Group.

18. **Controlling holdings in FSA Authorised Persons under UK law and regulation**

The FSA regulates the acquisition of “control” of any person authorised under FSMA. EIO is an FSA Authorised Person. Any company or individual that (together with its or his associates) directly or indirectly acquires 10 per cent. or more of the shares in a UK Authorised Person or its parent company, or is entitled to exercise or control the exercise of 10 per cent. or more of the voting power in such Authorised Person or its parent company, would be considered to have acquired “control” for the purposes of FSMA, as would a person who had significant influence over the management of such Authorised Person or its parent company by virtue of his shareholding or voting power in either. A holder or purchaser of 10 per cent. or more of the NCIP Shares will therefore be considered to have acquired “control” of EIO.

Under FSMA, any person proposing to acquire control over a UK Authorised Person must give prior notification to the FSA of his intention to do so. The FSA has three months to consider that person’s application to acquire control. In considering whether to approve such application, the FSA must be satisfied that both the acquirer is a fit and proper person to have such “control” and that the interests of consumers would not be threatened by such acquisition of “control”. Failure to make the relevant prior application could result in action being taken against EIO by the FSA. It could also result in criminal sanctions being applied to the proposed controller, and restrictions on the exercise of rights connected to the acquired shares, and an order for sale or transfer of the improperly acquired shares.

**Controlling holdings under Australian law and regulation**

In Australia, pursuant to the Insurance Acquisitions and Takeovers Act 1991 and the Financial Sector (Shareholdings) Act 1998, consent is required from the Australian Prudential Regulation Authority for a direct or indirect acquisition of 15 per cent. of the voting rights, or total paid-up share capital or rights to distribution of the profits or capital of the company (on a winding-up or otherwise) of an Australian-registered insurance company. Ansvar Insurance Limited is an Australian-registered insurance company. Therefore a holder or purchaser of the number of NCIP Shares equating to 15 per cent. of the total paid-up share capital of the Company from time to time will be required to apply for such consent ahead of such holding being obtained.

Failure to obtain such consent prior to the indirect acquisition could result in criminal sanctions being applied to the proposed controller, and restrictions on the exercise of rights connected to the acquired shares, and an order for sale or transfer of the improperly acquired shares.

**Controlling holdings under New Zealand law and regulation**

In New Zealand, pursuant to the Insurance (Prudential Supervision) Act 2010, consent is required from the Reserve Bank of New Zealand for an acquisition of “control” over or becoming a holding entity of a licensed insurer. Ansvar Insurance Limited is a New Zealand licensed insurer. “Control” means direct or indirect control over 50 per cent. or more of the voting rights of the licensed insurer.

In the event that the NCIP Shares became fully enfranchised, a holder or purchaser of the number of NCIP Shares equating to 50 per cent. of the total paid-up share capital of the Company from time to time would be required to apply for such consent ahead of such holding being obtained.

A licensed insurer or other person that fails to comply with the consent provisions of the Insurance (Prudential Supervision) Act 2010 commits an offence and is liable to be fined. The licensed insurer could also face the potential loss of its licence.
Controlling holdings under Canadian and Irish law and regulation

As the Group’s operations in Canada and the Republic of Ireland are conducted through branches of the Company, the relevant Canadian and Irish financial services legislation in relation to obtaining a controlling holding in an insurance entity will not apply to any acquisition of shares in the Company.

19. Consents

Collins Stewart has given and not withdrawn its written consent to the inclusion of its name in this document in the form and context in which it is included.

Rothschild has given and not withdrawn its written consent to the inclusion of its name in this document in the form and context in which it is included.

20. Documents on Display

Copies of the following documents are available for inspection at the Company’s registered office and at the offices of Speechly Bircham LLP, 6 New Street Square, London EC4A 3LX, during normal business hours from Monday to Friday inclusive (public holidays excepted) for a period of 14 days from the date hereof. The following documents can also be viewed at any time on the Company’s website www.ecclesiastical.com:

(a) Articles of Association of the Company; and


Additional documents and further information about the Company and the Group can be found on the Company’s website, www.ecclesiastical.com.

Dated 10 December 2010
PART VII

DEFINITIONS

Act
Companies Act 2006

Additional NCIP Shares
the NCIP Shares to be issued pursuant to the Placing

Admission
the admission of the Additional NCIP Shares to be issued pursuant to the Placing to trading on the main market of the London Stock Exchange

Ansvar
the business and/or brand of Ansvar operated through its subsidiary companies, Ansvar Insurance Company Limited in the UK, Ansvar Insurance Limited in Australia, and Ansvar Insurance Limited in New Zealand.

Articles
EIO's Articles of Association

ATL
Allchurches Trust Limited

CRO
Chief Risk Officer

Combined Operating Ratio or COR
Net claims cost, commission and expenses expressed as a percentage of net earned premiums

Company
EIO

Collins Stewart
Collins Stewart Europe Limited

DTR
The Disclosure and Transparency Rules made by the FSA under Part VI of FSMA

Debenture Stock
the 13 per cent. Debenture Stock 2018 issued by EIG and listed on the Official List

EFAS
Ecclesiastical Financial Advisory Services Limited

EIG
Ecclesiastical Insurance Group Plc

EIO
Ecclesiastical Insurance Office Plc

ERM
Enterprise Risk Management

EU
the European Union

IFRS Insurance Phase II
IFRS Insurance Phase II will set out the required accounting for insurance contracts under International Financial Reporting Standards and represents a move towards a more current and market consistent basis that will apply to all types of insurance contracts. The current expected implementation date is 2012.

FSA
Financial Services Authority in the UK

FSMA
the Financial Services and Markets Act 2000, as amended

GAC
Group Audit Committee of EIO

GRC
Group Risk Committee of EIO

Group
EIO and subsidiary companies that consolidate into EIO

HMRC
HM Revenue & Customs: a government body responsible for the enforcement and administration of taxation in the UK and to those individuals or bodies to which UK taxation applies
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Model Approval Process</td>
<td>The process by which the FSA will approve a company specific internal model for the calculation of their solvency capital requirements, rather than the use of the standard formula</td>
</tr>
<tr>
<td>LDTC</td>
<td>The Law Debenture Trust Corporation plc, trustee of the EIG Debenture Stock</td>
</tr>
<tr>
<td>LHL</td>
<td>the business and/or brand of Lycetts Holdings Limited</td>
</tr>
<tr>
<td>London Market business</td>
<td>the operations of EUML, a sister company of EIO, which acts as agent for EIO providing a portfolio of global insurance property risks underwritten via the Lloyd's of London insurance market</td>
</tr>
<tr>
<td>London Stock Exchange</td>
<td>London Stock Exchange plc</td>
</tr>
<tr>
<td>NCIP Shares</td>
<td>8.625 per cent. Non-cumulative Irredeemable Preference Shares of £1 each in the capital of the Company</td>
</tr>
<tr>
<td>NCIP Shareholder</td>
<td>a holder of NCIP Shares</td>
</tr>
<tr>
<td>OEIC</td>
<td>Open-ended investment company</td>
</tr>
<tr>
<td>Ordinary Shares</td>
<td>the ordinary shares of 10p each in the capital of EIO</td>
</tr>
<tr>
<td>Official List</td>
<td>the official list maintained by the UK Listing Authority</td>
</tr>
<tr>
<td>Placing</td>
<td>the placing of the 40,000,000 Additional NCIP Shares pursuant to the Placing Agreement by Collins Stewart on behalf of the Company</td>
</tr>
<tr>
<td>Premium Listing</td>
<td>a segment of the Main Market of the London Stock Exchange for shares which are listed under Chapter 6 of the Listing Rules</td>
</tr>
<tr>
<td>Rothschild</td>
<td>N M Rothschild &amp; Sons Limited</td>
</tr>
<tr>
<td>SDRT</td>
<td>Stamp Duty Reserve Tax</td>
</tr>
<tr>
<td>SEIB</td>
<td>the business and/or brand of South Essex Insurance Brokers Limited</td>
</tr>
<tr>
<td>SEIH</td>
<td>the business and/or brand of South Essex Insurance Holdings Limited</td>
</tr>
<tr>
<td>Shareholder</td>
<td>holder of NCIP Shares or Ordinary Shares in the capital of EIO</td>
</tr>
<tr>
<td>Solvency II</td>
<td>the review of the capital adequacy regime for the European insurance industry which aims to establish a revised set of EU-wide capital requirements and risk management standards that will replace the current Solvency requirements for insurance companies</td>
</tr>
<tr>
<td>Standard Listing</td>
<td>a segment of the Main Market of the London Stock Exchange for shares which are listed under Chapter 14 of the Listing Rules</td>
</tr>
<tr>
<td>Takeover Code</td>
<td>The City Code on Takeovers and Mergers published by the Takeover Panel</td>
</tr>
<tr>
<td>UK</td>
<td>the United Kingdom</td>
</tr>
<tr>
<td>UK Sterling</td>
<td>the lawful currency of the United Kingdom</td>
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</tbody>
</table>