

Solvency and Financial Condition Report

Ecclesiastical Insurance Office (EIO)
For the year ended 31 December 2025



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Summary

Introduction

This Solvency and Financial Condition Report (SFCR) has been prepared in line with the requirements of the Solvency UK Regulations (SUK) per the Prudential Regulation Authority (PRA) Rulebook, to assist the customers, business partners, and shareholders of Ecclesiastical Insurance Office public limited company (EIO, the Company) and other stakeholders in understanding the nature of the business, how it is managed and its solvency position.

This SFCR is in respect of the solo insurance undertaking of Ecclesiastical Insurance Office public limited company. The Company is a wholly owned subsidiary of Benefact Group plc (BG, the Group) and a separate SFCR is published covering the SUK requirements of the Group. The EIO Group also referred to in this document is defined as the Company and its Strategic Business Units.

Our business

The Company is a commercial business with a charitable owner and purpose, with a distinctive positioning that sets it apart from other businesses in the financial services sector. The Company's purpose is to create long-term value for its shareholders, by leveraging the Company's charitable purpose and specialisms to create competitive advantage and to deliver growing financial returns to its shareholder and owner, which are then distributed to charitable causes and communities, contributing to society's greater good.

The Company's charitable purpose drives its strategic aim of being the most trusted, ethical business in its chosen markets. It also shapes the way the Company does business, particularly its focus on doing the right thing for its customers and business partners. It creates an environment where sustainable, long-term value generation is prioritised over short-term results.

Within the wider Benefact Group that the Company belongs to, the Group do this by managing a successful, ethically run global portfolio of businesses covering specialist insurance, investment management and broking and advisory services. The Group provides products and services to businesses, organisations and retail customers, both directly and through intermediaries. As the UK's leading insurer of Grade I listed buildings, the Company are passionate about protecting Britain's heritage.

The Company currently operates in the United Kingdom, Republic of Ireland, and Canada. The material lines of business are fire and other damage to property, general liability and miscellaneous financial loss. More information about the Company structure and the business we write can be found in section A of the report.

Business performance

The EIO Group reported a profit before tax of £84.6m in 2025 (2024: £82.5m profit). Overall profit was driven by a strong net investment result of £91.0m (2024: £71.9m) together with an excellent trading performance with an insurance service result of £104.7m (2024: £83.5m). During the year, as part of a strategic reassessment of programme plans for internally generated software assets, £14.6m was impaired.

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The Group's strong credit ratings with both Moody's (A2 with stable outlook) and AM Best (A with stable outlook) were reaffirmed during the year, and its Solvency II regulatory capital position remains highly resilient, well above both regulatory requirements and risk appetite.

System of Governance

The Governing Body of the Company is the Board of Directors (the Board), whose role is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls. More information on the System of Governance is set out in Section B.1

An enterprise-wide Risk Management Framework is embedded across the wider Group. This provides the tools, guidance, policies, standards and defined responsibilities that enable strategy and objectives to be achieved, whilst ensuring that individual and aggregated risks to objectives are identified and managed on a consistent basis.

The system of governance and risk management framework, including implementation of the Three Lines of Defence Model is covered in more detail in section B.

Risk profile of the Company

The Company is exposed to the following main categories of risk:

- Underwriting
- Market
- Credit
- Liquidity
- Operational

The two most significant risk types are underwriting risk and market risk. Section C covers the Company's risk profile in more detail.

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Solvency and financial condition

A summary of the Company's solvency position at the end of 2025 and the change over the year is shown below:

Summary Solvency position	2025	2024	Change
	£'000	£'000	£'000
Own Funds	666,231	632,290	33,941
Solvency Capital Requirement	264,232	251,917	12,315
Coverage Ratio	252%	251%	1%

The Company's regulatory solvency position has remained stable in 2025, maintaining its healthy headroom above risk appetite. Own funds increased by £33.9m, driven by the strong trading result of the Company, partially offset by the distribution of dividends to the Group, together with a significant charitable donation to Benefact Trust. Own funds are explained in more detail in section E.1. The Company's Solvency Capital Requirement (SCR) increased in the year by £12.3m, resulting from increased exposure as the Company continues to implement its growth ambitions. More detail on the changes in SCR and Minimum Capital Requirement (MCR) during the year are given in section E.2.

Outlook for 2026

External economic and market conditions may continue to change during 2026. Recent geopolitical events have contributed to changes in financial markets and the wider economic environment. These developments may influence inflation, interest rates and general business activity in the UK, although the extent of any impact is not yet clear.

For the insurance sector, the stronger underwriting environment of 2025 may shift toward a more competitive landscape. Changes in the broader economy may affect areas such as claims costs, repair supply chains, pricing and the level of competition. These factors may evolve through the year, depending on how economic and market conditions develop. The Company continues to monitor these external influences carefully.

The Company remains well equipped to navigate change. Its disciplined underwriting, resilient capital position and long-term strategic focus supports its ability to deliver consistent value for customers while remaining responsive to evolving market conditions. This resilience helps the Company continue to support customers and communities during periods of uncertainty.

The Company's solvency position remains strong and is expected to remain stable. No breaches of the MCR, SCR or the Board's risk appetite have occurred up to the date this report was published.

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Statement of Directors' responsibilities

Ecclesiastical Insurance Office plc

Financial year ended 31 December 2025.

The Directors are responsible for preparing the SFCR in accordance with the Solvency UK Regulations (SUK) per the Prudential Regulation Authority (PRA) Rulebook .

Each of the Directors, whose names and functions are listed in the Board of Directors section of the Company's Annual Report & Accounts, confirm that, to the best of their knowledge:

- a) throughout the financial year in question, the Company has complied in all material respects with the requirements of the PRA Rules and the SUK Regulations as applicable to the insurer; and
- b) it is reasonable to believe that, at the date of the publication of the SFCR, the Company continues so to comply, and will continue so to comply in future.

By Order of the Board

Mark Bennett
Director and Chief Financial Officer
Date: 31 March 2026

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Audit report

Report of the external independent auditors to the Directors of Ecclesiastical Insurance Office public limited company ('the Company') pursuant to Rule 4.1 (2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the relevant elements of the Solvency and Financial Condition Report

Opinion

Except as stated below, we have audited the following documents prepared by the Company as at 31 December 2025:

- The 'Valuation for solvency purposes' and 'Capital management' sections of the Solvency and Financial Condition Report of the Company as at 31 December 2025, (**the Narrative Disclosures subject to audit**); and
- Company templates IR.02.01.02, IR.17.01.02, IR.23.01.01 and IR.28.01.01 (**the Templates subject to audit**).

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the '**relevant elements of the Solvency and Financial Condition Report**'.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on:

Other Information which comprises:

- Information contained within the relevant elements of the Solvency and Financial Condition Report set out above which is, or derives from the Solvency Capital Requirement, as identified in the Appendix to this report;
- The 'Summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the Solvency and Financial Condition Report;
- Company templates IR.05.02.01, IR.05.04.02, IR.19.01.21, and IR.25.04.21; and
- The written acknowledgement by management of their responsibilities, including for the preparation of the Solvency and Financial Condition Report (**the Responsibility Statement**).

To the extent the information subject to audit in the relevant elements of the Solvency and Financial Condition Report includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the relevant elements of the Solvency and Financial Condition Report of the Company as at 31 December 2025 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules, and as supplemented by supervisory permissions.

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Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Solvency and Financial Condition Report in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Obtained and reviewed management's going concern assessment which included the board approved forecasts along with stressed and downside scenarios;
- Considered the forward-looking assumptions and assessed the reasonableness of these based on recent historic performance;
- Considered information obtained during the course of the audit and publicly available market information to identify any evidence that would contradict management's assessment; and
- Considered our own independent alternative downside scenarios and whether these could impact the going concern assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from the date on which the Solvency and Financial Condition Report is authorised for issue.

In auditing the Solvency and Financial Condition Report, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Solvency and Financial Condition Report is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Emphasis of Matter - Basis of Accounting

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management', sections of the Solvency and Financial Condition Report, which describe the basis of accounting. The Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules, and therefore in accordance with a special purpose financial reporting framework. The Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority. As a result, the Solvency and Financial

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Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other Information

The Directors are responsible for the Other Information.

Our opinion on the relevant elements of the Solvency and Financial Condition Report does not cover the Other Information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the Solvency and Financial Condition Report or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA Rules, which have been modified by the modifications, and supplemented by the permissions made by the PRA under section 138A of FSMA and the PRA Rules, as detailed below:

Approvals

- Approval to use an internal model

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the information subject to audit in the relevant elements of the Solvency and Financial Condition Report is prepared, in all material respects, in accordance with financial reporting provisions of the PRA Rules.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Solvency and Financial Condition Report.

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Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulation, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the Solvency and Financial Condition Report. We also considered those laws and regulations that have a direct impact on the Solvency and Financial Condition Report such as PRA rules and Solvency II Regulations. We evaluated management's incentives and opportunities for fraudulent manipulation of the Solvency and Financial Condition Report (including the risk of override of controls), and determined that the principal risks were related to management bias in accounting estimates, in particular the valuation of specific general insurance contract liabilities including Physical and Sexual Abuse ("PSA") reserves. Audit procedures performed included:

- Enquired of Group functions including compliance, risk and internal audit and consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewed key correspondence with the Prudential Regulation Authority and the Financial Conduct Authority in relation to compliance with laws and regulations;
- Reviewed relevant meeting minutes including those of the Board, Audit Committee and Group Audit, Risk & Compliance Committee;
- Procedures related to the valuation of specific general insurance contract liabilities such as PSA reserves described in the related key audit matter;
- Risk based target testing of journal entries, in particular any journal entries which include characteristics which were identified as potentially being indicative of a fraudulent journal; and
- Procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the Solvency and Financial Condition Report. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinion, has been prepared for the Board of Directors of the Company in accordance with External Audit rule 2.1 of the Solvency II firms Sector of the PRA Rulebook and for no other purpose. We do not, in providing this report, accept or assume responsibility for any other purpose or to any other party save where expressly agreed by our prior consent in writing.

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Other Matter – internal model

The Company has authority to calculate its Solvency Capital Requirement using an internal model ("the Model") approved by the Prudential Regulation Authority. In forming our opinion (and in accordance with PRA Rules), we are not required to audit the inputs to, design of, operating effectiveness of and outputs from the Model, or whether the Model is being applied in accordance with the Company's application or approval order.

Report on Other Legal and Regulatory Requirements

In accordance with Rule 4.1 (3) of the External Audit Part of the PRA Rulebook for Solvency II firms we are also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of the relevant elements of the Solvency and Financial Condition Report and (where applicable) the audit of the Company's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

The engagement partner on the audit resulting in this independent auditors' report is Gary Shaw.

PricewaterhouseCoopers LLP

Chartered Accountants

Bristol

31 March 2026

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Appendix – relevant elements of the Solvency and Financial Condition Report that are not subject to audit

The relevant elements of the Solvency and Financial Condition Report that are not subject to audit comprise:

- The following elements of template IR.02.01.02:
 - Row R0552: Risk margin – total
 - Row R0554: Risk margin – non-life
 - Row R0556: Risk margin – life

- The following elements of template IR.17.01.02
 - Row R0280: Risk margin

- The following elements of template IR.23.01.01
 - Row R0580: SCR
 - Row R0740: Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring-fenced funds

- The following elements of Company template IR.28.01.01
 - Row R0310: SCR

- Elements of the Narrative Disclosures subject to audit identified as ‘unaudited’.

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A Business and performance

A.1 Business details and group structure

A.1.1 Name and legal form of the Company

Ecclesiastical Insurance Office plc (the Company) is a public limited company incorporated and domiciled in England and Wales.

The address of the registered office is:

Benefact House
2000 Pioneer Avenue
Gloucester Business Park
Brockworth
Gloucester
GL3 4AW

A.1.2 Supervisory authority

The supervisory authority for both the Company and the Group is:

Prudential Regulation Authority
Bank of England
20 Moorgate
London
EC2R 6DA

A.1.3 External auditor

PricewaterhouseCoopers LLP
2 Glass Wharf
Temple Quay
Bristol
BS2 0FR

A.1.4 Qualifying holdings

Qualifying holdings are a direct or indirect holding in the Company that represents 10% or more of the capital or of the voting rights of the Company, or a holding that makes it possible to exercise a significant influence over the Company.

The Company's shares and associated voting rights are held solely by its parent Benefact Group plc (BG), a company incorporated and domiciled in England and Wales.

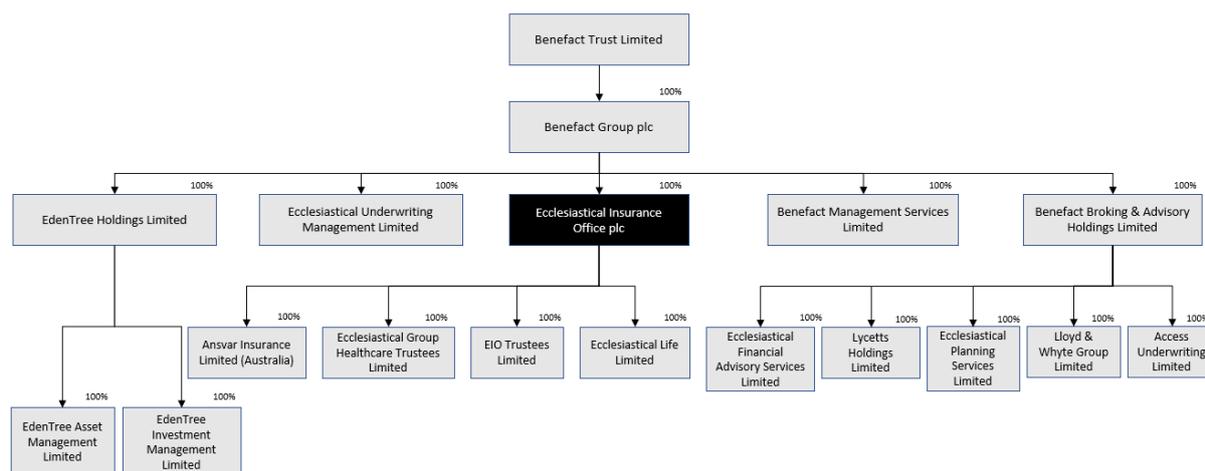
BG holds 350,677,850 ordinary £0.04 shares. The only other ordinary shareholder, Mark Hews, who is Group Chief Executive of the Company, holds 125 ordinary £0.04 shares in a non-beneficial capacity, for the benefit of BG.

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In addition, there are 106,450,000 8.625% non-cumulative irredeemable preference shares of £1.00 each in issue. There are no qualifying holdings within this class of share capital.

A.1.5 Group structure

The Company is a wholly owned subsidiary of BG. Its ultimate parent is Benefact Trust Limited (BTL), which is a mixed activity insurance holding company and charity. Both companies are incorporated and operate in the United Kingdom. Below is a simplified representation of the Benefact Trust and Benefact Group and the position of the Company within that Group:



The following is a list of material subsidiaries as of 31 December 2025, all of which are 100% owned either directly or indirectly by the Company. The Company also has branches in the Republic of Ireland and Canada.

Incorporated in the United Kingdom: Ecclesiastical Life Limited (ELL) (*insurance undertaking*)

Incorporated in Australia: Ansvar Insurance Limited (*third country insurance undertaking*)

A.1.6 Lines of business

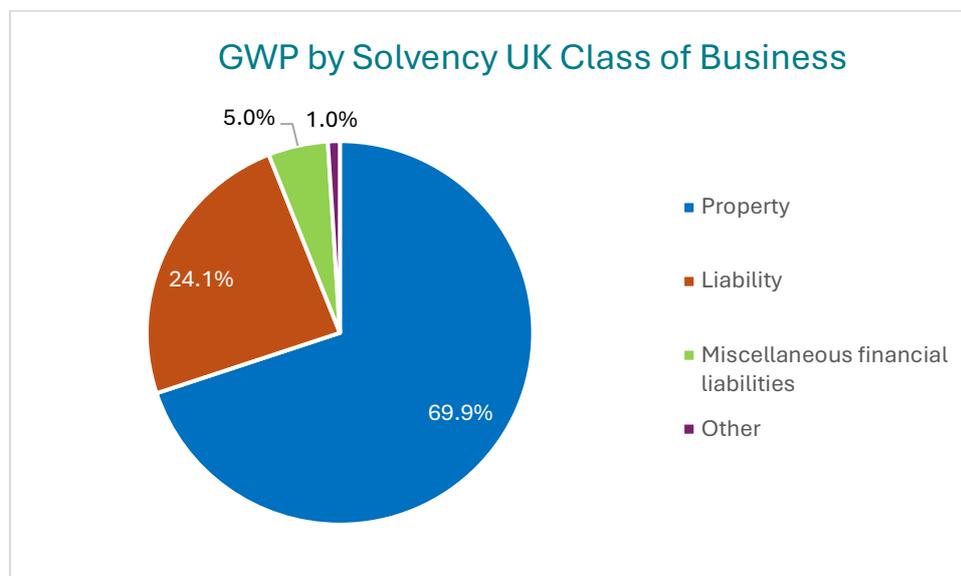
The Company currently operates in the United Kingdom (UK), Republic of Ireland and Canada.

The material lines of business are:

- Fire and other damage to property
- General liability
- Miscellaneous financial loss

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The proportion of each type of Gross Written Premium (GWP) business written is shown in the chart below:



A.1.7 Significant events

The Group's financial results are affected by a number of external factors, including demographic trends, economic and market conditions, government policy and legislation.

In 2025, UK insurers operated in a challenging environment shaped by persistent claims inflation, elevated repair and supply chain costs, rising reinsurance pricing, and increasing weather related losses. Insurers also faced growing cyber risk exposure, regulatory tightening, and geopolitical uncertainty, all of which placed further pressure on underwriting discipline, risk pricing accuracy, and operational resilience.

These risks are being continually monitored, and the Company is managing the ongoing impact of these risks.

The Company has a robust and regular solvency monitoring process in place together with a strong risk management framework. Whilst the 2025 solvency surplus is strong, the Company and the wider group continue to monitor the impact of key risks. Up to the date of this report being published no instances of a breach of its MCR, SCR or the Board's risk appetite have been identified.

The significant risks to which the Company is exposed and how these are managed are discussed in more detail in section C.

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A.2 Performance from underwriting activities

A.2.1 Overall underwriting performance

The Company's underwriting performance for the year benefited from particularly favourable claims experience, resulting in an insurance service result of £102.2m (2024: £80.8m). The result benefitted from another benign year for weather claims, large losses and higher associated reinsurance profit commission. Whilst Storm Eowyn had a devastating impact on many of our customers within the Ireland branch, the rest of the UK business remained largely unaffected due to a late change in the storm path. The business was similarly fortunate to avoid material losses from other named storms.

A.2.2 Performance by material class of business

Underwriting performance by line of business	General Liability		Fire and Other Damage to Property	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Net Earned Premium	113,379	108,412	206,760	195,100
Net Claims Incurred	(41,249)	(39,071)	(75,456)	(70,538)
Operating Expenses	(63,181)	(60,701)	(75,844)	(68,878)
Underwriting Performance	8,949	8,640	55,460	55,684

Underwriting performance by line of business	Misc. Financial Loss		Other	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Net Earned Premium	14,314	12,985	16,987	3,373
Net Claims Incurred	(2,679)	(105)	(10,052)	(19,920)
Operating Expenses	(3,554)	(2,501)	(49,088)	(37,584)
Underwriting Performance	8,081	10,379	(42,153)	(54,131)

Note: 2024 comparatives for operating expenses, net claims incurred and underwriting performance have been restated to present items on a consistent and comparable basis.

General Liability

Although the general liability account exhibited positive growth of 5%, the result was impacted by prior year reserve strengthening in both the UK and Canadian territories, as physical and sexual abuse (PSA) claims volumes were ahead of expected levels, although consistent with trends observed in the wider UK and Canadian markets. This was offset somewhat by the impact of discounting.

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Fire and Other Damage to Property

The property account continued to perform favourably and although marginally behind last year, still benefitted from benign claims experience with the result characterised by limited weather experience, particular with respect to the Canadian territory. UK and Ireland also performed favourably. For Ireland, this is particularly encouraging, given the material impact of Storm Eowyn and a significant large loss early in the year.

Miscellaneous Financial Loss

The underwriting result on the miscellaneous financial loss account was behind last year. This was due to 2025 net incurred claims being £2.6m higher than the prior year.

Other

The other segment includes the impact of internal reinsurance accepted by the Company covering development on historic liabilities of the Australia subsidiary, together with non-allocated operating expenses.

A.2.3 Performance by material geographical region

Underwriting performance by Geographical Region	UK & Ireland		Canada		Australia	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Net Earned Premium	268,275	243,652	66,686	73,482	16,478	2,736
Net Claims Incurred	(97,870)	(87,600)	(19,527)	(22,593)	(12,039)	(19,441)
Operating Expenses	(156,001)	(133,092)	(35,665)	(36,572)	-	-
Underwriting Performance	14,404	22,960	11,494	14,317	4,439	(16,705)

UK and Ireland¹

In the UK and Ireland, financial year underwriting profits were £14.4m (2024: £23.0m), benefiting from a predominantly benign year for weather claims, large losses and higher associated profit commission. Increasingly soft market conditions have been experienced throughout the financial year and whilst parts of the portfolio continued its growth journey, overarchingly the portfolio achieved a reduced level of growth, as it continues to be disciplined in its approach and adaptive to market conditions.

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Canada

Canada reported an underwriting profit of £11.5m (2024: £14.3m). The result reflects lower current-year loss activity and disciplined expense management, partially offset by the need for strengthening of prior year PSA claims, following adverse experience in the prior year. Aside from this, claims experience is favourable, led by especially benign weather claims in the period.

The size of the Canadian business has remained broadly consistent with the prior year, reporting a small reduction in GWP. This performance was driven by lower retention and weaker rate achievement in softening market conditions, although new business generation was strong, demonstrating continued broker engagement and relevance in its core segments.

Australia

The Australian result reflects reinsurance accepted by the Company covering development on historic liabilities of the Australia subsidiary. The result has improved significantly over prior year reflecting improved profitability within the Australian subsidiary.

¹ Underwriting performance for the UK and Ireland differs from that disclosed in note 5 to the EIO IFRS financial statements as it includes other UK insurance operations that are in run-off or not reportable as segments under IFRS due to their immateriality.

A.3 Performance from investment activities

A.3.1 Investment performance by asset class

	Investment income			Fair value gains/(losses)		
	2025 £'000	2024 £'000	Change £'000	2025 £'000	2024 £'000	Change £'000
Debt Securities	10,497	9,509	988	4,098	4,471	(373)
Equity Securities	42,976	11,534	31,442	36,413	9,636	26,777
Property	8,237	8,730	(494)	4,533	2,831	1,703
Cash	1,563	2,375	(811)	-	-	-
Derivatives	-	-	-	(2,979)	11,266	(14,245)
Exchange Discount rate	(1,476)	957	(2,433)	-	-	-
Other	8,206	8,800	(594)	-	-	-
	70,003	41,905	28,098	42,065	28,204	13,861

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	Total return		
	2025 £'000	2024 £'000	Change £'000
Debt Securities	14,595	13,980	615
Equity Securities	79,388	21,169	58,219
Property	12,770	11,561	1,209
Cash	1,564	2,375	(811)
Derivatives	(2,979)	11,266	(14,245)
Exchange	(1,476)	957	(2,433)
Other	8,206	8,800	(594)
	112,068	70,108	41,960

Total investment return was a profit of £112.1m (2024 £70.1m), as markets were generally more positive compared to 2024.

The Company remains committed to its long-term investment philosophy, with a well-diversified and appropriately matched portfolio.

Investment income of £70.0m (2024 £41.9m) was boosted by a £30m dividend from a Group undertaking, while fair value gains on financial instruments of £42.1m (2024: £28.2m gains) benefited from gains on an unlisted equity instrument and fair value gains on OEIC listed equities, supported by smaller fair value gains on government bonds as interest rates decreased.

A.3.2 Gains and losses recognised directly in equity

During the year, the Company designated certain derivatives as a hedge of its net investments in foreign subsidiaries and branches. These were recognised directly in equity and included in 'Gains/losses on currency translation difference' within section A.4.

A.3.3 Investments in securitisation

The Company held no material holdings in securitisations in the current or prior period.

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A.4 Performance from other activities

Other activities	2025 £'000	2024 £'000	Movement £'000
Actuarial gains / (losses) on retirement benefit schemes	1,033	(1,222)	2,255
Gains / (losses) on currency translation differences	407	(1,790)	2,197

Actuarial gains or losses on retirement plans primarily relate to the Company's valuation of retirement benefits which includes the defined benefit pension scheme and post-retirement medical benefit scheme. The £1.0m gain on retirement plans is mainly driven by the favourable investment performance experienced in the year.

A.5 Any other information

There is no other material information to disclose regarding the business and its performance during the reporting period.

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B. System of governance

B.1 General information on the system of governance

B.1.1 Governing Body – Roles and segregation of responsibilities

The Governing Body of the Company is the Board of Directors (the Board). The Board's role is to provide leadership and oversight of the Company within a framework of prudent and effective controls that enables risk to be assessed and managed. The Board must ensure that the necessary resources are in place to meet performance objectives and governance arrangements and should set the values and standards of the Company (in a manner consistent with its parent (BG)), ensuring that that obligations to BG, customers and other stakeholders are understood and met.

The Board is responsible for culture and values, strategy and direction, leadership and organisation, governance, risk management and controls, financial expectations and performance and communication.

A formal schedule of matters reserved for the Board's decision is in place and includes strategy and management, structure and capital, investments, financial reporting and controls, risk management, compliance and internal controls, contracts, insurance and reinsurance, communication, board membership and other appointments, remuneration, delegation of authority, corporate governance, and policies.

Statutory Directors

The statutory Directors of the Board are the Non-Executive Directors, including the Chair, and the Executive Directors. They are responsible for providing strategic direction, governance and oversight to ensure the Company's success and sustainability.

Chair

The Chair's responsibilities include the active leadership of the Board, ensuring its effectiveness in all aspects of its role.

Group Chief Executive Officer (CEO)

The Group CEO is an Executive Director responsible for the day-to-day management of the business, ensuring delivery of, and reporting to the Board on, the implementation and execution of the strategy and long term objectives determined by the Board (in support of the strategy of BG). The Group CEO derives his authority from the Board and may delegate any of his limits or authorities, but not responsibility.

Non-Executive Directors (NEDs)

NEDs have a responsibility to uphold high standards of integrity and probity, including acting as both internal and external ambassadors of the Company. As part of their role, the NEDs should constructively challenge and help develop proposals on strategy.

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Senior Independent Director (SID)

In addition to their other duties as a statutory Director and NED, the SID works closely with the Chair, acting as a sounding board, providing them with support in the delivery of their objectives. The SID serves as an intermediary for the other Directors where necessary. The SID is also responsible for leading the evaluation of the Chair, meeting with the non-executives at least once a year without the Chair present and being available to shareholders if they have concerns about the running of the Company which have not been resolved.

Executive Directors

The Executive Directors are members of the Company's board and are actively involved in the day-to-day management of the Company. They derive their authority from the Board and certain matters are delegated to the CEO. Executive Directors are employees of the Company.

Company Secretary

The Company Secretary is an officer of the Company responsible for ensuring that Board procedures are complied with and regularly reviewed. The Company Secretary supports the Chair and assists the Board and its Committees to function efficiently. The Company Secretary reports to the Chair on governance matters. All Directors have access to the Company Secretary.

B.1.2 Delegation to committees

The Board has established four committees to support the discharge of its duties:



Each Committee has agreed Terms of Reference which set out requirements for membership, meeting administration, Committee responsibilities and reporting.

An overview of each Committee's delegated responsibilities is summarised below:

EIO Audit Committee (EIO AC)

Comprising three independent NEDs (as at 31 December 2025), its responsibilities include:

- overseeing financial, climate and non-financial and regulatory reporting processes;
- overseeing risk management systems and internal controls;
- reviewing whistleblowing arrangements;
- overseeing the internal audit plan, and reviewing the findings of audits.
- managing the relationship with the external auditor, including in relation to effectiveness, independence, objectivity and expertise, non-audit services and the audit cycle; and
- reporting to the Board on how it has discharged its responsibilities.

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EIO Risk Committee (EIO RC)

Comprising four independent NEDs (as at 31 December 2025), its responsibilities include:

- overseeing the Company's Risk Management Framework including risk appetite and tolerance;
- overseeing the Company's risk and compliance monitoring;
- reviewing key risks including prudential risk (including overseeing the capital model), operational risk, reputational risk, investment risk, conduct risk and climate change risk; and
- reporting to the Board on how it has discharged its responsibilities.

Group Remuneration Committee

The Group Remuneration Committee is a joint Committee of the BG and EIO Boards, comprising (as at 31 December 2025) an independent NED from each Board and the Chair. The Committee assists the Board in ensuring that:

- remuneration policy and practices of the Company are designed to support strategy and promote long-term sustainable success, reward fairly and responsibly, be gender neutral and non-discriminatory, with a clear link to corporate and individual performance, having regard to statutory and regulatory requirements; and
- executive remuneration is aligned to Company's purpose and values and linked to delivery of the Company's long-term strategy.

This includes considering:

- remuneration policies, including base pay, long and short-term incentives and the use of the Committee's discretion;
- remuneration practice and its cost to the Company;
- recruitment, service contracts and severance policies;
- pension arrangements and other benefits;
- the engagement and independence of external remuneration advisers; and
- a review of workforce remuneration and related policies and the alignment of incentives and rewards with culture.

Group Nominations Committee

The Group Nominations Committee is a joint Committee of the BG and EIO Boards, comprising (as at 31 December 2025) an independent NED from each Board and the Chair. Its role is to ensure that there is an appropriate balance of skills, knowledge and experience on the Board, its committees and within the Company's subsidiary companies.

B.1.3 Roles and responsibilities of key functions

The BG Board's Governance Framework documents the main roles and responsibilities of key functions as set out below:

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Group Internal Audit (GIA)

The Group Chief Internal Auditor provides independent assurance to the Board that the governance processes, management of risk and systems of internal control are adequate and effective to mitigate the most significant risks to the EIO Group.

Group Risk and Compliance

The Group Chief Risk and Compliance Officer is responsible for oversight of the prudent management of risk, including in relation to the EIO Group, and a consolidated view of risk across the Benefact Group.

In addition, Group Compliance provides assurance to the Board that the EIO Group has adequate systems and controls sufficient to ensure compliance with its obligations under the regulatory system, associated risks, and for countering the risk that the EIO Group might be used to further financial crime. It ensures that appropriate mechanisms exist to identify, assess and act upon new and emerging regulatory obligations and compliance risks that may impact on the EIO Group.

Further information on GIA and the Group Risk and Compliance Functions are provided later in this Report.

B.1.4 Material changes in the system of governance

There were no material changes to the system of governance during the year.

B.1.5 Assessment of the adequacy of the system of governance

The Board, through its Risk and Audit Committees, annually reviews the adequacy of the system of governance on a holistic basis and has concluded that it is appropriate and effective based on the nature, scale and complexity of the risks inherent in the business.

- In reviewing the effectiveness, the following was considered:
- outcomes from the Risk and Control Self-Assessment process (RCSA);
- outcomes from the Own Risk and Solvency Assessment (ORSA) process;
- relevant internal audit, risk assurance and compliance monitoring reports;
- reports from management;
- attestations from Strategic Business Units (SBUs) that they are materially compliant with the Governance Framework; and
- changes in regulation and legislation.

The Governance Framework is formally reviewed and approved by the BG Board.

A formal and rigorous review of the Board, its Committees and individual Directors is undertaken each year. An internally facilitated Board and Committee effectiveness review was undertaken in Quarter 1 2026 looking back at the performance in 2025. The next externally facilitated Board evaluation will be undertaken at the end of 2026 and reported back to the Board in 2027. All directors receive an annual appraisal from the Chair. The Chair is appraised by the Board, in their absence, led by the SID.

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The Company believes the size and composition of the Board gives it sufficient independence, balance and wider experience to consider the issues of strategy, performance, resources and standards of conduct. The strong representation of NEDs on the Board demonstrates its independence.

B.1.6 Remuneration policy

The Group's remuneration policy is aligned to delivery of the Group's strategic objectives and establishes a set of principles which underpin the Group's reward structures for all Group colleagues as follows:

- reward structures will promote the delivery of long-term sustainable returns, reflect and support the Group's underlying strategic goals and risk appetite, and are comprised of both financial and non-financial targets;
- reward will be performance-related, reflecting individual and business performance, including both what is delivered and the way in which results are achieved. However, the Group will adopt a prudent and considered approach when determining what portion of a colleague's package should be performance-linked and/or variable;
- reward structures will be straightforward and transparent for everyone to understand;
- remuneration packages will be set by reference to levels for comparable roles in comparable organisations. However, benchmark data will be only one of a number of factors that will determine remuneration packages;
- reward structures will deliver an appropriate balance of fixed to variable pay in order to foster a performance culture, with the proportion of 'at risk' pay typically increasing with seniority;
- however, high levels of leverage are not appropriate for the Group;
- reward structures will achieve a balance between short and long-term incentives. The balance between short and long-term incentive pay is largely driven by role and seniority, with generally a greater contribution to reward provided by long-term incentives for more senior colleagues;
- the Group is committed to ensuring that all colleagues have a fair and equal pay opportunity appropriate to their role;
- the Group will strive to adhere to the highest standards of remuneration-related regulatory compliance and best practice guidelines, while ensuring that the Group's remuneration policies are appropriately tailored to its circumstances, challenges and strategic goals; and
- the Group holds itself to the high standards of corporate behaviour as a trusted, ethical and socially responsible business and is mindful of the need to maintain and build on these standards, and to avoid risk of negative publicity or reputational damage to the Group and its charitable owner through the implementation of its remuneration policy.

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B.1.7 Entitlement to share options, shares or variable components of remuneration

The elements of variable remuneration are delivered in the following ways:

Cash annual bonus

A proportion of variable remuneration is delivered in the form of a cash annual bonus which is paid to participants following the end of the financial year. Annual bonuses are subject to a range of challenging financial and non-financial performance conditions linked to key strategic priorities.

Awards for senior management roles and colleagues within the investment management function are subject to deferral, providing alignment with shareholder interests and promoting retention.

Cash Long-Term Incentive Plans (LTIP)

For some senior management roles, a proportion of variable remuneration is delivered in the form of an LTIP. LTIPs are designed to incentivise the achievement of the Group's long-term objectives.

Cash awards under the relevant LTIP vest dependent on the Group Remuneration Committee's assessment of performance against the scheme's performance conditions over the relevant three-year performance period.

More details on performance criteria and amounts awarded to senior executives under these schemes can be found in the BG Directors' Remuneration Report in the Group's 2025 Annual Report & Accounts.

B.1.8 Supplementary pension or early retirement schemes for the members of the Board and other key function holders

UK-based executive directors and key function holders are eligible to participate in the Group Personal Pension (GPP) plan. Contributions are made by the employee and employer. Any contributions to the UK Defined Contribution Scheme that are above the annual or lifetime earnings limit are paid in cash, net of National Insurance contributions charge.

Early retirement is permitted within the UK Defined Contribution scheme based on the employee's GPP fund value at the date of early retirement.

Where a colleague is eligible to retire early under the previous defined benefit pension scheme, the pension entitlement will be calculated subject to the scheme rules and no enhanced early retirement terms will apply without Board approval other than those applicable in general under the scheme rules.

Non-Executive Directors are not eligible to participate in Group retirement benefit schemes.

B.1.9 Material transactions during the reporting period with shareholders, persons who exercise a significant influence, and with members of the board

There were no such material transactions during the reporting period. No contract of significance existed during or at the end of the financial year in which a director was or is materially interested.

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B.2 Fit and proper requirements

B.2.1 Skills, knowledge and expertise requirements

The Company is committed to ensuring that all fit and proper regulatory requirements are met for its senior leaders within the Senior Managers and Certification Regime (SM&CR).

The PRA and Financial Conduct Authority (FCA) consider that the most important factors in assessing an individual's fitness and propriety are:

- Honesty, integrity and reputation;
- Competence and capability; and
- Financial soundness.

In order to initially determine fitness and propriety all prospective senior role holders take part in a multistage interview process, supported by psychometric testing, involving relevant stakeholders. The candidates' knowledge, experience and qualifications in such areas as market knowledge, business strategy, financial analysis, working within regulated frameworks and governance/risk management are fully explored. Due diligence is fulfilled through pre-employment checks and referencing that are carried out upon an offer being accepted.

B.2.2 Ensuring ongoing fitness and propriety

Ongoing adherence to these standards is assessed through performance review cycles and is subject to further confirmation through an annual fit and proper process, carried out for all individuals caught within the SM&CR, covering:

- competence and performance in carrying out the documented responsibilities of the role;
- Continuous Professional Development (CPD) and training to maintain knowledge and skills;
- completion of regular mandatory company training;
- disclosure and barring criminal records and credit checks; and
- self-assessment against fitness and proprietary questions.

Where the Company becomes aware of concerns regarding the fitness and propriety of a person in a relevant role it will investigate and take appropriate action without delay in line with the Fitness and Propriety policy. The regulator will be notified of any action where necessary.

B.3 Risk management system including the ORSA

B.3.1 Overview of the risk management system

An enterprise-wide Risk Management Framework is embedded across the Company with the purpose of providing the tools, guidance, policies, standards and defining responsibilities to enable the Company to achieve its strategy and objectives in a manner consistent with that of its parent (BG), strategy and objectives.

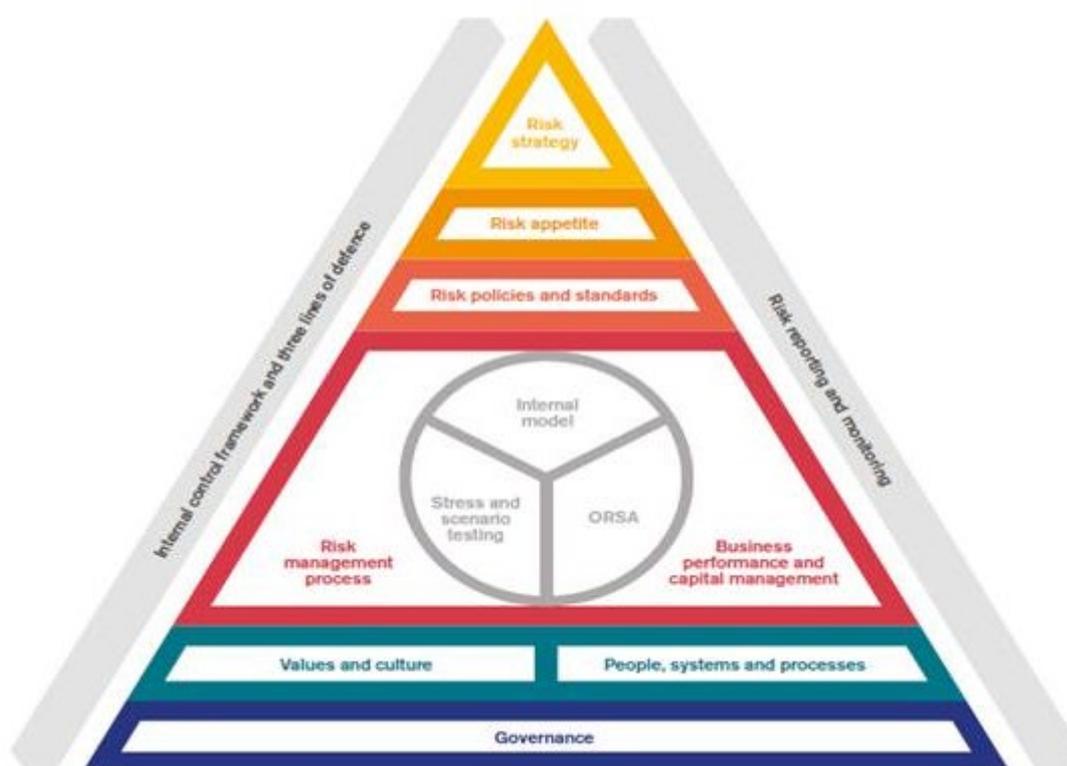
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The Risk Management Framework is owned by the Board with day to day responsibility for its implementation and oversight delegated to the Group Audit, Risk & Compliance Function, led by the Group Chief Risk and Compliance Officer (CRCO), who is appointed under the UK's Senior Manager and Certification Regime (SMCR) as Senior Management Function (SMF)4 – Chief Risk Officer for EIO.

Regulatory requirements for risk management are complied with at all times and are regarded as the minimum standards for EIO's Enterprise Risk Management system. The Company recognises that there are risks that it faces which could impact on the achievement of its strategy and is therefore committed to the effective identification, assessment and, where appropriate, mitigation of those risks.

Every six months the EIO RC carries out a formal review of the key strategic risks with input from the Group Management Board (GMB) and SBUs and allocates responsibility for each one to an individual member of the Company's executive management.

Monitoring of the key risks is undertaken quarterly including a review of the progress of risk management actions and challenge of any gaps in risk mitigants. This quarterly review includes consideration of any emerging risks. There is a continuous and evolving approach to enterprise risk management and emerging experience is used to refine this. Pictorially, the risk framework is presented as follows:



B.3.2 Effectiveness of identifying and managing risks

The Group's Risk Management Framework (RMF) is designed to help ensure that the significant risk exposures of all business units, individually and in aggregate, can be effectively identified, measured, monitored, managed and reported upon. The RMF is built on key principles: risk management is aligned to strategic objectives, embedded in decision making, applied proportionately to the nature

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and complexity of the Group's activities, and supported by clear accountability and transparent reporting. It is designed to evolve continuously to reflect changes in strategy, regulation, and the external environment.

The primary tools and processes for achieving this are outlined below:

Risk Appetite

The Board has established its approach to setting risk appetite. This focuses on the material risk areas and establishes the risk-taking capacity of EIO, setting clear boundaries for risk-taking and supporting informed decision-making, governance consistency, and resource prioritisation across all SBUs. Risk appetites are defined in line with the risk appetite of its parent, BG. Quarterly monitoring of compliance with the Group Risk Appetite is prepared by the Group Risk Function and the outputs reported to the Risk Committee.

Structured Business Risk Reviews

The management of each business unit carries out a regular business risk review using defined risk management processes to formally identify, assess and record the most significant risks to their objectives. Management record details of these risks within a risk register and also note the mitigations or other responses agreed to appropriately manage these exposures and report to relevant stakeholders across the organisation. The risk register is a living document which is updated on an ongoing basis to reflect changes. The Group Risk Function facilitates this process and provides the methodology and tools to ensure consistency in approach across all business units.

Loss and Near Miss Process

An incident reporting process is in place across EIO which includes operational risk loss and near misses. This process facilitates the identification, recording and analysis of instances where costs (both financial and non-financial) have been incurred, or could have been incurred, or reputational damage suffered, due to the realisation of an operational loss event or process or control failure. The outputs from this analysis are regularly reviewed and used to drive improvements in the internal controls. Reporting of such items is provided to the EIO RC and escalated further as appropriate.

Risk Reporting to EIO RC

Business unit reports to the EIO RC where a current risk exposure has the potential to affect its ability to achieve its objectives. The Company's Risk function assesses common risks across different business units and report to the EIO RC where it is believed that any of those risks in aggregate, could have an adverse impact on the Company's ability to achieve its objectives.

Emerging Risk Process

Emerging risk identification is undertaken at all levels of the organisation. This is considered as part of all business unit risk reviews and by all risk oversight committees. The assessment made at risk review meetings helps to determine the nature of any actions resulting, which may include, for example, continued monitoring, a deep dive analysis of the risk, or stress and scenario testing of the risk to better understand the range of potential impacts. Emerging risks, particularly those with the potential to have a material impact on the Company are highlighted to the EIO RC as part of the regular reporting.

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Risk Framework Reviews

The adequacy and effectiveness of the operation of the Risk Management Framework is reviewed on an annual basis by Group Risk. The main vehicle for this is the RCSA process, supported by the GIA Function’s risk-based audit programme. This may be supplemented by focused reviews by the Group Risk and Group Compliance functions or by external parties when deemed appropriate by management or the Board.

The Board also uses the ORSA process as a tool to assess the effectiveness of the system of governance and risk management.

B.3.3 Implementation of the risk management function

The key to the success of the risk management process is the deployment of a strong Three Lines of Defence Model whereby:

- *1st Line (Business Management)* is responsible for strategy execution, performance, identification and management of risks and the application of appropriate controls;
- *2nd Line (Reporting, Oversight and Guidance)* led by the CRCO, is responsible for assisting the Board in formulation of risk appetite, establishment of minimum standards, developing appropriate risk management tools, providing oversight and challenge of risk profiles and risk management activities within each of the business units and providing risk reporting to executive management and the Board; and the
- *3rd Line (Assurance)* provides independent and objective assurance of the effectiveness of the Company’s systems of internal control. This activity principally comprises the Internal Audit function which is subject to oversight and challenge by the EIO Audit Committee.

There are a number of key roles and responsibilities with regards to the effective operation and integration of the Group Risk Management Framework:

Role	Responsibilities
The Board	Own the Risk Management Framework and are responsible for its implementation, ensuring that they are aware of the Company’s risk profile, the most significant risks and that adequate and appropriate actions are in place in response.
EIO Risk Committee	Responsible for making recommendations to the Board on risk management strategy, risk appetite and other key risk management elements. They review the effectiveness of the Company’s Risk Management Framework on behalf of the Board.
Risk Executive Meetings (First Line of Defence)	Responsible for the oversight of the most significant risk types, including overseeing cross-functional risks and ensuring that coordinated organisation-wide responses are in place.

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Strategic Business Unit (SBU) Management and Risk committees (First Line of Defence)	Responsible for ensuring that they are aware of the key risks relating to their SBU and are satisfied with the way in which they are being assessed and managed. They are responsible for ensuring that appropriate actions are in place and risks with an organisation-level impact are escalated to the appropriate executive risk committees.
Business Units and Functions (First Line of Defence)	Responsible for the local management of risks which is evidenced by maintaining their own risk registers, which detail the most significant risks faced by the business unit or function. This is part of the process whereby management ensure that there is an ongoing process for the identification, assessment, management and reporting of the risks identified to their business objectives.
Group Risk Function & Actuarial Risk Function (Second Line of Defence)	Provide oversight, challenge, expert advice and standards and guidance to ensure a consistent, robust and effective approach to risk management across the organisation. Facilitate the consistent implementation and application of the Risk Management Framework by providing the tools, training and support to all levels of the business so stakeholders can effectively discharge their responsibilities.
Internal Audit (3rd Line of Defence)	Provide independent assurance over the design and operational effectiveness of the Risk Management Framework.

B.3.4 Own risk and solvency assessment process

The objective of the ORSA process is to assess, on a forward looking basis, whether EIO has, or can access, sufficient financial resources and capital to deliver its corporate strategy and business plan within the constraints of risk appetites and policy.

The ORSA combines the Company's underlying risk and capital management processes, looking forward over the period of the business plan in order to:

- assess the liquidity, funding, capital and other critical resources required to execute the business plan;
- assess the adequacy and effectiveness of the risk management framework to support the business plan under base-case and stressed conditions; and
- demonstrate that the Company has, or the extent to which it is likely to have access to the financial, capital and other critical resources required to deliver its strategic objectives.

Preparation of the ORSA report is prepared and co-ordinated by the Group Risk function in accordance with the ORSA Policy that is maintained in line with Solvency UK regulations. The Board owns the ORSA process, reviews the results and approves the final ORSA report.

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B.3.5 Frequency of review

The Company performs a full ORSA at least annually, covering the solvency position at the reference date 31 December. The annual frequency is deemed sufficient for carrying out a full ORSA due to the stable nature of the business model, maturity of the risk framework and surplus capital held. However, the ORSA may be re-run, either in full or partially, in accordance with several pre-defined ORSA triggers that are defined and monitored to identify events that could significantly impact business decision making.

Each ORSA report is reviewed and approved by the EIO RC, who make a recommendation for final approval by the Board. The Board maintains active oversight of the ORSA, primarily through the EIO RC, with specific focus on the forward-looking assessment of risk and adequacy of capital to support the business plan. The most recent ORSA Report was approved by the Board in June 2025.

Key ORSA metrics are updated quarterly on an approximate basis and an update provided to the Board and Board Risk Committee within the CRO Report.

B.3.6 Determination of own solvency needs

The ORSA process integrates the Company's risk management, business planning and capital management activities. Key steps in the process are:

- maintaining the Risk Management Framework, including policies and risk appetite;
- assessment of the current risk profile of the business and ensuring adherence to risk appetite. This provides a context for business planning and decision making;
- a forward-looking risk assessment, including analysis of emerging risks;
- a business plan for the chosen time horizon that has been derived with reference to the risk appetite, the risk profile of the business and optimal use of capital;
- identification of the impact of the proposed business plan on the risk profile of the Company;
- a comprehensive stress testing and scenario analysis framework, including reverse stress testing, to evaluate resilience under a range of adverse conditions;
- assessment of the capital required to carry out the business plan, particularly the own funds necessary to meet regulatory and internally assessed capital requirements;
- assessment of the risk profile in comparison to the assumptions underlying the calculation of the regulatory capital requirements;
- consideration of the options available to address capital shortfall, and the likelihood of success; and
- assessment of the adequacy and effectiveness of the risk management environment.

B.4 Internal control system

B.4.1 Internal control system

The EIO Systems of internal control are designed to manage rather than eliminate the risk of failure to achieve business objectives, and provide reasonable, but not absolute assurance as to the prevention and detection of financial misstatements, errors, fraud or violation of law or regulations. The Control Framework requires the establishment of controls to meet the following key objectives:

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- delivery of business strategy and objectives: supporting the effectiveness and efficiency of operations and core processes;
- reliability of financial reporting: to ensure the reliability, accuracy and quality of financial information used for internal decision making and external reporting;
- model governance: to ensure the overall accuracy and integrity of the SCR calculation, and to ensure the quality of model outputs used for decision making;
- compliance with applicable laws and regulations: to ensure that there is compliance with all relevant regulatory and legal requirements, and to external standards which the Company complies with;
- reputation: promoting ethical conduct and behaviours consistent with Board expectations to protect the Company's reputation with customers, regulators, investors and other stakeholders; and
- customer outcomes: to ensure that the Company provides products and services that customers value and trust while delivering fair customer outcomes.

The Control Framework comprises the following elements:

- *Control Environment*: a business culture that recognises the importance of systems of control whereby senior management establish the operational environment to maintain effective controls, ensuring there are adequate resources to operate the control framework to required standards;
- *Objective Setting*: management has in place processes to set objectives which support and align with the wider Company objectives and that are consistent with risk appetite;
- *Risk Assessment*: Internal and external events that affect the achievement of business objectives are identified, distinguishing between risks and opportunities. Risks are analysed, with appropriate risk responses selected by the EIO RC and Board. Where appropriate, actions are developed to align risks with the Company's risk tolerance and appetite;
- *Control Standards*: a policy framework that establishes the Boards minimum standards for the mitigation of risk within the stated appetite in order to maintain consistency across the company;
- *Control Activities*: documented business processes that include control activities designed to mitigate risks to the level required to meet the control objectives;
- *Monitoring Activities*: ongoing and periodic review of controls aligned to their materiality, to ensure that they are fit for purpose both in design and in operation. This includes first line monitoring and second and third line oversight and assurance activities);
- *Training and Communication*: effective communication of required control standards and adequate training to ensure those operating or monitoring controls can do so effectively;
- *Recording*: certain controls are documented to ensure the process could be replicated if required, and a person undertaking monitoring or oversight could understand the design and intended operation of the control; and
- *Reporting*: transparent reporting of material control effectiveness to allow appropriate decision-makers to understand whether control objectives are being met and whether actions need to be taken to strengthen the control environment, which could include removing ineffective or inefficient controls as well as adding new ones.

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B.4.2 Compliance function

Group Compliance sits within the second line of defence. The primary objective of Group Compliance is to protect and enhance value in the Company by providing assurance to the Board of Directors and the GMB that the firm remains compliant with all of its obligations under FCA and PRA rules, the Financial Services and Markets Act (FSMA) and any other laws, rules, regulations and administrative provisions deriving from FSMA. It also ensures that appropriate mechanisms exist to identify, assess and act upon the possible impact of any changes in the regulatory environment of the Company's operations and the identification and assessment of compliance risk.

It does this by:

- Assisting the Company in identifying and evaluating current and future compliance risks;
- Monitoring the adequacy and effectiveness of controls in place to mitigate the risks within the Company;
- Working with business units within the Company to advise on the design and implementation and enhancement of controls to manage compliance risks;
- Maintaining a healthy and transparent relationship with the FCA and PRA;
- Ensuring the regulated activity within the business is undertaken in line with the expectations of the relevant regulators; and
- Escalating any material breaches of regulation as necessary to the Board and, where appropriate, to the regulators.

The Group Head of Compliance, in the discharge of their duties shall be accountable to the Chair of the EIO RC and will:

- Provide assurance, advice and guidance to the Boards and SMFs within the Company on meeting the expectations of the FCA, PRA and other applicable rules and legislation;
- Provide regular assessments of the adequacy and effectiveness of the Company's compliance risk management, internal compliance controls and regulatory governance processes and systems;
- Identify and escalate significant compliance-related issues to the EIO RC and highlight potential improvements to address concerns identified;
- Periodically provide information on the status and results of Compliance Monitoring activity and the sufficiency of Group Compliance resources;
- Evaluate whether Group Compliance has sufficient and appropriately trained staff and/or external resource to deliver its plan and discharge its responsibilities;
- Ensure that Group Compliance is subject to an external, independent audit at least once every five years by a suitably qualified, independent reviewer or review team from outside the organisation.

Group Compliance receives its authority from the EIO RC, which is a committee of the Board of the Company established to, amongst other things;-

- Recommend to the Company Board the Company's overall regulatory risk appetites, tolerances and risk strategy in the context of the current and prospective macroeconomic and financial environment and monitor compliance with it; and

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- Ensure that material regulatory risks facing the company have been identified and addressed appropriately.

To provide for the independence of Group Compliance, the Group Head of Compliance is accountable to the EIO RC Chair, reports administratively to the Group Chief Risk and Compliance Officer, and has access to the Chair of the Company Board and to the CEO.

B.5 Internal audit function

B.5.1 Implementation of the internal audit function

GIA receives its authority from the EIO AC, which is a Committee of the Board of the Company established to, amongst other things; review the work of the internal auditors of the Company to evaluate the adequacy and effectiveness of the Company's financial, operating, compliance, and risk management controls.

Adequate and effective risk management, internal control, and governance processes reduce but cannot eliminate the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls, and the occurrence of unforeseeable circumstances.

Adequate and effective risk management, internal control, and governance processes therefore provide reasonable, but not absolute, assurance that the Company will not be hindered in achieving its business objectives, or in the orderly and legitimate conduct of its business.

GIA collectively possesses or obtains the knowledge, skills, experience and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfil the internal audit mandate. Where specialist, technical support is necessary to supplement GIA resource, this is available through a co-sourcing contract with an external specialist company, ensuring that GIA has immediate access to specialist skills where required. GIA confirms to the EIO AC that the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing and the Definition of Internal Auditing are complied with.

GIA operates within the Company's Group Risk Management Framework based on the three lines model. In order to operate an effective framework, GIA maintains regular and ongoing dialogue with the first and second line to maintain a current and timely perspective of business direction and issues.

Demarcation between the third line and the first two lines must be preserved to enable GIA to provide an independent overview to EIO AC and the Board on the effectiveness of all risk management and assurance processes within the organisation. Should any blurring of the roles of the three lines take place, it should be exceptional and approved by the EIO AC.

The GIA methodology provides a series of different assurance responses to a variety of scenarios to give the stakeholders the best assurance for the time GIA spends in an area as follows:

- *Risk-based internal audits* - GIA's standard audit response, the methodology will also be used to respond to most management requests for assurance and focuses on assessing the adequacy and effectiveness of key controls mitigating significant risks.
- *Programme & Project Assurance* - A series of risk-based assurance responses to programmes and projects. This differs from standard risk-based audits in that it focuses on the

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commercial aspects of the programme, such as benefits realisation as well as on key controls;

- *Close and Continuous* - This will involve GIA having regular meetings with key stakeholders and attending decision-making forums as appropriate. It will also include ongoing assessment of key documents as they are produced. Any concerns will be raised with management at an early stage to allow the programme to address them in a timely manner; and
- *Consultancy* - Completing a piece of ad-hoc work for management, usually around the development of controls in a specialised area. Such work may be characterised by the need to formally contract with the business to assist in control development. GIA will rarely perform these pieces of work as they potentially compromise their independence.

The above are communicated through the following methods:

- reporting to the EIO AC - reporting is provided to the committee (at least quarterly), where the Group Chief Internal Auditor attends meetings to summarise the output within the reporting period and provide an opinion on a number of key risk themes; and
- internal audit reports - In addition to the audit client, internal audit reports are issued to all executive management and members of the GMB and the external auditor. Reporting of issues focuses on describing the control breakdown or failure, who was responsible, and the risk that has materialised or could potentially materialise.

In response to the issues raised by GIA, management is required to document the steps they are taking to address the issue, provide a realistic timescale and, importantly, the action is assigned a single owner to enhance accountability.

B.5.2 Independence of the internal audit function

To ensure the independence of GIA, the Group Chief Internal Auditor will report functionally to the EIO AC Chair, and administratively to the Group CEO and has access to the Chair of the Company Board.

Financial independence, essential to the effectiveness of internal auditing, is provided by the EIO AC approving a budget to allow GIA to meet the requirements stated above.

GIA is functionally independent from the activities audited and the day-to-day internal control processes of the organisation and is therefore able to conduct assignments on its own initiative, with free and unfettered access to people and information, in respect of any relevant department, establishment or function of the organisation, including the activities of branches and subsidiaries and outsourced activities.

Where it is identified by data owners that information should be redacted before being provided to members of the GIA team, the redacted information will be reviewed by the Group Chief Internal Auditor to ensure that the redaction is appropriate and does not constitute a restriction of scope. In the event that the redacted data relates directly to the Group Chief Internal Auditor, or the GIA team, the Chair of the EIO AC will review the redactions and confirm (or otherwise) to the Group Chief Internal Auditor whether the redactions are appropriate.

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The Group Chief Internal Auditor and staff of GIA are not authorised to perform any operational duties for the Company or wider Group or direct the activities of any employee not a member of GIA.

B.6 Actuarial function

B.6.1 Implementation of actuarial function

The delivery of the operations of the Actuarial Function, incorporating pricing, reserving and capital management are the responsibility of the Group Chief Actuary, who is an experienced qualified actuary, holding an Institute & Faculty of Actuaries Chief Actuary certificate. The Group Chief Actuary was appointed effective 1 April 2025, and was approved as the Head of Actuarial Function (SMF20) from 23 May 2025.

The responsibility of the Group Chief Actuary includes, but is not limited to:

- the deliveries of the Group Reserving team including the co-ordination and production of technical provisions (TPs) and IFRS reserves;
- the development, maintenance and use of the Group Capital Model to manage the overall internal capital requirements of the business and to assist senior management in key business decisions across the Group, including the business planning process, optimisation of reinsurance strategy and optimising the use of capital; and
- the deliveries of the Pricing team, ensuring the development of appropriate pricing models exist within the Group.

In order to provide the Board with an independent opinion over the deliverables of the actuarial function, the Group has a Group Investments, Life and Actuarial Risk Director, who is an experienced qualified actuary, holding an Institute & Faculty of Actuaries Chief Actuary certificate. The Group Investments, Life and Actuarial Risk Director uses other actuarial and appropriately experienced resources to discharge their responsibilities, ensuring an appropriate level of independence between those carrying out activities and those reviewing work.

The Group Investments, Life and Actuarial Risk Director's key areas of responsibility are;

- the provision of oversight of the calculation of the TPs, ensuring appropriateness of data, assumptions, methodologies and underlying models used;
- to give an opinion on the TPs to the Board, including assessing the sufficiency and quality of the data used, informing the Board of the reliability and adequacy of the calculation and comparing best estimates to experience;
- to give an opinion on the adequacy of pricing and underwriting to the Board;
- to give an opinion on the adequacy of reinsurance arrangements to the Board as an efficient means to manage risk;
- to contribute to the technical framework, governance and use of the internal capital model; and
- to contribute to the effective implementation of the risk management system.

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B.7 Outsourcing

B.7.1 Outsourcing policy

The Company's procurement and outsourcing policy is to only outsource services on an exceptional basis. Outsourcing is considered as an option when reviewing the operational effectiveness and business requirements of meeting the needs of our customers and whether these can be better delivered from outside the organisation using specialist providers. Outsourcing will always be subject to the services maintaining the integrity of the Company's compliance with regulatory obligations and not increasing the Company's exposure to operational risk.

The Company remains responsible and accountable for any activities it has outsourced and operates a defined framework for supplier selection and management that includes risk assessing the services, conducting regular and appropriate due diligence and managing the supplier relationship and performance.

Comprehensive written contracts are entered into with accountability for managing the delivery of the services assigned to an individual manager within the Company along with a Senior Executive as ultimate owner. Exit and contingency plans are documented and are reviewed on a frequent basis to ensure they remain appropriate.

B.7.2 Outsourcing of critical or important functions or activities

The Company has outsourced services in respect of the provision of legal expense handling, delegated claims handling, off-site document and media storage, print management and IT infrastructure support & monitoring and datacentre co-location. The Company also outsource key system hosting, support and maintenance for Finance, HR and Policy Administration.

The Company's investment management activity is outsourced to an intragroup company, EdenTree, with a comprehensive investment management agreement in place. The Company and EdenTree outsource Trustee services and Custodian and Dealing services.

All outsource providers operate from within the United Kingdom.

B.8 Any other information

During the year, the Board oversaw the planned succession of the Chair. The Board approved a succession plan under which David Henderson retired as Chair on 31 December 2025. Following a structured evaluation of the skills and experience required for the Board's future leadership, the Board appointed François-Xavier Boisseau, an existing Non-Executive Director, as Chair with effect from 1 January 2026.

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C. Risk profile

C.1 Underwriting risk

C.1.1 Risk exposure

The following table provides a quantitative overview of the Company's level of exposure to non-life underwriting risk:

Solvency Capital Requirements	Underwriting Risk	2025 £'000	2024 £'000
Premium Risk		146,370	126,545
Reserving Risk		66,576	64,659
Diversification		(55,108)	(50,157)
		<u>157,838</u>	<u>141,047</u>

C.1.2 Underwriting risk exposure

The elements of the Company's non-life underwriting risk are:

Premium risk

The risk that premiums relating to future accident years will be insufficient to cover all liabilities arising from that business as a result of fluctuations in frequency and severity of claims, timing of claim settlements or adverse levels of expenses. This includes catastrophe risk which is the risk of financial loss relating to future accident years, arising from net of reinsurance claims generated by catastrophic events.

The underwriting risk related to future accident years is most heavily influenced by property exposure, including catastrophe risk. Despite catastrophe risk being mitigated by a robust and effective reinsurance programme, the Company remains exposed to significant residual risk including the potential risk of aggregation (a number of small events), spanning several perils or territories, and the potential costs of reinstating cover.

The main peril to which the Company is exposed for catastrophe underwriting risk is UK windstorm and storm surge. A significant proportion of the property portfolio is in the faith and education niches, where the traditional nature of construction for most of the buildings insured is such that they are built to withstand the normal type of storm activity seen in the UK. In other territories, earthquake is the main peril for catastrophe underwriting risk (as detailed below for Canada and Australia).

Although non-catastrophe underwriting risk is lower due to the reinsurance structure, adverse attritional or large-loss experience can still drive material volatility, particularly for risks that benefit less from reinsurance.

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Other key underwriting risks include poor premium rates, poor weather experience and the occurrence of multiple large property losses.

The Company uses various measures to assess its exposure to underwriting risks, in particular regular and ad hoc management information, and modelling including stresses and scenarios and reverse stress testing.

Reserving risk

Reserving risk is the risk of future claims payments exceeding the amounts currently held in claims reserves and may emerge at any time until final claim settlement, so can be long-term in nature, particularly for liability business.

Latent reserving risk has a high level of uncertainty, particularly relating to volumes of future claims arising from historic periods of exposure, giving potential to affect the future profits and capital position, though conversely it might give releases to enhance profits.

Non-latent reserves represent a relatively lower risk due to the nature of the claims and the mix of business, which helps diversify the risk of deterioration in its run-off. Long-tail liability covers present a higher reserving risk than shorter-tail property classes.

EIO has regular monitoring and review processes in place to assess reserving risks, such as actual versus projected claims analyses and assessment of incurred claim volumes. In addition, the ORSA is carried out on an ultimate basis, including allowance for all future deterioration of experience.

Levels of latent claims are considered and reserves adjusted as appropriate, and the Company continues to monitor the external environment for developments that may affect claims outcomes.

C.1.3 Underwriting risk concentration

The Company's business model gives rise to a number of underwriting risk concentrations. As a specialist, expert insurer the Company writes predominantly property and casualty business concentrated in a small number of clearly defined niches. The focus on faith and education institutions gives rise to a concentration in respect of claim risks.

Geographical concentrations also arise through operations focused in the territories in which insurance operations are based. The majority of the risks insured by the Company are located in the UK.

Concentrations arising in higher-risk natural hazard zones can arise overseas although these are carefully monitored. For example, specific attention is given to exposure in British Columbia and Quebec West/Eastern Ontario in view of the earthquake risk associated with these locations.

C.1.4 Underwriting risk mitigation

Reinsurance is a key tool for the Company in mitigating underwriting risk. Risk measurement and sophisticated modelling and analysis are used to establish the impact and value of reinsurance. Reinsurance programmes are arranged at both local and EIO Group levels.

Global reinsurance relationships are developed strategically and transparently and are overseen by the Group Reinsurance Board which approves all strategic reinsurance decisions.

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Accumulation of property underwriting risk in a single area is tracked using mapping software supplied by our reinsurance brokers. Referral to senior management is necessary to increased exposure in defined areas where the largest concentrations of risk have been identified.

Underwriting and reserving policies and procedures, and risk appetite statements are in place at Group and business unit level to limit underwriting risk concentrations. There are also Centres of Excellence which aim to disseminate best practice and ensure a consistency of approach across the Group where appropriate.

C.1.5 Underwriting risk sensitivity

Various stresses and scenarios are considered. These are detailed in Section C.7.

C.2 Market risk

The following table provides a quantitative overview of the Company's level of exposure to market risk:

Solvency Capital Requirements	Market risk	2025 £'000	2024 £'000
Market risk - Excluding Pension risk		208,800	177,246
Market risk - Pension Assets		24,769	26,598
Diversification		(2,018)	(2,337)
		<u>231,551</u>	<u>201,507</u>

C.2.1 Market risk exposure

Market risk is the risk that the Company is adversely affected by movements in the value of its financial assets arising from a change in interest rates, equity and property prices, credit spreads or foreign exchange rates.

The most material market risks that the Company is exposed to are:

- *equity risk* - with a significant proportion of funds being invested in such stocks;
- *property risk* - arising primarily from direct investment in a portfolio of commercial property in the United Kingdom, the risks are a fall in market value of the property and voids in rental income;
- *spread risk* - arising from the possibility of changes in market spreads of corporate bond yields over risk-free rates and potential deterioration of credit ratings;
- *credit risk (bond default)* - arising from the possibility of default of corporate bonds;
- *interest rate risk* - while liabilities are generally well matched by duration with fixed-interest stocks, there is a risk of falls in value of stocks held in surplus funds in the event of rises in interest rates; and

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- *currency risk* - arising from investment in overseas equities in order to provide diversification and gain from opportunities in different economies and from the value of surplus assets held in overseas operations.

In addition to exposure to market risks from its own assets, the Company is also exposed to market risk through its sponsorship of a defined benefit pension scheme. Within the pension scheme the main risk exposures are equity risk, currency risk, inflation risk, spread risk, interest rate risk and property risk.

The Company's asset mix has remained relatively stable over the year given assets are invested over a longer period.

C.2.2 Compliance with prudent person principle

The Company sets out a mandate to its investment managers specifying the types of assets that it wishes to invest in. This only permits acquiring assets where the risks are well understood and does not allow complex asset structures. Regular investment risk reports are provided from the asset managers that enable the Company to fully understand the risks in the assets.

The Investment Strategy aligns to the Board's Risk Appetite. Limits are placed on the proportions of assets that can be invested in the various asset classes, countries and industry sectors, exposure to single counterparties and quality of issuers. These limits are tracked regularly. No investments in non-standard assets are permitted without approval by the Group Market & Investment Risk Executive Meeting (MIREM).

Assets to cover all liabilities and any local capital requirements are held in the relevant matching currencies and held in those countries. The assets are managed so that a notional portfolio backing technical provisions is held which has appropriate cash flows to match those of the liabilities.

All investment risk exposures are monitored regularly and are overseen by MIREM, which provides reports to the EIO RC, which is a Board Committee.

C.2.3 Market risk concentration

The largest single investment is a holding in shares of Mapfre Re. with other exposures being to government debt in the UK and Canada. Overall, the majority of market risk exposure is located in the UK. There are no other material concentrations of market risk as the portfolio is well diversified.

C.2.4 Market risk mitigation

Whilst no derivatives were held in the reporting period to mitigate equity exposure, when in effect, regular investment performance and risk reports provide information enabling assessment of the effectiveness of derivative holdings.

Interest rate risk is partially mitigated by holding assets of appropriate duration to back some of the technical provisions so that in the event of changes in market yields, resultant movements in liability discount rates will ensure that relevant asset values and liability values move in the same direction, so mitigating the net overall impact. The matching cash flow position is monitored as part of the investment strategy review each year and adjusted as determined to be appropriate.

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Interest rate and inflation risks are material risks arising in the pension fund. These are materially mitigated through the use of liability-driven investment strategies.

All liabilities are matched with assets in the same currency, so mitigating currency risk. Throughout 2025, forward currency contracts have been held to mitigate the risk from exposures to foreign currency arising from investments in overseas equities and the value of surplus assets held in overseas operations.

C.2.5 Market risk sensitivity

Various stresses and scenarios are considered. These are detailed in Section C.7.

C.3 Credit risk

C.3.1 Credit risk exposure

The most material credit risk that the Company is exposed to is reinsurer default risk arising from default of one or more reinsurance counterparties. This risk is modelled stochastically with assumed default risk parameters based on exposure to individual reinsurers, credit ratings of those reinsurers, and assumed default rates and subsequent recoveries calibrated using historic data.

The Company is also exposed to premium debtor default risk and cash at bank default risk, and although these risks are not considered material they are also quantified within the capital model.

C.3.2 Credit risk concentration

The Company has risk appetite limits in place which limit exposure to any single reinsurer group. The largest individual reinsurance balance owed at 31 December 2025 was approximately £2.6m.

C.3.3 Credit risk mitigation

The Company has a wide, well-diversified panel of reinsurers, thereby diversifying the risk exposure. The Company only uses reinsurers with strong credit ratings and all those participating are approved and monitored regularly by the Group's General Insurance Reinsurance Security Executive Meeting (GIRSEM). There are risk appetite limits in place for reinsurer groups based on credit ratings.

The Company has strong credit control processes in place to manage broker and policyholder exposures including due diligence assessments for brokers that have credit facilities, with ongoing monitoring of the credit status and experience of making timely payments.

C.3.4 Credit risk sensitivity

Various stresses and scenarios are considered. These are detailed in Section C.7.

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C.4 Liquidity Risk

C.4.1 Liquidity Risk exposure

Liquidity risk is the risk that the Company, although solvent, either does not have sufficient financial resources available to enable it to meet its obligations as they fall due, or can secure them only at excessive cost.

Assessment of this risk is primarily carried out by scenario analysis considering cash flows that would emerge in stressed circumstances. The scenario that is most likely to cause such issues would be a need to make substantial claims payments after an extreme catastrophe event, though this is mitigated by agreements for reinsurers to pay their recoveries prior to the Company paying claimants. The risk is further mitigated by holding most assets in highly liquid investments. Further detail is provided below.

There have been no significant changes to liquidity risk exposure over the reporting period.

C.4.2 Liquidity Risk concentration

The Company holds a wide range of liquid investments, the largest counterparty being the UK Government. The overall assessment is that no liquidity risk concentrations are considered to be material.

C.4.3 Liquidity Risk mitigation

The Company carries out regular forecasts of future expected cash flow requirements and maintains cash balances that are sufficient to cover these for several months in normal conditions in local currencies for all territories in which it has material business operations. Adequate liquidity is ensured through management of cash balances and investment in highly liquid instruments.

In the event of a natural catastrophe resulting in a large number of claims, which is the most likely situation causing higher than normal liquidity needs, the Company's arrangements with reinsurers are made such that reinsurers will make payment of their proportion of the claim in advance of or simultaneously with payment to policyholders.

The Company also maintains a well-diversified panel of strongly rated reinsurers to minimise the potential for over-reliance on any one reinsurer.

The Group regularly monitors liquidity risk and manages the risk on an ongoing basis with oversight provided by the Group Chief Financial Officer. Examples of processes for managing liquidity risk are monitoring of risk limits and tolerances, monitoring of the investment strategy, and structuring of reinsurance contracts.

C.4.4 Liquidity Risk sensitivity

The nature of the Company's liquidity risk means that it will not be a concern in any other than the most severe circumstances. Scenario analysis is undertaken examining resilience against extreme catastrophe losses combined with recoveries from our largest reinsurer being disputed. The outcome is that, despite damage to profitability and solvency coverage, all expected payments could be made from cash and short term bonds.

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The scenario analysis confirms that there is sufficient liquidity in the Company's portfolio of assets to have confidence that all payments would continue to be met even in the most extreme outcomes. However, liquidity remains a key consideration when setting investment policy.

C.5 Operational risk

C.5.1 Operational Risk exposure

The Company defines operational risk as 'the risk of loss arising from inadequate or failed internal processes, people and systems, or from external events'. The definition includes conduct of business, other aspects of compliance and legal risk but excludes strategic and reputational risks which are considered separately in section C.6.

Given the nature of the Company's business it is exposed to a number of different types of operational risk which at a high level can be categorised as:

- people risk;
- systems risk;
- process risk;
- regulatory risk;
- legal risk; and
- external environmental factors.

Legal risk includes, but is not limited to, exposure to fines, penalties or punitive damages resulting from supervisory actions, as well as private settlements.

These risks have not changed significantly during the year although the level of external threat from cyber risk continues to remain elevated across the industry.

Our current approach to the quantification of operational risk involves the analysis of a range of scenarios through workshops held with subject matter experts and senior management, as detailed below.

C.5.2 Operational Risk concentration

Operational risk concentrations arise from the reliance on a number of key systems that support core business activities, including underwriting and claims management. The use of shared systems creates a natural concentration of operational risk; however, this structure is considered appropriate given the efficiencies and consistency it provides.

C.5.3 Operational Risk mitigation

The Company accepts operational risk as a natural consequence of doing business. Mitigation techniques with respect to operational risk focus on the use of controls. Preventative and directive controls are sought to either avoid a particular risk materialising or to lessen its impact if it does. Detective controls provide value in helping to flag a changing risk exposure which allows for corrective actions to be taken to prevent the risk exposure from threatening the achievement of the strategic objectives of the Company.

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During the year the EIO RC provided oversight of the relevant risks across the Group.

The Company is currently undertaking a long-term transformation programme to ensure ongoing adequacy and effectiveness of material systems' infrastructure and will include the implementation of a new core operating system. This will help to improve processes for front-line employees, provide a platform for business growth and better serve customers and partners.

In respect of regulatory and legal risk, this is managed by maintaining a strong ethical culture, an effective governance infrastructure and a proactive compliance function. Conduct risk has long been considered an important risk, and part of the wider regulatory and legal risk universe, with key focus in the period on embedding the requirements of Consumer Duty.

Information security, including cyber, are also key operational risks for the Company. Cyber risk is critical due to the ever changing landscape with the volumes of threats seen across all types of businesses continuing to increase. This risk is managed by a wide-ranging set of preventative and detective controls which are under constant review. The Company also has a dedicated Group Cyber Security and Group Organisational Resilience teams.

C.5.4 Operational Risk sensitivity

Stress and scenario analysis is used to identify the qualitative and quantitative impact of various operational risks crystallising that could have an adverse impact on the achievement of divisional or corporate objectives.

Each scenario is designed to be as realistic as possible and may examine individual or multiple stresses occurring simultaneously. Each scenario examined is extreme but also plausible in the context of the current business model and forward planning period, within the 1 in 200-year range of probability.

The conclusion from these stress and scenario analysis is that the Company's solvency coverage is resilient to extreme adverse operational risk scenarios.

C.6 Other material risks

C.6.1 Risk exposure

Climate Change risk relates to the financial risks arising through climate change. The key impacts for the Company are physical risks (event driven or longer term shifts), the transition risks of moving towards a lower carbon economy and liability risks associated with the potential for litigation arising from an inadequate response. The Company considers flood risk and other weather-related risk factors in the underwriting risk selection and catastrophe risk is managed through reinsurance models. The Company also operates an Environmental, Social and Governance (ESG) overlay on the Investment Strategy.

The other material risks that the Company is exposed to are strategic, group and reputational.

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Strategic risk relates to risks associated with the effective development and ongoing implementation of the Company's strategy. It also covers wider risks relating to the competitive and macro environment. These risks are not explicitly covered in the capital requirements which are all based on more extreme, lower likelihood, higher impact events. The Company is naturally exposed to the risk of failing to develop or implement an appropriate strategy for the business. This could arise from a failure to adequately identify or assess the threat presented by competitors, failure to fully understand our markets or setting a strategy without due regard to the capability within the Company.

Reputational risk relates to exposures that would result in negative reputational impacts upon the Company were they to occur. Reputational risks are often associated with other risk types. For example, a regulatory breach (operational risk) will have reputational risks associated with it. Maintaining a positive reputation is critical to both EIO and its parent company BG, vision and strategic objectives. Risks to both EIO and BG's brand and reputation are inherently high in an increasingly interconnected environment. The Company operates strong and proactive controls in order to monitor media activity generally, with additional focus on more sensitive data.

All of these risks have been considered when developing the business plans and actions have been derived to address the risks identified. All key risks are also explored within the stress testing and scenario analysis framework in order to ensure that the business has a good understanding of their potential impacts.

The Company's system of governance covered in section B helps to mitigate these risks.

There are no material risk concentrations from these risks.

C.7 Any other information

C.7.1 Stress and scenario testing

Stress and scenario testing explores a wide range of single and combination scenarios of risk events can impact on the business and seeks to explore the extent of such impacts. Each scenario represents an extreme yet plausible event that could impact the business plan, operations and financial health of the Company. Whilst extreme, each event is also reasonably foreseeable as part of future developments, e.g. within a 1 in 200 year range of probability.

The approach involves identification of events and independent derivation of losses and return periods associated with these events. These are compared against a distribution of model outputs using pre-defined pass/fail criteria in order to draw conclusions on model accuracy and risk coverage.

Some examples of the scenarios considered are:

- impact of severe losses on strategic investments;
- interest rate stress;
- natural catastrophe (e.g. windstorm, earthquake)
- unavailability of reinsurance;
- deterioration in PSA reserves
- reinsurer default; and
- climate change.

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The impact of the single scenarios is in line with the Company expectations. The capital position is strong and remains resilient in highly stressed circumstances. Combining the more extreme market stresses with the most extreme underwriting scenario puts the greatest strain on the business.

C.7.2 Reverse stress testing (RST)

Reverse stress testing is an important risk management tool and provides the Board with further insight into the ability of the Company to withstand extremely severe adverse scenarios. It is also a key validation component for the internal model. Various RSTs are performed by starting from the point of business model failure and working backwards to identify plausible root causes which would result in the business model becoming unviable.

Consideration is given to both single risk event scenarios, such as individual large catastrophe events, extreme economic shocks and reinsurer defaults, as well as combination risk event scenarios, such as an economic shock combined with a material insurance risk event. The exercise shows key risks and scenarios that may materially impact the Company and confirms the business model is sufficiently resilient.

C.7.3 Risk profiles

For more information on risk profiles please see section E of this document.

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D. Valuation for solvency purposes

Following the UK's update to SUK, the PRA rulebook has now been updated for the articles in force at 31 December 2025 for the purpose of valuing SUK assets and liabilities.

All material asset and liability classes have been valued in accordance with the PRA Rulebook.

Material assets and liabilities are defined as assets and liabilities that are valued in excess of £5.8m (equivalent to 1% of IFRS net assets).

As permitted by the PRA Rulebook, the valuation of assets and liabilities are based, where appropriate, on the valuation method used in the preparation of the Annual Report and Accounts. The financial statements have been prepared in accordance with UK adopted International Accounting Standards (IFRS) and audited by external auditors.

IFRS 9, Financial Instruments, requires the classification of certain financial assets and liabilities into separate categories for which the accounting requirement is different. This replaced International Accounting Standard (IAS) 39, Financial Instruments: Measurement and Recognition when adopted on 1st January 2023.

The classification depends on the nature and purpose of the financial assets and liabilities, and is determined at the time of initial recognition. Financial instruments are initially measured at fair value. Their subsequent measurement depends on their classification.

Financial instruments designated as at fair value through profit or loss and hedge accounted derivatives under International Financial Reporting Interpretations Committee (IFRIC) 16 are subsequently carried at fair value.

All other financial assets and liabilities are held at amortised cost using the effective interest method, except for short-term receivables and payables where the recognition of interest would be immaterial.

The Directors consider that the carrying value of those financial assets and liabilities not carried at fair value approximates to their fair value.

On adoption of IFRS 16 Leases, the Company recognised right-of-use assets and associated lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17, Leases.

Right-of-use assets are measured at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet at initial recognition. Lease liabilities have been measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate.

Subordinated liabilities are recognised initially at fair value, being the issue proceeds net of premiums, discounts and transaction costs incurred. All borrowings are subsequently measured at amortised cost using the effective interest rate method. The amortisation is recognised as an interest expense using the effective interest rate method.

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D.1 Assets

D.1.1 Solvency UK valuation of assets

A copy of the quantitative reporting template (QRT) 'IR.02.01.02 – Balance sheet' is included in Appendix 1 and shows a list of assets by class as reported in the annual QRT of the Company.

The table below summarises the SUK Valuation and the differences that arise in comparison with the financial statements' net asset value prepared in accordance with IFRS, together with an analysis of assets:

Solvency UK Valuation	2025	Reclassify to aid comparison	2025	Valuation difference	2025
	As reported IFRS Basis		Reclassified IFRS valuation		SUK Valuation
	£'000	£'000	£'000	£'000	£'000
Total Assets	1,340,753	24,243	1,364,996	(12,882)	1,352,114
Total liabilities	762,027	24,243	786,270	(85,185)	701,085
Net assets	578,726	-	578,726	72,303	651,029
Breakdown of asset valuation					
Deferred tax assets	7	-	7	12	19
Intangible assets	15,865	-	15,865	(15,865)	-
Tangible fixed assets	28,898	-	28,898	-	28,898
Pension benefit surplus	18,710	-	18,710	-	18,710
Investment Participations	42,707	-	42,707	54,411	97,118
Investment Other	847,335	15,193	862,528	(94)	862,434
Loans and mortgages	14	96,802	96,816	2,513	99,329
Technical provisions - Reinsurance recoverables	176,970	(1,761)	175,209	(45,702)	129,507
Insurance & intermediaries receivables	-	24,243	24,243	-	24,243
Reinsurance receivables	-	1,761	1,761	-	1,761
Receivables (trade, not insurance)	20,975	(3,705)	17,270	(8,079)	9,191
Cash and cash equivalents	68,841	(11,488)	57,353	-	57,353
Any other assets	120,431	(96,802)	23,629	(78)	23,551
Total assets	1,340,753	24,243	1,364,996	(12,882)	1,352,114

The table includes reclassification of certain IFRS assets and liabilities to aid comparability. This has been done as items such as debtors arising from insurance contracts, which are included within insurance contract liabilities in the financial statements, are included within the valuation of insurance and intermediaries receivable for SUK provided they are not past their due date. Moving this balance from liabilities to assets removes the need to disclose the same difference in both assets and liabilities.

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A description of how the assets have been valued, and any differences from the IFRS valuation, are explained below.

Intangible assets

Intangible fixed assets are valued at amortised cost in the financial statements. For SUK these assets have been valued at nil as amortised cost is not a permitted method of valuation and it is not practicable to obtain an independent valuation of these assets.

Deferred tax assets

The calculation of deferred tax is based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax is measured using tax rates expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled based on tax rates and laws which have been enacted or substantively enacted at the year-end date. The liabilities are mainly in relation to unrealised gains on financial investments.

For SUK, the deferred tax asset has been recalculated to take into account the valuation differences between the financial statements and the SUK valuation of assets and liabilities. As this timing difference is not expected to reverse in the foreseeable future, the tax rate used is 25%, being the future rate used in the annual report and accounts for balances reversing after April 2023. Due to this being in a different jurisdiction this has not been netted off against liabilities.

Tangible fixed assets - property plant and equipment held for own use

This category can be further analysed into the following classifications:

Analysis of property, plant & equipment held for own use	2025	2024
	£'000	£'000
Property improvements, fixtures, fittings & computer equipment	8,365	9,525
Owner occupied property	600	600
Right of use assets - property	19,397	21,810
Right of use assets - motor vehicles	536	573
	28,898	32,508

Property improvements, fixtures, fittings and computer equipment are valued in the financial statements on an amortised cost basis. As these assets pass impairment reviews and continue to deliver an economic benefit to the Company, which is reflected in their IFRS carrying value, this is assumed to be an acceptable approximation of fair value. A proportional approach has been taken as any discrepancy between their SUK economic value and their IFRS value would not be material.

Valuations of owner-occupied property are carried out at least every three years by external qualified surveyors for the financial statements. As any change in value through using a more frequent annual valuation would not normally be considered material, no adjustment to this value is made for the SUK valuation.

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Right-of-use assets have been valued at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. This is assumed to be an acceptable approximation of fair value. A proportional approach has been taken as any discrepancy between their SUK economic value and their IFRS value would not be material.

Pension benefit surplus

The Company operates a number of defined benefit and defined contribution plans, the assets of which are held in separate trustee-administered funds.

In accordance with IAS 19, Employee Benefits, for defined benefit plans, the pension costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to profit or loss so as to spread the regular cost over the service lives of employees, in accordance with the advice of qualified actuaries.

The pension obligation is measured as the present value of the estimated future cash outflows using a discount rate based on market yields for high-quality corporate bonds. The resulting pension plan surplus or deficit appears as an asset or obligation in the statement of financial position. Any asset resulting from this calculation is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future employer contributions to the plan.

Below is an analysis of the assets of the defined benefit pension plan:

Plan Assets	2025 £'000	2024 £'000
Government bonds	16,825	16,551
Corporate Bonds	91,969	94,415
Listed Equity	44,928	48,808
Unlisted Equity	51	400
Investment funds	111,314	94,829
Collateralised securities	361	336
Cash and cash equivalents	5,569	3,689
Investment Property	35,019	37,897
Derivatives	(8)	(592)
	306,028	296,333

Investments – participations (subsidiary undertakings)

The financial statements of the Company value shares in subsidiary undertakings at cost net of any impairment. For SUK subsidiary undertakings must be recognised at fair value.

As all subsidiary undertakings are unlisted companies, the preferred SUK valuation method of using quoted market prices as required by the PRA Rulebook is not possible.

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The alternative method has therefore been adopted whereby each subsidiary undertaking's assets and liabilities are valued on a SUK basis and the resulting value recognised using the adjusted equity method in accordance with the PRA Rulebook.

Key drivers for the differences in valuation are goodwill, which is included within the cost used in the financial statements but not recognised in SUK, and the impact of accumulated undistributed post-acquisition profits included within the SUK valuation.

Investments other than participations

The fair value measurement basis used to value investments held at fair value is categorised into a fair value hierarchy as follows:

Level 1: fair values measured using quoted bid prices in active markets for identical assets. This category includes listed equities in active markets, listed debt securities in active markets and exchange-traded derivatives.

Level 2: fair values measured using inputs other than quoted prices included within level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes listed debt or equity securities in a market that is not active and derivatives that are not exchange traded.

These financial assets are valued using third-party pricing information that is regularly reviewed and internally calibrated based on management's knowledge of the markets. Where material, these valuations are reviewed by the EIO AC.

Level 3: fair values measured using inputs for the asset that are not based on observable market data (unobservable inputs). This category includes unlisted debt and equities, including investments in venture capital, and suspended securities. Where a look-through valuation approach is applied, underlying net asset values are sourced from the investee, translated into the Company's functional currency and adjusted to reflect illiquidity where appropriate, with the fair values disclosed being directly sensitive to this input.

Accrued interest of £2,789k included within 'receivables (trade, not insurance)' in the financial statements has been moved to investments as investment valuations are valued inclusive of accrued interest for SUK.

Investments – property - Investment property comprises land and buildings which are held for long-term rental yields and is carried at fair value. Investment property is valued annually by external qualified surveyors at open market value.

Investments – derivatives - All derivatives are initially recognised at their fair value, which usually represents their cost, including any premium paid. They are subsequently re-measured at their fair value, with the method for recognising changes in the fair value depending on whether they are designated as hedges of net investments in foreign operations. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

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

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Investments – deposits other than cash equivalents - This comprises highly liquid investments with original maturities of more than three months. These balances are typically deposit balances with banks. As cash balances are not subject to a significant risk of change in value, they are considered to be held at fair value.

Loans and mortgages (including intra-group loans)

Non-current intra-group balances have been valued in the financial statements at £99,329k their initial value net of any subsequent repayment or impairment, and included within other assets.

For SUK these balances are reclassified as loans and valued at the present value of their expected future cash flows. The key inputs used in the valuation are future cash flows, interest rate and discount rate. The future cash flows are set in line with the agreed repayment plan and the interest rate is as defined in the loan agreement. The discount rate used is based on an appropriate yield curve that reflects the credit risk associated with the loan.

Reinsurance recoverables

The valuation of reinsurers' share of technical provisions and the differences in valuation methodology compared with the IFRS financial statements is covered in section D.2.

Insurance & intermediaries receivables and reinsurance receivables

For SUK this only comprises debtor balances past due. Due to the short-term nature of the outstanding balances, their amortised cost is assumed to approximate to their fair value. Debtor balances that are not past due are future cash flows that form part of technical provisions as covered in section D.2.

Receivables (trade, not insurance)

This comprises trade debtor balances. Due to the short-term nature of the outstanding balances, their amortised cost is assumed to approximate to their fair value. The valuation of non-insurance receivables for SUK is the same as in the financial statements except for £8,079k of prepayments which have no economic value.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. As cash balances are not subject to a significant risk of change in value, they are considered to be held at fair value.

Any other assets

Intercompany debtor balances with the Company's subsidiaries and other entities within the wider Group are shown as any other assets. The balances are repayable on demand, and the amortised cost is assumed to approximate to fair value.

There have been no changes in the valuation or recognition bases adopted compared to the prior year.

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D.2 Technical provisions

D.2.1 Solvency UK valuation of technical provisions (TPs) and assumptions used

Under SUK the technical provisions are made up of:

- Discounted best estimate claims provisions;
- Discounted best estimate premium provisions; and
- Risk margins.

The non-life TPs are calculated as a sum of best estimate and risk margin using a three-stage process of grouping data for homogeneous risks, selecting methodologies, and setting assumptions which take into account the economic, underwriting and reserving cycles.

The reserving process captures material factors via engagement and interaction across relevant business areas, particularly the claims and underwriting functions. These factors may not be inherent in the historical data, for example a change introduced to the claims management philosophy may impact the incurred development pattern going forward.

The reserving framework is structured such that sufficient oversight exists within the reserve setting process through reviews by key stakeholders within management, by the Group Investments, Life and Actuarial Risk Director and ultimately by the Board via the EIO AC. This ensures there is an independent challenge to the process and results, and that future developments within the business are incorporated into the projections where appropriate.

Modelling methodologies and assumptions

The nature of input assumptions for the reserving models used in projecting ultimate claims costs varies based on the class of business modelled, the levels of historical data available and the nature and complexity of the underlying risk. The final choice of model and assumptions involves professional actuarial judgement and a technical review within the reserving Governance Framework.

The following methods are used accordingly:

- Incurred Development Factor Method (DFM) used either in isolation for 'Fire and other property damage' classes or in combination with other methods for liability and latent classes;
- Bornhuetter Ferguson Method (BF) used primarily for more recent development years for the liability classes;
- Frequency-Severity Approach, either deterministic for liability classes or stochastic for latent claims;
- Scenarios framework for Events Not In Data (ENID), which generally would not have been foreseen at the time of writing the policies;
- Exposure based methods are used to assess Covid-19 loss of profits reserves, based on policy terms and limits and propensity to claim assumptions;
- Simplified methods including scaling based on exposure measures for smaller territories; and
- Discontinued and inwards reinsurance businesses are either a fixed percentage of case outstanding or a fixed amount.

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Once the best estimates are calculated, all future years' cash flows are discounted to present value using the prescribed risk-free discount curve for the relevant currency interest rate-term structure.

The reinsurer's share of Incurred But Not Reported (IBNR) calculations are varied depending on the type of treaty. Proportional arrangements use assumptions on net to gross ratios and excess of loss arrangements incorporate stochastic modelling of net average costs where applicable.

Expected defaults are calculated by reference to reinsurer credit ratings and the expected term of the recoverable.

Valuation

Claims provisions, premium provisions and risk margin by class are reported on 'QRT IR.17.01.01 – Non-life technical provisions'.

The two major contributors to the TPs are the 'general liability' and 'fire and other property damage' classes of business.

The distribution of reserves by line of business reflects differences in risk and claim behavioural experiences. Comments on material lines are given individually below.

Fire and Other Property Damage

The TPs for this class are weighted between both premium and claims provisions due to the short-tail nature of these risks and potential for unusually large or catastrophe event claims to occur during the future exposure period.

General Liability

The TPs for this class are heavily weighted towards the claim provision due to the longer-tail nature of these risks, which may be complex and take many years to settle, and with potential for late reported or latent claims to emerge.

Latent classes are particularly sensitive to changes in the discount rate.

Motor vehicle classes

The majority of motor business has been in run-off since 2013. The motor TPs are calculated at an aggregated level for 'motor third party liability' and 'other motor', with substantially all of the remaining reserve relating to liability claims.

TPs for this line of business are expected to continue to reduce over time, but remain subject to risk of late developments on open cases.

Non-proportional reinsurances

These classes relate to casualty and property reinsurance arrangements entered into with external companies and businesses in run-off, and run-off London Market business.

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Risk margin

The SUK risk margin is the present value cost of capital for a reference undertaking subject to an SCR over the period of fulfilling the obligated business cash flows. The SCR for each year of run-off reflects a 1-year view of risk for the relevant Insurance, Counterparty, Operational and Unavoidable Market risks in that period. The risk margin has adopted the internal model calculation, at individual model class level, using the modelled SCR for each class and the diversification available between these classes. The internal model class diversified risk margin outputs are then aggregated to the SUK reporting classes.

The level of risk margin held is driven by the primary risks for the non-life insurance business, being General Liability reserve risk and catastrophe risk for Fire and Other Property Damage and the term over which these risks run off. Under SUK principles this margin is not allocated as gross and ceded, but is a single value based on the risk net of reinsurance.

D.2.2 Level of uncertainty

The estimation of the ultimate liability arising from claims made under non-life insurance contracts is subject to uncertainty as to the total number of claims made on each class of business, the amounts that such claims will be settled for and the timings of any payments. Examples of uncertainty include:

- whether a claims 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 potential for periodic payment awards, and uncertainty over the discount rate to be applied when assessing lump sum awards;
- the way in which certain reinsurance contracts, principally liability, will be interpreted in relation to unusual or 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.

While the best estimate TPs calculation targets reserving for the average or expected future cost within a range of possible outcomes, due to the uncertainties it is likely that the actual costs will differ from the reserved amount.

In order to better understand the underlying uncertainty, a range of possible outcomes are tested and analysed by running a series of sensitivities.

D.2.3 Sensitivity Results for Net TPs

Sensitivity analysis is a technique used to understand the variability of possible outcomes. This is done by analysing the change in TPs as a result of adjusting a single input parameter.

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The sensitivity analysis of TPs is a useful risk management tool that helps the business identify which internal factors are key drivers of the total provision. The ability to identify the key risk drivers of the TPs allows management to identify lead indicators to monitor these drivers, so as to better predict their effect and manage the risks associated with uncertainty.

The effectiveness of a sensitivity testing process depends on being able to identify and isolate the full effects attributable to each material input factor affecting the final TPs. Following the ‘impact-value chain’ creates more realistic and accurate sensitivity scenarios.

The table below shows the results of several sensitivity tests, which have been selected to provide coverage of a broad range of risks, which it is foreseeable could materialise within the next 12 months. This is for illustrative purposes and does not represent an exhaustive list of possible events.

SII net best estimate sensitivities to future scenarios		EIO Solo
Risk	Sensitivity applied	£m
Bound business seasonality profile	Adjust Q4 bound business to Q3 profile	4.4
Discount rate shift (all currencies)	+/- 1.0% to spot rate at all durations	-17.1/19.0
Inflation on latent claims	+/- 1.0% each year applied cumulatively	-10.0/11.8

D.2.4 Comparison of Solvency UK technical provisions with valuation in annual financial statements

Net technical provisions	2025 £'000	2024 £'000
IFRS Technical Provisions net of deferred acquisition costs, debtors and creditors	452,530	414,675
Adjustment for claims reserve and risk	(7,960)	(5,182)
Adjustment for unearned profit	(30,753)	(28,426)
Adjustment for other differences	5,034	5,636
SUK Net technical provisions	418,851	386,703

The building blocks making up the TPs can be split between those for which the valuation methodology is compatible between SUK and current IFRS, and those which by requirements of the SUK technical specifications will necessarily be different.

The claims provision calculation (liability on earned business) may follow similar bases, methods and assumptions as IFRS, with the exception that the SUK discount rate is prescribed by the PRA. In contrast, the discount rate used in the IFRS accounts is tailored to reflect the characteristics of the liabilities.

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Adjustment to the Risk Margin reflects the difference between the Board's appetite of holding reserves that are sufficient at least 3 out of 4 years and the requirement under SUK of holding an amount over and above the best estimate reserves reflective of the cost of capital required to run off the best estimates to settlement.

Other adjustments relate to the consideration of future premium cash inflows in the premium provision for SUK.

The main difference for the Company continues to be the conceptual difference for timing of recognising profit for unearned business. SUK provisions are lower due to recognition of expected future profits on inception, driving £30,800k reduction (2024: £28,400k). Discounting also drives a valuation difference across both claims provision and risk margin, SUK TPs being lower by £8,000k (2024: £5,200k lower). Other differences are not significant.

D.2.5 Use of the matching adjustment

The matching adjustment has not been applied to the non-life insurance TPs.

D.2.6 Use of the volatility adjustment

The volatility adjustment has not been applied to the non-life insurance TPs.

D.2.7 Use of the transitional risk-free interest rate-term structure

The transitional risk-free interest rate-term structure has not been applied to the non-life insurance TPs.

D.2.8 Use of the PRA Rulebook transitional deduction

The transitional deduction is not applied to the non-life insurance TPs.

D.2.9 Recoverables from reinsurance contracts and special purpose vehicles

The recoverables are calculated separately by territory and by class of business taking into account the arrangements that are in place for each year of loss. Various arrangements apply to the fire and other property damage classes. These include surplus proportional reinsurance treaties and facultative arrangements for risks larger than those covered by the treaties. Quota share arrangements are also in use. Excess of loss cover applies for single events or aggregation of losses, and to the general liability and motor classes. Special purpose vehicles are not used.

The relative size of reinsurance recoverables included in the TPs from period to period is closely linked to the relative size of reserves by class, subject to occurrence or otherwise of unusually large losses for the excess of loss accounts.

For the premium provision, the amounts also reflect the nature of the reinsurance contracts due to the inclusion of future premiums payable in the reinsurance TPs.

Where coverage is purchased on a risks-attaching basis, the premium is either pre-paid or effectively held as a short-term creditor on the balance sheet. Where coverage is purchased on a loss occurring basis, the TPs includes any future cost not yet recorded elsewhere on the balance sheet in respect of obligated business.

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D.2.10 Material changes in the assumptions made in the calculation of technical provisions compared to the previous reporting period

There have been no significant changes to previously used assumptions; premium provision assumptions remain aligned to business plans.

D.3 Other liabilities

D.3.1 Solvency UK valuation of other liabilities

A copy of the QRT 'IR.02.01.02 – Balance sheet' is included in Appendix 1 and shows a list of liabilities by class as reported in the annual QRT of the Company.

The table below summarises the SUK Valuation and the differences that arise in comparison with the financial statements' net asset value prepared in accordance with IFRS, together with an analysis of liabilities:

Solvency UK Valuation	2025	Reclassify to aid comparison	2025	Valuation difference	2025
	As reported IFRS Basis		Reclassified IFRS valuation		SUK Valuation
	£'000	£'000	£'000	£'000	£'000
Total Assets	1,340,753	24,243	1,364,996	(12,882)	1,352,114
Total liabilities	762,027	24,243	786,270	(85,185)	701,085
Net assets	578,726	-	578,726	72,303	651,029
Breakdown of liability valuation					
Technical provisions - non-life	605,281	24,243	629,524	(81,166)	548,358
Deferred tax liabilities	43,174	-	43,174	3,025	46,199
Payables (trade, not insurance)	55,136	-	55,136	(2)	55,134
Pension benefit obligations	4,152	-	4,152	-	4,152
Derivatives	480	-	480	-	480
Other provisions	4,485	-	4,485	-	4,485
Debts owed to credit institutions	21,095	-	21,095	-	21,095
Subordinated liabilities in BOF	26,835	-	26,835	(7,042)	19,793
Any other liabilities	1,389	-	1,389	-	1,389
Total liabilities	762,027	24,243	786,270	(85,185)	701,085

The table includes reclassification of certain IFRS assets and liabilities to aid comparability, as explained in section D.1. A description of how the liabilities have been valued, and any differences from the IFRS valuation, are explained below.

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Technical provisions – non-life

The valuation of TPs and the differences in valuation methodology compared with the IFRS financial statements are covered in section D.2.

Deferred tax liabilities

The calculation of deferred tax is based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax is measured using tax rates expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled based on tax rates and laws which have been enacted or substantively enacted at the year-end date. The liabilities are mainly in relation to unrealised gains on financial investments.

For SUK, the deferred tax liability has been recalculated to take into account the valuation differences between the financial statements and the SUK valuation of assets and liabilities. As this timing difference is not expected to reverse in the foreseeable future, the tax rate used is 25%, being the future rate used in the annual report and accounts for balances reversing after April 2023.

Payables (trade, not insurance)

All balances recognised are short-term in nature and so their carrying value in the financial statements is deemed to be an appropriate approximation of fair value.

Included within Payables (trade, not insurance) are un-presented cheques which are removed in the SUK valuation as they have no economic value.

Pension benefit obligations

The Company operates a number of defined benefit and defined contribution plans, the assets of which are held in separate trustee-administered funds, as noted in section D.1. Any plan in deficit would be included here.

The Company also provides post-employment medical benefits to some retirees. The expected costs of these benefits are accrued using an accounting methodology similar to that for defined benefit pension plans. Independent qualified actuaries value these obligations annually.

Provisions other than technical provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources, embodying economic benefits, will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when it is virtually certain that the reimbursement will be received.

Debts owed to credit institutions

This comprises amounts due in respect of finance leases. Finance leases are leases where a significant portion of the risks and rewards of ownership is transferred to the Company. Assets obtained under finance lease contracts are capitalised as right-of-use assets. Obligations under such agreements are recognised at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate.

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Subordinated debt

Subordinated debt consists of a privately placed issue of 20-year subordinated bonds, maturing in February 2041 and callable after February 2031. The Group's subordinated debt ranks below its senior debt and ahead of its preference shares and ordinary share capital.

Any other liabilities

Intercompany creditor balances with the Company's subsidiaries and other entities within the wider Group are shown as any other liabilities. The balances are repayable on demand, and the amortised cost is assumed to approximate to fair value.

D.4 Alternative methods for valuation

No assets or liabilities have been valued using alternative valuation methods.

D.5 Any other information

There is no further material information regarding the valuation of assets and liabilities for solvency purposes.

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E. Capital Management

Under SUK, capital that the Company can use to meet its regulatory SCR and MCR is called own funds. Off balance sheet items that can be called upon to absorb losses are called ancillary own funds. The Company does not hold any such items.

The excess of assets (section D.1) over liabilities (section D.3) plus qualifying subordinated debt less any foreseeable distributions constitute basic own funds:

Basic Own Funds	2025 £'000	2024 £'000
SUK valuation of assets	1,352,114	1,309,460
SUK valuation of liabilities	<u>(701,085)</u>	<u>(672,934)</u>
Excess of assets over liabilities	651,029	636,526
Subordinated liabilities	19,793	20,355
Foreseeable distributions	<u>(4,591)</u>	<u>(24,591)</u>
Basic Own Funds	<u>666,231</u>	<u>632,290</u>

E.1 Own funds

E.1.1 Own funds - objectives, policies and processes

The overall responsibility for reviewing and approving the Capital Management Policy lies with the Board. The responsibility for the policy implementation resides with all management and employees involved in managing capital and solvency across the Company.

The policy provides a robust framework for the management and control of capital that underpins business performance and supports the strategic development across the Company. The policy can be summarised as follows:

Regulatory, legislative and rating agency

- ensure current and future rules are monitored and understood, particularly regarding the definition of capital (quality and fungibility) and various capital requirements.

Definition and monitoring of capital available

- ensure capital is maintained at a sufficient quality in order to meet current and future capital requirements, in accordance with regulatory and rating agency restrictions;
- ensure the Company has a defined risk appetite regarding the quality and tiering of capital required to meet its own internal appetite for solvency;
- ensure there is sufficient capital held within all local subsidiaries and branches in order to satisfy local capital requirements (regulatory or otherwise);

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- ensure that fungibility restrictions are carefully monitored and controlled to avoid having a detrimental impact on the Company's solvency position, regulatory or otherwise;
- ensure that the level of capital available in the Company, regulatory or otherwise, is monitored on a regular basis in accordance with an agreed process; and
- ensure there is regular monitoring and review of the quality, tiering and fungibility of capital, in order to assess whether the above targets are met on an ongoing basis.

Definition and monitoring of capital requirements

- ensure all current and future capital requirements, regulatory or otherwise, are understood at all times;
- ensure the Company has an agreed definition of an 'Economic Capital Requirement', reflecting its own view of risk;
- ensure the Company has an agreed risk appetite to ensure a satisfactory level of capital coverage on all relevant bases, including a statement of coverage for its economic capital, regulatory capital and rating agency capital;
- ensure the Company has at least enough capital to meet its regulatory and rating agency requirements at all times, and for all relevant subsidiaries and branches;
- ensure all Company capital requirements covered by the risk appetite are calculated and the relevant solvency position reviewed on a regular basis in accordance with an agreed process;
- ensure that relevant stakeholders (i.e. regulators, rating agencies) are informed of any changes to solvency positions in excess of agreed reporting levels; and
- ensure that future capital requirements and projected solvency positions throughout the period of the business plan are assessed in the ORSA process.

Principles around the distribution and raising of capital

- ensure there is a clearly defined process for assessing the level of dividends and grants prior to any payment being made;
- ensure there is a clearly defined process for monitoring market conditions and future capital needs in order to assess the requirement and benefit of capital raising or redemptions; and
- ensure the appropriateness for raising or redeeming capital is assessed against all other principles outlined in this policy (e.g. solvency coverage, capital quality).

Principles around the allocation and use of capital

- ensure there is an agreed approach for allocating Economic Capital to different business units and risks;
- ensure the Company has an agreed return on capital target which is aligned to the expectations of all key stakeholders (i.e. Board, Benefact Trust);
- ensure there is an agreed approach to setting and monitoring the return on capital of the Company and each business unit or risk;

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- ensure that there is a clear process for determining when a strategic decision should take into account a capital perspective; this must cover all decisions that materially change the use of capital or solvency position; and
- ensure that each such decision considers the impact on solvency, capital allocation, return on capital and any other principles included in this policy.

Reporting

The Board will continue to monitor and maintain the integrity of the Capital Management Policy, Standards and Guidance to ensure they reflect the culture of the business and the regulatory environment in which it operates.

Reports detailing performance against this policy or any business critical changes are reviewed periodically, but at least annually, by the EIO RC.

Business planning

Corporate planning and budgeting is undertaken on an annual basis, covering a three year planning horizon.

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E.1.2 Movement in own funds compared to prior period

A copy of the QRT 'IR.23.01.01 – Own Funds' is included in Appendix 6. The table below is a summary of own funds by tier, with comparison to the prior year:

Analysis of Own Funds	Total	Tier 1		Tier 2	Tier 3
		Unrestricted	Restricted		
2025	£'000	£'000	£'000	£'000	£'000
Ordinary share capital	14,027	14,027	-	-	-
Preference share capital	106,450	-	106,450	-	-
Preference share premium	4,632	-	4,632	-	-
Subordinated Liabilities	19,793	-	-	19,793	-
Reconciliation reserve	521,311	521,311	-	-	-
Value of net deferred tax assets	18	-	-	-	18
	666,231	535,338	111,082	19,793	18
2024					
Ordinary share capital	14,027	14,027	-	-	-
Preference share capital	106,450	-	106,450	-	-
Preference share premium	4,632	-	4,632	-	-
Subordinated Liabilities	20,355	-	-	20,355	-
Reconciliation reserve	486,820	486,820	-	-	-
Value of net deferred tax assets	6	-	-	-	6
	632,290	500,847	111,082	20,355	6
Movement in own funds					
Ordinary share capital	-	-	-	-	-
Preference share capital	-	-	-	-	-
Preference share premium	-	-	-	-	-
Subordinated Liabilities	(562)	-	-	(562)	-
Reconciliation reserve	34,491	34,491	-	-	-
Value of net deferred tax assets	12	-	-	-	12
	33,941	34,491	-	(562)	12

The ordinary share capital is called up, issued and fully paid, and is classified as unrestricted tier 1 capital as it meets the relevant requirements of the PRA Rulebook. The preference share capital is also called up, issued and fully paid, and is classified as restricted tier 1 capital in accordance with the PRA Rulebook.

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As noted in section D.3 the subordinated liability consists of a privately placed issue of 20-year subordinated bonds, maturing in February 2041 and callable after February 2031. The Group's subordinated debt ranks below its senior debt and ahead of its preference shares and ordinary share capital, and meets the requirements of the PRA Rulebook to be classified as tier 2 capital.

The reconciliation reserve is primarily retained earnings from the financial statements adjusted for differences in valuation between the financial statements and SUK, as covered in section D. A high-level analysis of the reconciliation reserve is included in Appendix 6.

The table below summarises the key movements in the reconciliation reserve between the current and prior year:

Movement in reconciliation reserve	£'000
Prior year balance	<u>486,820</u>
IFRS total comprehensive income / (expense)	94,951
Ordinary dividends paid	(50,000)
Preference dividends paid	(9,181)
Charitable grant paid net of tax relief	(18,000)
Movement in SUK revaluation of:	
Participations	(18,794)
Goodwill and intangible assets	10,560
Technical provisions	4,283
Subordinated debt	2,285
Other SUK deductions & revaluations	2,760
Deferred tax	(4,373)
Foreseeable dividends & distributions	<u>20,000</u>
Total movement for year	<u>34,491</u>
Current year balance	<u>521,311</u>

The £94,951k IFRS total comprehensive income is reported in the Company's financial statements and includes profit after tax of £93,512k, actuarial gains of £1,032k in respect of the Company's retirement benefit obligations and other costs including currency translation amounting to a gain of £407k.

Two key components of the result after tax are underwriting performance, covered in section A.2, and Investment performance, covered in section A.3. Actuarial gains and currency translation are covered in section A.4.

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E.1.3 Eligible amount of own funds available to cover the Solvency Capital Requirement

The table below summarises the own funds eligible to cover the SCR:

Analysis of eligible own funds available to cover SCR	2025 £'000	2024 £'000
Unrestricted tier 1 capital	535,338	500,847
Restricted tier 1 capital	111,082	111,082
Total eligible tier 1 capital	<u>646,420</u>	<u>611,929</u>
Restricted tier 1 relegated to tier 2	-	-
Other tier 2 capital	19,793	20,355
Total eligible tier 2 capital	<u>19,793</u>	<u>20,355</u>
Eligible tier 3 capital	<u>18</u>	<u>6</u>
Total eligible capital	666,231	632,290
Ineligible capital	-	-
Total own funds available	<u>666,231</u>	<u>632,290</u>

The restricted tier 1 own funds cannot amount to more than 20% of total tier 1 own funds, which equates to 25% of unrestricted tier 1 own funds. The remainder is classified as tier 2 own funds.

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E.1.4 Eligible amount of own funds available to cover the Minimum Capital Requirement

The table below summarises the own funds eligible to cover the MCR:

Analysis of eligible own funds available to cover MCR		2025 £'000	2024 £'000
	Unrestricted tier 1 capital	535,338	500,847
	Restricted tier 1 capital	111,082	111,082
Total eligible tier 1 capital		646,420	611,929
	Restricted tier 1 relegated to tier 2	-	-
	Other tier 2 capital	15,231	13,958
Total eligible tier 2 capital		15,231	13,958
Total eligible capital		661,651	625,887
Ineligible capital		4,580	6,403
Total own funds available		666,231	632,290

The restricted tier 1 own funds cannot amount to more than 20% of total tier 1 own funds, which equates to 25% of unrestricted tier 1 own funds. The remainder can be treated as tier 2 own funds. £4,580k is ineligible as tier 2 capital cannot amount to more than 20% of the MCR.

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E.1.5 Comparison between SUK own funds and equity reported in the financial statements

Reconciliation from IFRS net assets to Solvency UK own funds	2025 £'000	2024 £'000
Equity as reported in IFRS Financial Statements	578,726	560,958
Revalue participations	54,411	73,205
Revalue technical provisions	35,464	31,181
Revalue intra-group loans	2,513	(911)
Remove goodwill and intangible assets	(15,865)	(26,425)
Remove prepayments and other items with no fair value	(8,155)	(7,561)
Impact on deferred tax of revaluation	(3,013)	1,360
Revalue subordinated debt	7,042	4,757
Other	(94)	(38)
Solvency UK valuation of excess of assets over liabilities	651,029	636,526
Subordinated debt recognised as tier 2 capital	19,793	20,355
Foreseeable dividends & distributions	(4,591)	(24,591)
Solvency UK Valuation of own funds	666,231	632,290

Under IFRS, participations are valued at cost, whereas for SUK participations are included on a SUK asset valuation basis.

TPs are valued on a SUK basis as described in section D.2.

Deferred commission income, deferred acquisition costs, goodwill and intangible assets are removed from the SUK valuation as they are inadmissible for solvency purposes.

Intra-group loans are valued at principal amount in the IFRS financial statements, but under SUK are valued at the present value of the estimated future cash flows. This is covered in section D.1.

Prepayments and deferred income are removed from the SUK valuation as they are inadmissible or deemed to have no measurable fair value.

The difference between the SUK value of net assets and the value used for the calculation of tax gives rise to an adjustment to the deferred tax liability. This is covered in section D.3.

Foreseeable dividends and distributions refers to the preference share dividend payable.

E.1.6 Transitional arrangements

There are no own fund items that are subject to transitional arrangements. An internal assessment of the existing irredeemable, non-cumulative preference shares has been undertaken and it was

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concluded that they satisfied the requirements set out in the PRA Rulebook to qualify as restricted tier 1 capital.

E.1.7 Ancillary own funds

Approval has not been sought for any form of ancillary own funds.

There is no unpaid share capital in issue and no material letters of credit, guarantees or any other legally binding commitments have been identified or recognised.

E.1.8 Items deducted from own funds and restrictions affecting the availability and transferability of own funds

No items have been deducted from basic own funds.

As at 31 December 2025, £69,758k of cash balances and deposits and £626,985k of highly liquid listed investments were held by the Company. Included within these investments, are amounts vested with the Canadian Council of Insurance Regulators in respect of the Company's Canadian branch. As these assets are held to cover equivalent Canadian TPs, there is not considered to be any significant restriction limiting the availability and transferability of own funds.

E.2 Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR)

E.2.1 SCR and MCR

The SCR is the amount of capital that the Company is required to hold as required by the SUK Directive per the PRA Rulebook. The Company uses an Internal Model, which has been approved for use by the PRA, to calculate the SCR.

The Internal Model is described in section E.4. A breakdown of the SCR elements applicable to the Company is given in the following section.

The MCR is the higher of the absolute floor (£3,500k) and the combined MCR.

The combined MCR is based on the linear MCR, subject to a cap (45% of the SCR) and floor (25% of the SCR).

The Linear MCR is a simplistic calculation based on factors applied to net written premiums and net best estimate of TPs, analysed by class of business.

A copy of the QRTs 'IR.25.04.01 – Solvency Capital Requirement' and 'IR.28.01.01.01 – Minimum Capital Requirement' are reproduced in Appendices 8 and 9 respectively.

As at 31 December 2025 the SCR for the Company was £264,232k, and the MCR was £76,154k. Both amounts are still subject to supervisory assessment.

E.2.2 Use of simplified calculations and Undertaking-specific parameters

The Company uses an Internal Model rather than the Standard Formula, therefore simplified calculations, undertaking-specific parameters and the duration-based equity sub-module are not applicable.

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E.2.3 Inputs used in the calculation of the MCR

A copy of the QRT 'IR.28.01.01 - Minimum Capital Requirement' showing the inputs used for the calculation of the MCR is included in Appendix 8.

E.2.4 Use of the option provided for in the PRA Rulebook

As no capital add-on has been applied, and no undertaking specific parameters have been utilised, use of the option provided for in the PRA Rulebook has not been made.

E.2.5 Changes to the SCR and MCR compared to the prior period

The table below summarises the movement in the SCR and MCR between the prior year and the current year:

Internal Model SCR (<i>unaudited</i>) and MCR	2025 £'000	2024 £'000	Movement £'000
Market risk	231,551	201,507	30,044
Counterparty default risk	33,256	29,887	3,369
Non-life underwriting risk	157,838	141,047	16,791
Operational risk	35,502	33,470	2,032
Other risks	4,268	4,416	(148)
Diversification	(191,706)	(175,822)	(15,884)
SCR before adjustments	270,709	234,505	36,204
Other adjustments	37,423	54,712	(17,289)
Loss absorbing capacity of deferred tax	(43,900)	(37,300)	(6,600)
SCR	264,232	251,917	12,315
MCR	76,154	69,792	6,362

Overall, there has been an increase in the SCR over the year, driven by increases across all high-level standalone risk types. This is partially offset by increased diversification benefit, reduced model adjustments and increased benefit from Loss Absorbing Capacity of Deferred Tax (LACDT), as outlined below.

Market risk has increased over the year. This is partly due to migrating the modelling of an intra-group loan from "other adjustments" (which shows an offsetting decrease) into Market risk, reflecting an improvement in core model scope.

The increase in Market risk is also a reflection of the change in economic conditions and calibration over the year, driven by:

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- a reduction in opening nominal rates at short durations (which acts to reduce expected investment returns);
- exchange rate movements, in particular the strengthening of EUR against GBP (which acts to increase EUR opening asset values and modelled risk);
- recalibration of equity and infrastructure risk to reflect marginally higher volatility of these portfolios relative to the wider UK equity markets observed in recent periods;
- increased participation stresses to reflect the underlying risks related to the Ansvar Australia and ELL businesses.

Market risk movements are also impacted by the change in opening asset values over the year, for which there have been fair value gains in equities and acquisitions in infrastructure, which are partly offset by disposals of property investments.

Counterparty default risk has increased over the year. This increase is primarily driven by increased exposure via business growth and also a shift towards longer overdue debtors, attracting higher credit risk.

Non-life underwriting risk has increased mainly due to increased business volumes alongside a reduction in modelled profitability, reflecting softening market conditions as per latest Business Plans. The reduction in opening risk-free rates has reduced the benefit of discounting on insurance liabilities, also contributing to the increase over the year.

Operational risk has increased following the annual review of underlying scenarios, reflecting both business growth and inflationary increases.

'Other Risks' comprises of longevity risk relating to the pension fund (albeit set to nil at 2024 and 2025 to reflect the very strong surplus position of the pension fund), and risk pertaining to the SUK Risk Margin. These risks have not materially changed over the year.

Diversification benefit has increased in absolute terms over the year, scaling with the overall growth across the various risk types.

'Other adjustments' have decreased, largely reflecting the migration of intra-group loan modelling into core Market risk, but there are also contributions relating to the bonus accrual (increased, reflecting additional relief in a disaster scenario) and group unallocated expenses (reduced over the year, reflecting realistic savings).

The benefit from LACDT has increased over the year primarily due to an increase in the SUK Deferred Tax Liability (DTL).

The Company's MCR is the linear MCR for 2025, consistent with what was used for 2024.

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E.3 Use of the duration-based equity risk sub-module in the calculation of the SCR (unaudited)

The duration-based equity risk sub-module has not been used.

E.4 Differences between the standard formula and the internal model (unaudited)

For the purposes of calculating its SCR, the Company uses an Internal Model, as approved by the PRA. The following sections describe various aspects of the Internal Model.

E.4.1 Use of the Internal Model

The Internal Model is a key tool within the risk management system. It plays a central role in the management of risks. In addition to its primary role of calculating the regulatory and internal capital requirements, the Internal Model is also widely used and fully integrated into decision making processes.

The Internal Model provides support and justification for a variety of key business processes. These include, but are not limited to:

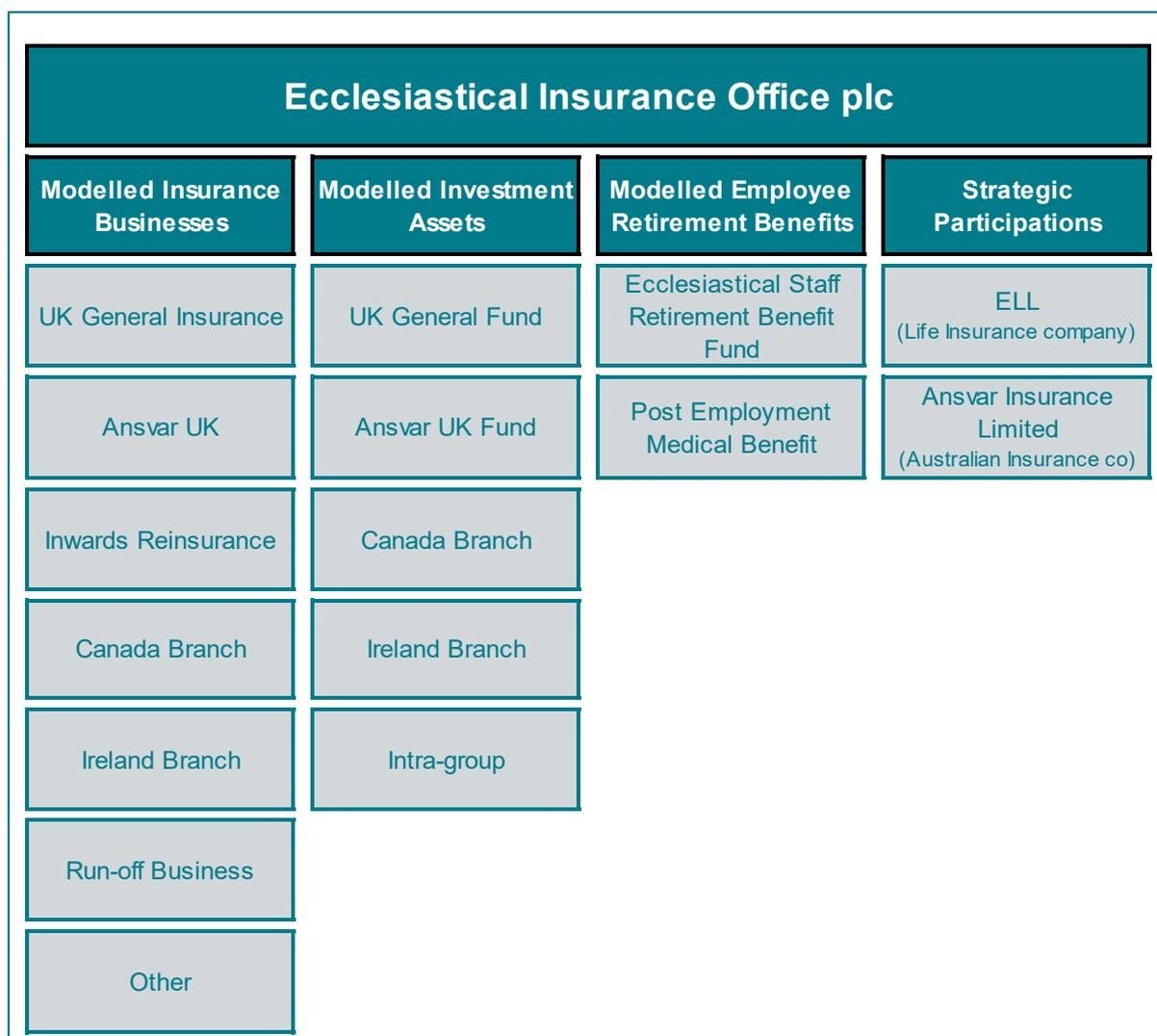
- The setting and monitoring of the Risk Appetite;
- Informing decisions relating to business strategy;
- Producing output for the ORSA and other risk management analysis;
- The setting of annual business plan assumptions;
- The setting of investment strategy; and
- Reinsurance programme design and strategy.

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E.4.2 Scope of the Internal Model

For the purposes of calculating the SCR, the Internal Model is defined as a “Full Internal Model” under SUK. This is because the model includes all relevant business units and all underlying risk types within its scope.

The diagram below illustrates the business unit scope of the Internal Model:



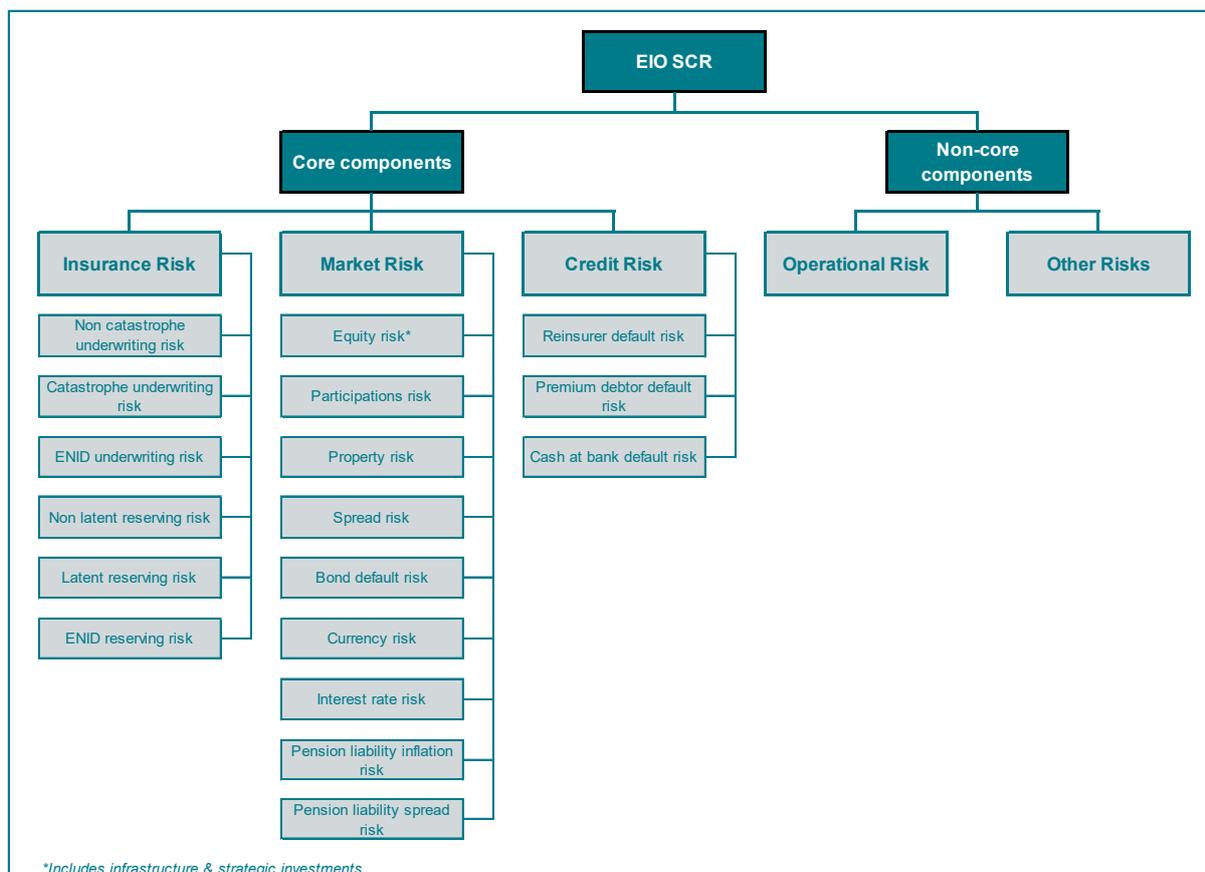
The Internal Model is intended to capture all the material financial risks within the Company. The most material risks relating to the General Insurance business and Market Risk are captured within a *Core Stochastic Model*.

A number of additional ‘*Non-Core*’ risks are then aggregated with the stochastically modelled requirement at the final stage. These risks use a combination of stochastic and scenario based approaches.

Finally, *Model Adjustments* are applied in order to derive the final capital requirement.

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The diagram below illustrates the component risks:



E.4.3 Calculation of the probability distribution forecast and the SCR

Within the core stochastic model the quantitative impact of key drivers of risk are allowed to vary (e.g. gross claims and investment returns) according to a set of calibrated input parameters. Correlations are applied so that the relationships between inputs are captured (e.g. claims in one insurance niche are likely to occur at the same time as claims in a related niche). The model then randomly varies all of these drivers of risk to produce a probability distribution forecast for the Company’s profit or loss over a one-year period.

The model is run a large number of times (100,000 simulations) in order to determine many potential outcomes.

Operational Risk and Other Risks are modelled independently then aggregated with the core only capital requirement to produce the total SCR. This method is valid due to these risks being largely independent of the other high-level risk types.

E.4.4 Differences in methodologies between the Internal Model and Standard Formula

This section compares the methodologies and assumptions underlying each of the risk modules within the Internal Model and the Standard Formula. The key difference is that the Internal Model methodology and parameterisation is more tailored to the Company’s own risk profile than the Standard Formula.

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Internal Model Risk Category	Standard Formula Sub component(s)	Standard Formula approach	Internal Model
<p>Non-Life Underwriting Risk</p>	<p>Premium & Reserve, Catastrophe and Lapse</p>	<ul style="list-style-type: none"> For premium & reserve risk, market average volatility factors are applied to a relevant volume metric, by line of business. Net earned premiums provide the volume metric for premium risk, with net best estimate claims reserves providing the volume metric for reserve risk. No account is taken of the relative scale or nature of business within each line, but geographical diversification is included. Catastrophe losses are largely based on shocks applied to Sums Insured and Gross Premiums within different geographical zones. The reinsurance mitigation effect is calculated based on consideration of single events. Lapse risk is modelled based on lapsing a proportion of business where this is contributing profit to the opening reserves. 	<ul style="list-style-type: none"> Model classes are split to a lower level of granularity than the SUK lines of business (e.g. to insurance niche), to better reflect the risk profile of particular territories, and where relevant, customer groupings. For premium risk, for each class the model simulates uncertainty in premium rates, gross claims and expenses. Reinsurance contracts are applied to generate reinsurance recoveries in relation to the simulated claims. Reserve risk is calibrated separately for non-latent and latent reserve risk within a class, where relevant. Non-latent reserve risk calibrates future modelled claims in respect of exposure before the base date using past claims experience. Latent reserve risk uses frequency and severity modelling for abuse related claims. Gross catastrophe underwriting loss experience is calculated by applying simulated events from external vendor models to the Company's own exposure, taking into account the range of specific events and both single or accumulating losses. Reinsurance recoveries are calculated and the impact of reinstatement premiums included. Additional scenarios relating to potential events not in data (ENID) are modelled, for example terrorism events and new latent claims. Claims inflation is projected using relevant Economic Scenario Generator (ESG) market indices together with a superimposed inflation to allow for additional volatility in claim payments due to other inflationary factors, and step changes.

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Internal Model Risk Category	Standard Formula Sub component(s)	Standard Formula approach	Internal Model
<p>Non-Life Underwriting Risk</p>	<p>Premium & Reserve, Catastrophe and Lapse</p>	<ul style="list-style-type: none"> For premium & reserve risk, market average volatility factors are applied to a relevant volume metric, by line of business. Net earned premiums provide the volume metric for premium risk, with net best estimate claims reserves providing the volume metric for reserve risk. No account is taken of the relative scale or nature of business within each line, but geographical diversification is included. Catastrophe losses are largely based on shocks applied to Sums Insured and Gross Premiums within different geographical zones. The reinsurance mitigation effect is calculated based on consideration of single events. Lapse risk is modelled based on lapsing a proportion of business where this is contributing profit to the opening reserves. 	<ul style="list-style-type: none"> Model classes are split to a lower level of granularity than the SUK lines of business (e.g. to insurance niche), to better reflect the risk profile of particular territories, and where relevant, customer groupings. For premium risk, for each class the model simulates uncertainty in premium rates, gross claims and expenses. Reinsurance contracts are applied to generate reinsurance recoveries in relation to the simulated claims. Reserve risk is calibrated separately for non-latent and latent reserve risk within a class, where relevant. Non latent reserve risk calibrates future modelled claims in respect of exposure before the base date using past claims experience. Latent reserve risk uses frequency and severity modelling for abuse and asbestos related claims. Gross catastrophe underwriting loss experience is calculated by applying simulated events from external vendor models to the Company's own exposure, taking into account the range of specific events and both single or accumulating losses. Reinsurance recoveries are calculated and the impact of reinstatement premiums included. Additional scenarios relating to potential events not in data (ENID) are modelled, for example terrorism events and new latent claims. Claims inflation is projected using relevant Economic Scenario Generator (ESG) market indices together with a superimposed inflation to allow for additional volatility in claim payments due to other inflationary factors, and step changes. All risks are modelled to ultimate, with an adjustment applied to reflect the amount of risk that would emerge over the one-year period. The expected profitability of the business explicitly impacts the level of capital requirement. The model captures the change in technical provisions on the closing balance sheet, including the assumed profitability of unearned and bound business following a shock underwriting event, and movements in risk margin. Due to low materiality, lapse risk is not included within the model scope.

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Internal Model Risk Category	Standard Formula Sub component(s)	Standard Formula approach	Internal Model
Market Risk: (excluding Pension Risk)	Equity	<ul style="list-style-type: none"> Equity shocks vary based on classification as Type 1 (listed in EEA or OECD countries) and Type 2 (other) equities. A symmetric adjustment is applied to the base shocks to reduce pro-cyclicality. The shock is assumed to be instantaneous at the balance sheet, reflecting derivative protection held at that date. 	<ul style="list-style-type: none"> Market returns on equity indices for relevant global economies over a one-year time horizon are simulated using the externally provided ESG (this enables correlations between economies and between each different market risk type to be explicitly captured) The Company's equity holdings are each mapped to a relevant economy and the ESG parameters applied, together with Capital Asset Pricing Model (CAPM) assumptions, to project returns for the portfolio. Volatility adjustments are applied, where relevant, to infrastructure and strategic investments. No symmetric adjustment is applied, however, the ESG is updated at least annually and is designed to reflect current market conditions. Derivatives held to mitigate this risk are modelled based on assumed levels of protection that are supported by management actions.
	Participations	<ul style="list-style-type: none"> Strategic Participations are modelled similarly to equities, with a lower shock. 	<ul style="list-style-type: none"> A beta parameter is calibrated and applied to the relevant economy's equity index to reflect relatively low volatility of participation returns. In both the Internal Model and Standard Formula, the following business units are modelled as strategic participations: ELL (Life Insurance company), Ansvar Australia (General insurance company).
	Property	<ul style="list-style-type: none"> A single instantaneous shock factor is applied to the value of all properties at the balance sheet date. 	<ul style="list-style-type: none"> The ESG simulates property returns for each economy. A beta parameter is calibrated and applied to adjust the level of risk, which broadly aligns to the resulting charge to the Standard Formula.
	Spread	<ul style="list-style-type: none"> A stress is applied based upon both the bond credit quality and duration to maturity. This stress accounts for both the bond spread risk and the bond default risk. The stress for this risk is not applied to government bonds. 	<ul style="list-style-type: none"> Corporate bond returns are based on a discounted cashflow model, using market risk-free rates with an additional credit spread to account for risk, by term. The ESG simulates the credit spread applicable to corporate bonds, distinguishing by economy, credit rating and duration. The model distinguishes bond default risk separately from spread risk by simulating losses from defaults which occur during the year, allowing for recoveries. The ESG provides a transition matrix which is applied to determine how bonds change credit rating and/or default during the year, with migration risk being captured within spread risk.

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Internal Model Risk Category	Standard Formula Sub component(s)	Standard Formula approach	Internal Model
	Currency	<ul style="list-style-type: none"> A single instantaneous shock is applied to the currency rates used to value the opening net asset value position for each foreign currency exposure (net of derivative protection at the opening date) 	<ul style="list-style-type: none"> This risk is quantified by applying the ESG's simulated exchange rate movements to opening net assets by currency and therefore includes diversification between currencies. Profits and/or losses from currency hedging contracts are also included
	Interest Rate	<ul style="list-style-type: none"> A prescribed upward and downward stress, by duration of cashflow, is applied to the PRA risk free yield curve. These stressed yield curves are then applied to aggregate net fixed interest opening cashflows with the Interest Rate risk defined as the larger decrease in net asset value resulting from the two calculations. 	<ul style="list-style-type: none"> The ESG simulates risk-free yield curves for each relevant economy. To these, an Inflation Volatility Adjustment may be applied, by expert judgement. The opening and closing fixed interest asset and liability cashflows are valued by applying the appropriate yield curves to determine a change in net asset value. For insurance liabilities, the yield curve is aligned to the PRA curve. The use of the closing cashflows therefore takes into account change in liabilities profile from insurance risk over the year, which is not captured by the Standard Formula module.
	Concentrations	<ul style="list-style-type: none"> A formula based charge is derived from exposures, rating and total assets held. 	<ul style="list-style-type: none"> No separate risk type is required as the risks within each individual asset holding are captured via Counterparty risk and the diversification available between asset risks.
Market Risk: (Pension Risk)	N/A (combined with market risks above)	<ul style="list-style-type: none"> The assets and liabilities relating to retirement benefit schemes are included in the relevant market risk modules. 	<ul style="list-style-type: none"> In addition to including Pension Fund assets and liabilities in the market risk modelling, Pension liabilities inflation risk is explicitly modelled using ESG inflation curves over the 1-year horizon Risks associated with the allowable spread within pension liabilities discount rate are captured via an explicit adjustment to the ESG simulated spreads where appropriate. The level of pension surplus recognised is restricted in line with current accounting principles.
Counterparty Default Risk	Type 1 and Type 2 exposures	<ul style="list-style-type: none"> Type 1 (rated) exposures are calculated from probability of default and loss given default Type 2 (unrated) exposures are given a % charge, distinguishing an increased charge for those which relate to balances > 3 months overdue. 	<ul style="list-style-type: none"> Three modules are used to capture different default risk characteristics relating to reinsurers, intermediaries and banks. Reinsurer defaults consider the term to payment in addition to the simulated reinsurer balances, credit rating and loss given default. As a simplification, this risk is all assumed to emerge in the first year. Premium Debtor Default Risk is aligned with the Standard Formula Type 2 calculation, given the small magnitude of the underlying exposure and the low materiality of this risk. Bank default is modelled similarly to reinsurers, but calibrated to the risk of default occurring within the first year.

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Internal Model Risk Category	Standard Formula Sub component(s)	Standard Formula approach	Internal Model
Operational Risk	N/A	<ul style="list-style-type: none"> The higher of the charge derived from factors applied to premiums and reserves is added to the base SCR. This represents the diversified Operational risk charge, with no separate quantification of an undiversified charge. 	<ul style="list-style-type: none"> Bespoke scenarios, covering the key Operational risk exposures of the Company, such as data loss or systems failure, are constructed and quantified in consultation with business risk experts. These are combined using correlations between the scenarios to produce an overall Operational risk distribution.
Other Risks	N/A	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> This category typically relates to smaller risks which are not integrated into the stochastic modelling or attributable to other categories. This includes a deterministic scenario for longevity risk in the pension scheme, applied as a stress to current and future mortality rates.
Loss Absorbing Capacity of Deferred Tax	LACDT	<ul style="list-style-type: none"> The tax adjustment is calculated based on an instantaneous loss represented by the diversified components making up the standard formula SCR. 	<ul style="list-style-type: none"> The movement in tax balances is calculated across the distribution to identify the after-tax SCR. The LACDT is capped within each entity at the level of available net deferred tax liabilities and loss carryback.
Other Adjustments	N/A	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> This category relates to income and expenses that are not within the other risk components. These are calibrated based on the business plan, adjusted where appropriate to reflect the values that would be expected to occur during the disaster year, where supported by management actions. Risk relating to intra-group loans is primarily captured within the Market Risk component (as a corporate bond). However, a model adjustment is maintained to uplift this, so to ensure the modelled risk is sufficient, based on scenario analysis. The result is adjusted directly against the SCR.
Aggregation	N/A	<ul style="list-style-type: none"> A linear correlation matrix is applied between the risk modules. 	<ul style="list-style-type: none"> Sub-risks within the core risks (Insurance Risk, Market Risk and Credit Risk) are aggregated to form a multivariate distribution. This uses a sophisticated copula based correlation approach to produce an aggregate distribution from which the SCR is calculated. Operational risk, Other risks and Other adjustments are aggregated with the core model using linear correlation approaches.

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E.4.5 Risk measure and time period

The SCR is defined to be the 99.5th value at risk of own funds over a one year time period. This is commonly referred to as the '1 in 200 Value at Risk (VaR)' and effectively represents the '1 in 200' worst loss generated from the simulated results, which would be expected to be exceeded only once in 200 years. The risk measure (1 in 200 or 99.5th VaR) and one year time period used within the Internal Model have been selected to agree to that set out in the PRA Rulebook.

E.4.6 Nature and appropriateness of the data used in the Internal Model

Calibration of the Internal Model relies on a wide range of data sources, both internal and external, including:

- Historic claims data;
- Current and historic policy data;
- Exposure information;
- Financial market data; and
- Asset valuation data.

In most cases historical data is used in the calibration of risk distributions. However, where necessary, historic data is supplemented with expert judgement to ensure data limitations are appropriately allowed for. In calculating both Market Risk and Catastrophe Risk the Company relies on the appropriateness of market-standard external models.

The Company has implemented a data governance framework to ensure that robust and consistent controls of the quality and reliability of both internal and external data used for reporting, capital management, risk management and other decision making exist and meet the requirements of the regulators and the Company's stated risk appetite.

E.5 Non-compliance with the MCR and non-compliance with the SCR

E.5.1 MCR non-compliance

There has been no breach of the MCR during the reporting period.

E.5.2 SCR non-compliance

There has been no breach of the SCR during the reporting period.

E.6 Any other information

No further information regarding the capital management of the Company is required.

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Appendix 1 – QRT IR.02.01.02 Balance Sheet

IR.02.01.02

Balance sheet

	Solvency II value
	C0010
Assets	
R0030 Intangible assets	
R0040 Deferred tax assets	18
R0050 Pension benefit surplus	18,710
R0060 Property, plant & equipment held for own use	28,898
R0070 Investments (other than assets held for index-linked and unit-linked contracts)	959,552
R0080 <i>Property (other than for own use)</i>	121,701
R0090 <i>Holdings in related undertakings, including participations</i>	97,118
R0100 <i>Equities</i>	138,267
R0110 <i>Equities - listed</i>	39,435
R0120 <i>Equities - unlisted</i>	98,831
R0130 <i>Bonds</i>	309,839
R0140 <i>Government Bonds</i>	178,351
R0150 <i>Corporate Bonds</i>	130,892
R0160 <i>Structured notes</i>	0
R0170 <i>Collateralised securities</i>	595
R0180 <i>Collective Investments Undertakings</i>	277,711
R0190 <i>Derivatives</i>	2,513
R0200 <i>Deposits other than cash equivalents</i>	12,405
R0210 <i>Other investments</i>	0
R0220 Assets held for index-linked and unit-linked contracts	
R0230 Loans and mortgages	99,329
R0240 <i>Loans on policies</i>	0
R0250 <i>Loans and mortgages to individuals</i>	
R0260 <i>Other loans and mortgages</i>	99,329
R0270 Reinsurance recoverables from:	129,507
R0280 <i>Non-life and health similar to non-life</i>	129,507
R0315 <i>Life and health similar to life, excluding index-linked and unit-linked</i>	
R0340 <i>Life index-linked and unit-linked</i>	
R0350 Deposits to cedants	0
R0360 Insurance and intermediaries receivables	24,243
R0370 Reinsurance receivables	1,761
R0380 Receivables (trade, not insurance)	9,191
R0390 Own shares (held directly)	
R0400 Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410 Cash and cash equivalents	57,353
R0420 Any other assets, not elsewhere shown	23,551
R0500 Total assets	1,352,114

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IR.02.01.02

Balance sheet

	Solvency II value
	C0010
Liabilities	
R0505 Technical provisions - total	548,358
R0510 <i>Technical provisions - non-life</i>	548,358
R0515 <i>Technical provisions - life</i>	0
R0542 Best estimate - total	524,876
R0544 <i>Best estimate - non-life</i>	524,876
R0546 <i>Best estimate - life</i>	
R0552 Risk margin - total	23,482
R0554 <i>Risk margin - non-life</i>	23,482
R0556 <i>Risk margin - life</i>	
R0565 Transitional (TMTP) - life	
R0740 Contingent liabilities	
R0750 Provisions other than technical provisions	4,485
R0760 Pension benefit obligations	4,152
R0770 Deposits from reinsurers	0
R0780 Deferred tax liabilities	46,199
R0790 Derivatives	480
R0800 Debts owed to credit institutions	21,095
R0810 Financial liabilities other than debts owed to credit institutions	0
R0820 Insurance & intermediaries payables	0
R0830 Reinsurance payables	0
R0840 Payables (trade, not insurance)	55,135
R0850 Subordinated liabilities	19,793
R0860 <i>Subordinated liabilities not in Basic Own Funds</i>	
R0870 <i>Subordinated liabilities in Basic Own Funds</i>	19,793
R0880 Any other liabilities, not elsewhere shown	1,390
R0900 Total liabilities	701,085
R1000 Excess of assets over liabilities	651,029

Appendix 2 – QRT IR.05.02.01 Non-life Premiums, claims and expenses
by country (unaudited)

IR.05.02.01
Premiums, claims and expenses by country: Non-life obligations

	Home Country										Total Top 5 and home country			
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100		C0110	C0120	C0130
R0010														
	Premiums written													
R0110	Gross - Direct Business	416,359	95,863	29,715										541,937
R0120	Gross - Proportional reinsurance accepted	22,865	0	0										22,865
R0130	Gross - Non-proportional reinsurance accepted	16,478	0	0										16,478
R0140	Reinsurers' share	184,740	31,893	9,392										226,025
R0200	Net	270,963	63,969	20,323										355,256
	Premiums earned													
R0210	Gross - Direct Business	408,153	94,797	29,564										532,514
R0220	Gross - Proportional reinsurance accepted	22,138	0	0										22,138
R0230	Gross - Non-proportional reinsurance accepted	16,478	0	0										16,478
R0240	Reinsurers' share	182,373	28,111	9,206										219,691
R0300	Net	264,397	66,686	20,358										351,440
	Claims incurred													
R0310	Gross - Direct Business	115,879	33,727	15,657										165,263
R0320	Gross - Proportional reinsurance accepted	9,371	0	0										9,371
R0330	Gross - Non-proportional reinsurance accepted	12,039	0	0										12,039
R0340	Reinsurers' share	35,837	14,199	7,201										57,237
R0400	Net	101,453	19,527	8,456										129,436
R0550	Net expenses incurred	100,183	35,665	11,787										147,634

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Appendix 3 – QRT IR.05.04.02 Non-life income and expenditure (unaudited)

IR.05.04.02

Non-life income and expenditure : reporting period

	All business (including annuities stemming from accepted non-life insurance and reinsurance contracts)		All non-life business (ie excluding annuities stemming from accepted insurance and reinsurance contracts)		Non-life insurance and accepted proportional reinsurance obligations							
	C0010	C0015	C0140	C0141	C0150	C0151	C0170	C0180				
Income												
Premiums written												
R0110 Gross written premiums	581,281		344	0	318	0	0	34,281		370,800		
R0111 Gross written premiums - insurance (direct)	541,937		0	0	0	0	0	33,468		353,295		
R0113 Gross written premiums - accepted reinsurance	39,343		344	0	318	0	0	814		17,545		
R0160 Net written premiums	351,256		344	0	318	0	0	21,742		185,276		
Premiums earned and provision for unearned												
R0210 Gross earned premiums	571,131		308	0	285	0	0	35,941		363,666		
R0220 Net earned premiums	351,440		308	0	285	0	0	22,881		183,879		
Expenditure												
Claims incurred												
R0610 Gross (undiscounted) claims incurred	185,096		271	0	250	-1,570	0	-10,502		107,612		
R0611 Gross (undiscounted) direct business	165,263		0	0	0	-1,570	0	10,041		99,367		
R0612 Gross (undiscounted) reinsurance accepted	21,004		271	0	250	0	0	462		8,245		
R0690 Net (undiscounted) claims incurred	150,253		271	0	250	-1,566	0	9,627		71,207		
R0730 Net (discounted) claims incurred	129,436		129,436									
Analysis of expenses incurred												
R0910 Technical expenses incurred net of reinsurance ceded	147,634											
R0995 Acquisition costs, commissions, claims management costs	51,592		70	0	65	-126	0	2,439		16,902		
Other expenditure												
R1140 Other expenses	58,614											
R1310 Total expenditure	356,079											

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IR.05.04.02
 Non-life income and expenditure : reporting period

	All business (including annuities stemming from accepted non-life insurance and reinsurance contracts)	All non-life business (ie excluding annuities stemming from accepted insurance and reinsurance contracts)	Non-life insurance and accepted proportional reinsurance obligations										Accepted non-proportional reinsurance	
			Employees Liability	Public & products Liability	Professional Indemnity	Other general liability	Credit and suretyship Insurance	Legal expenses Insurance	Assistance	Miscellaneous financial loss	Casualty	Property		
	CO010	CO015	CO190	CO200	CO210	CO220	CO230	CO240	CO250	CO260	CO320	CO340		
Income														
Premiums written														
80010 Gross written premiums	581,231	30,875	61,130	4,919	28,125	4,624	191	29,185	15,102	1,376				
80011 Gross written premiums - insurance (direct)	541,937	30,201	59,237	4,847	28,118	4,515	191	28,106	15,102	1,376				
80013 Gross written premiums - accepted reinsurance	39,293	72	1,893	72	8	119	0	1,079	15,102	0				
80060 Net written premiums	352,226	29,630	58,064	4,831	23,899	340	13	14,103	15,102	934				
Premiums earned and provision for unearned														
80210 Gross earned premiums	571,131	29,324	58,568	4,736	28,477	4,375	267	28,705	15,102	1,376				
80220 Net earned premiums	351,440	28,078	55,866	4,648	24,787	290	67	14,314	15,102	934				
Expenditure														
Claims incurred														
80010 Gross (undiscounted) claims incurred	185,096	5,010	22,450	1,046	22,995	671	98	5,280	10,462	0				
80051 Gross (undiscounted) direct business	165,263	4,939	22,550	1,047	22,993	671	98	5,108	11,633	0				
80012 Gross (undiscounted) reinsurance accepted	21,004	71	-100	-1	2	0	0	172	11,633	0				
80090 Net (undiscounted) claims incurred	150,233	7,290	35,878	1,127	12,298	44	11	2,946	10,462	406				
80730 Net (discounted) claims incurred	129,436	129,436												
Analysis of expenses incurred														
80910 Technical expenses incurred net of reinsurance ceded	147,634	51,592	6,842	16,330	1,318	7,706	404	358	0	0				
80955 Acquisition costs, commissions, claims management costs	5,814													
81140 Other expenses	5,814													
81310 Total expenditure	356,079													

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Appendix 4 – QRT IR.17.01.02 Non-life technical provisions

IR.17.01.02 Non-Life Technical Provisions

	Direct business and accepted proportional reinsurance										Accepted non-proportional reinsurance		Total Non-Life obligation		
	C0050	C0060	C0080	C0090	C0110	C0120	C0130	C0150	C0170	C0180					
Motor vehicle liability insurance															
Other motor insurance															
Fire and other damage to property insurance															
General liability insurance															
Legal expenses insurance															
Assistance															
Miscellaneous financial loss															
Non-proportional casualty reinsurance															
Non-proportional property reinsurance															
Best estimate Premium provisions															
R0060 Gross	12	11	40,716	3,278	-396	-4	2,170	-3,244	-296					42,249	
R0140 Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	0	3,668	-3,076	-802	-12	-279	0	-76					-578	
R0150 Net Best Estimate of Premium Provisions	12	11	37,049	6,354	407	8	2,450	-3,244	-220					42,828	
Claims provisions															
R0160 Gross	341	247	164,896	293,518	0	5	10,626	8,697	4,296					482,627	
R0240 Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	0	77,366	46,340	0	0	5,547	0	832					130,085	
R0250 Net Best Estimate of Claims Provisions	341	247	87,530	247,178	0	5	5,079	8,697	3,464					352,541	
R0260 Total best estimate - gross	353	258	205,613	296,796	-396	1	12,796	5,453	4,000					524,876	
R0270 Total best estimate - net	353	258	124,579	253,533	407	13	7,529	5,453	3,244					395,369	
R0280 Risk margin	2	2	5,580	17,084	30	1	353	418	13					23,482	
R0290 Technical provisions - total	355	260	211,193	313,880	-366	2	13,149	5,871	4,014					548,358	
R0330 Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	0	0	81,034	43,264	-802	-12	5,268	0	756					129,507	
R0340 Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	355	260	130,159	270,616	437	14	7,881	5,871	3,257					418,851	

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Appendix 5 – QRT IR.19.01.21 Non-life insurance claims (unaudited)

IR.19.01.21
Non-Life insurance claims

Total Non-life business

Z0020 Accident year / underwriting year

Gross Claims Paid (non-cumulative)													
(absolute amount)													
Year	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Development year										In Current year	Sum of years (cumulative)	
	0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											-1,121	-1,121
R0160	-9	35,724	36,217	8,355	4,103	5,443	2,097	861	1,492	2,023	627	627	96,942
R0170	-8	32,815	36,206	8,810	5,977	4,104	4,790	2,839	2,273	3,950		3,950	101,764
R0180	-7	41,748	37,671	9,379	6,765	5,781	3,309	3,000	1,670			1,670	109,322
R0190	-6	34,456	34,287	8,824	5,565	5,054	5,896	1,291				1,291	95,372
R0200	-5	49,602	46,184	16,674	7,178	6,131	4,371					4,371	130,142
R0210	-4	66,903	59,810	19,356	13,591	4,911						4,911	164,570
R0220	-3	48,266	64,910	24,736	8,512							8,512	146,424
R0230	-2	49,564	64,405	20,571								20,571	134,540
R0240	-1	70,709	59,047									59,047	129,756
R0250	0	54,933										54,933	54,933
R0260												Total	158,762

Gross Undiscounted Best Estimate Claims Provisions													
(absolute amount)													
Year	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360	
	Development year										Year end (discounted data)		
	0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											186,007	145,508
R0160	-9	81,255	37,172	23,507	18,196	12,472	8,292	7,946	7,037	5,726	7,196		5,747
R0170	-8	80,430	39,109	28,246	21,077	17,862	12,649	13,117	13,160	7,081			5,568
R0180	-7	82,832	41,736	28,645	21,449	15,118	11,468	9,601	7,191				5,832
R0190	-6	79,665	39,660	28,977	24,045	18,975	12,147	10,202					8,564
R0200	-5	87,933	48,801	37,066	37,161	27,730	20,973						17,838
R0210	-4	122,282	68,023	44,186	31,967	26,425							21,104
R0220	-3	141,466	80,894	56,178	46,589								38,821
R0230	-2	155,883	89,424	62,840									54,161
R0240	-1	125,753	56,248										47,947
R0250	0	147,277											131,536
R0260													Total

Gross premium			
	C0570	C0580	
	Gross earned premium at reporting reference date	Estimate of future gross earned premium	
R0160	N-9	245,793	0
R0170	N-8	248,295	0
R0180	N-7	259,416	0
R0190	N-6	276,319	0
R0200	N-5	304,897	0
R0210	N-4	335,616	0
R0220	N-3	382,429	0
R0230	N-2	436,752	0
R0240	N-1	479,347	0
R0250	N	571,131	0

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Appendix 7 – QRT IR.25.04.21 Solvency Capital Requirement (unaudited)

IR.25.04.21

Solvency Capital Requirement

Net of loss absorbing capacity of technical provisions

	C0010
Market risk	
R0070 Interest rate risk	0
R0080 Equity risk	0
R0090 Property risk	0
R0100 Spread risk	0
R0110 Concentration risk	0
R0120 Currency risk	0
R0125 Other market risk	233,570
R0130 Diversification within market risk	-2,018
R0140 Total Market risk	231,551
Counterparty default risk	
R0150 Type 1 exposures	0
R0160 Type 2 exposures	0
R0165 Other counterparty risk	33,256
R0170 Diversification within counterparty default risk	0
R0180 Total Counterparty default risk	33,256
Non-life underwriting risk	
R0330 Non-life premium and reserve risk (ex catastrophe risk)	212,946
R0340 Non-life catastrophe risk	0
R0350 Lapse risk	0
R0355 Other non-life underwriting risk	0
R0360 Diversification within non-life underwriting risk	-55,108
R0370 Non-life underwriting risk	157,838
R0400 Intangible asset risk	0
Operational and other risks	
R0422 Operational risk	35,502
R0424 Other risks	4,268
R0430 Total Operational and other risks	39,769
R0432 Total before all diversification	519,542
R0434 Total before diversification between risk modules	462,415
R0436 Diversification between risk modules	-191,706
R0438 Total after diversification	270,709
R0440 Loss absorbing capacity of technical provisions	0
R0450 Loss absorbing capacity of deferred tax	-43,900
R0455 Other adjustments	37,423
R0460 Solvency capital requirement including undisclosed capital add-on	264,232
R0472 Disclosed capital add-on - excluding residual model limitation	
R0474 Disclosed capital add-on - residual model limitation	
R0480 Solvency capital requirement including capital add-on	264,232

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Appendix 8 – QRT IR.28.01.01 Minimum Capital Requirement

IR.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations		C0010		
R0010	MCR _{NL} Result	76,154		
			Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
			C0020	C0030
R0020	Medical expense insurance and proportional reinsurance		0	0
R0030	Income protection insurance and proportional reinsurance		0	0
R0040	Workers' compensation insurance and proportional reinsurance		0	0
R0050	Motor vehicle liability insurance and proportional reinsurance		353	344
R0060	Other motor insurance and proportional reinsurance		258	318
R0070	Marine, aviation and transport insurance and proportional reinsurance		0	0
R0080	Fire and other damage to property insurance and proportional reinsurance		124,579	207,018
R0090	General liability insurance and proportional reinsurance		253,533	117,025
R0100	Credit and suretyship insurance and proportional reinsurance		0	0
R0110	Legal expenses insurance and proportional reinsurance		407	340
R0120	Assistance and proportional reinsurance		13	13
R0130	Miscellaneous financial loss insurance and proportional reinsurance		7,529	14,163
R0140	Non-proportional health reinsurance		0	0
R0150	Non-proportional casualty reinsurance		5,453	15,102
R0160	Non-proportional marine, aviation and transport reinsurance		0	0
R0170	Non-proportional property reinsurance		3,244	934
Linear formula component for life insurance and reinsurance obligations		C0040		
R0200	MCR _L Result	0		
			Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
			C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits			
R0220	Obligations with profit participation - future discretionary benefits			
R0230	Index-linked and unit-linked insurance obligations			
R0240	Other life (re)insurance and health (re)insurance obligations			
R0250	Total capital at risk for all life (re)insurance obligations			
Overall MCR calculation		C0070		
R0300	Linear MCR	76,154		
R0310	SCR	264,232		
R0320	MCR cap	118,904		
R0330	MCR floor	66,058		
R0340	Combined MCR	76,154		
R0350	Absolute floor of the MCR	3,500		
R0400	Minimum Capital Requirement	76,154		