Solvency and Financial Condition Report

Ecclesiastical Insurance Group plc

For the year ended 31 December 2019

Contents

Executive Summary

Introduction

This Solvency and Financial Condition Report (SFCR) has been prepared in line with the requirements of the Solvency II (SII) Regulations, to assist the customers, business partners and shareholders of Ecclesiastical Insurance Group plc (EIG, the Group) and other stakeholders in understanding the nature of the business, how it is managed and its solvency position.

Our business

The Group is an independent, specialist financial services group and is a commercial business with a charitable owner and purpose, with a distinctive positioning that sets us apart from other businesses in the financial services sector. Our purpose is to deliver growing financial returns to our shareholder and owner, which are then distributed to charitable causes and communities, contributing to society's greater good. We use our distinctive proposition to create competitive advantage.

Our charitable purpose drives our strategic goal of being the most trusted and ethical business in our chosen markets. It also shapes the way we do business, particularly our focus on doing the right thing for our customers and business partners. It creates an environment where sustainable, long-term value generation is prized over short-term results.

We can do this because we manage an ethically run global portfolio of successful businesses covering specialist insurance and broking and advisory services. We provide products and services to businesses, organisations and retail customers, both directly and through intermediaries. Worldwide, we insure over £300bn of property and in the UK we are the leading insurer of Grade I listed buildings, insure thousands of charities and churches and many of the UK's independent schools. We also provide specialist investment management, risk management, broking and advisory services.

More information about the Group structure and the business we write can be found in section A below.

Business performance

In 2019 the Group delivered an excellent set of results, ahead of 2018 and budget in both revenue and profit terms. Profit before tax was £70m, £54m higher than 2018 due largely to better investment performance with significant fair value gains recognised, particularly in equity markets. Underwriting performance was also strong with £20m, with profits exceeding budget but behind 2018 profits of £29m which reflected benign weather conditions and the anticipated reduction in reserves releases compared with prior year. The Group's Broking and Advisory Businesses and its investment management subsidiary, Eden Tree, saw revenues increase over the year but profits fall back reflecting challenging market conditions and strategic investment in people and technology respectively.

Solvency and financial condition

The Group remains well capitalised with regulatory solvency coverage remaining relatively consistent with prior year. The Group's SCR, informed by the approved partial internal model, increased by £8.8m during the year reflecting increased market risk due to equity investment growth. Own Funds increased by £10.7m, helped by the significant investment gains that increased the SCR.

A summary of the Group's solvency position at the end of 2019 and the change over the year is shown below:

Summary Solvency position	2019	2018	Change
	£'000	£'000	£'000
Available Own Funds	**534,651**	**523,990**	**10,661**
Solvency Capital Requirement			
Market risk	248,813	219,877	28,936
Counterparty default risk	13,482	13,528	(46)
Non-life underwriting risk	137,491	148,357	(10,866)
Life underwriting risk	2,977	2,724	253
Operational risk	33,369	31,105	2,264
Other risks	26,242	22,042	4,200
Diversification	(154,488)	(148,606)	(5,882)
Loss absorbing capacity of deferred tax	(32,300)	(19,000)	(13,300)
Other adjustments	2,393	(806)	3,199
Consolidated SCR	277,979	269,221	8,758
Sectoral capital requirement of investment firm	4,844	4,800	44
Group SCR	**282,823**	**274,021**	**8,802**
Coverage ratio	**189%**	**191%**	**(2%)**

The movement in available own funds is explained in more detail in section E.1 and more detail on the changes in SCR during the year are given in section E.2.

Outlook for 2020

The Group's strategy remains consistent in aiming to become the most trusted and ethical specialist financial services group, aiming for profitable growth across a range of financial service businesses and territories to give money to good causes. After delivering more than budgeted charitable grants in the year, the Group is within touching distance of its ambition to donate £100m to charitable causes over a five year planning period, having given over £96m since 2016.

While we expect continued uncertainty in investment markets and the financial services markets we operate in to remain highly competitive, our consistently strong financial performance will allow us to both withstand short-term uncertainties and invest in our future, laying the foundations for further sustainable and profitable growth.

Significant investment is being made in people, brand and technology over the mid-term. Investment will continue over several years in a new strategic UK General Insurance system which, once live, will help us to provide our customers and brokers with an enhanced experience and give us better processes and capacity. Over the coming years, while keeping faithful to our origins, we will be introducing some changes to our brand to reflect better the diversity of financial businesses within the Ecclesiastical Group.

The UK's exit from the European Union (Brexit) will have a significant impact on insurance and investment management businesses. We continue to monitor developments in this area and have prepared for all potential outcomes arising from Brexit. The Group has one business based in the EU27, its Ireland Branch. We have applied to the Central Bank of Ireland for approval of this business as a Third Country Branch and have received authorisation in principle, to substitute for the current passporting of UK authorisation.

In early 2020, the existence of a new coronavirus, now known as Covid-19, was confirmed and since this time it has spread across the globe and is now characterised by the World Health Organisation as a pandemic. The Group considers Covid-19 a new emerging risk which impacts market risk, insurance risk and operational risk. These risks are being continually monitored and managed under well-established business continuity plans.

The Group is regularly monitoring solvency levels and no instances of a breach of its Minimum Consolidated Group Solvency Capital Requirement (MCR), Solvency Capital Requirement (SCR) or the Board's risk appetite have occurred up to the date of this report being published. The impact of the pandemic is covered in more detail in section A.1 'Significant events'. Serving our customers and the health, safety and well-being of our employees will continue to be our priority throughout the duration of the outbreak.

Statement of Directors' responsibilities

Ecclesiastical Insurance Group Plc

Financial year ended 31 December 2019

The Directors are responsible for preparing the SFCR in accordance with the Prudential Regulatory Authority rules and Solvency II Regulations.

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

a. throughout the financial year in question, the Group has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations as applicable to the insurer; and

b. it is reasonable to believe that, at the date of the publication of the SFCR, the Group continues so to comply, and will continue so to comply in future.

By Order of the Board

Mark Hews

Director and Chief Executive Officer

Date: 16 June 2020

Audit report

Report of the external independent auditor to the Directors of Ecclesiastical Insurance Group plc ('the Company') pursuant to Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the relevant elements of the Group Solvency and Financial Condition Report ('SFCR')

Opinion

Except as stated below, we have audited the following documents prepared by the Company as at 31 December 2019:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Group SFCR of the Company as at 31 December 2019, ('the Narrative Disclosures subject to audit'); and
- Group templates S.02.01.02, S.22.01.22, S.23.01.22, S.32.01.22 ('the Group Templates subject to audit').

The Narrative Disclosures subject to audit and the Group Templates subject to audit are collectively referred to as the 'relevant elements of the Group SFCR'.

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

- information contained within the relevant elements of the Group SFCR set out above which are, or derive from the Solvency Capital Requirement, as identified in the Appendix to this report;
- the 'Executive Summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the Group SFCR;
- Group templates S.05.01.02, S.05.02.01, S.25.02.22;
- the written acknowledgement by management of their responsibilities, including for the preparation of the Group SFCR ('Statement of Directors' responsibilities');
- Information which pertains to an undertaking that is not a Solvency II undertaking and has been prepared in accordance with PRA rules other than those implementing the Solvency II Directive or in accordance with an EU instrument other than the Solvency II regulations ('the sectoral information').

To the extent the information subject to audit in the relevant elements of the Group SFCR 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 Group SFCR of the Company as at 31 December 2019 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

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 *Auditor's Responsibilities for the Audit of the relevant elements of the Group 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 Group SFCR in the UK, including the Financial Reporting Council's (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.

Emphasis of Matter – Basis of Accounting

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' and other relevant disclosures sections of the Group SFCR, which describe the basis of accounting. The Group SFCR is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Group SFCR is required to be published, and intended users include but are not limited to the PRA. As a result, the Group SFCR may not be suitable for another purpose. Our opinion is not modified in respect of these matters.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in the preparation of the Group SFCR is not appropriate; or
- the Directors have not disclosed in the Group SFCR any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Group SFCR is authorised for issue.

We have nothing to report in relation to these matters.

Other Information

The Directors are responsible for the Other Information.

Our opinion on the relevant elements of the Group SFCR 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 Group SFCR, 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 Group SFCR, 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 Group SFCR 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 relation to these matters.

Responsibilities of Directors for the Group Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Group SFCR in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations which have been modified by the modifications, and supplemented by the approvals and determinations made by the PRA under section 138A of FSMA, the PRA Rules and Solvency II regulations on which they are based.

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

Auditor's Responsibilities for the Audit of the relevant elements of the Group Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the relevant elements of the Group SFCR are prepared, in all material respects, with financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Group SFCR are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 Group SFCR.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at *https://www.frc.org.uk/auditorsresponsibilities*. The same responsibilities apply to the audit of the Group SFCR.

Other Matter

The Company has authority to calculate its Group Solvency Capital Requirement using a partial internal model ("the Model") approved by the Prudential Regulation Authority in accordance with the Solvency II Regulations. 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

Sectoral Information

In our opinion, in accordance with Rule 4.2 of the External Audit Chapter of the PRA Rulebook, the sectoral information has been properly compiled in accordance with the PRA rules and EU instruments relating to that undertaking from information provided by members of the group and the relevant insurance group undertaking.

Other Information

In accordance with Rule 4.1 (3) of the External Audit Chapter 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 Ecclesiastical Insurance Group plc'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 relation to this matter.

Use of our Report

This report is made solely to the Directors of Ecclesiastical Insurance Group plc in accordance with Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook for Solvency II firms. We acknowledge that our report will be provided to the PRA for the use of the PRA solely for the purposes set down by statute and the PRA's rules. Our audit work has been undertaken so that we might state to the insurer's Directors those matters we are required to state to them in an auditor's report on the relevant elements of the Group SFCR and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the PRA, for our audit work, for this report or for the opinions we have formed.

Paul Stephenson BA FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
16 June 2020

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

Group internal model

The relevant elements of the Group SFCR that are not subject to audit comprise:

- The following elements of Group template S.02.01.02:
    - Row R0550: Technical provisions – non-life (excluding health) – risk margin
    - Row R0590: Technical provisions – health (similar to non-life) – risk margin
    - Row R0640: Technical provisions – health (similar to life) – risk margin
    - Row R0680: Technical provisions – life (excluding health and index-linked and unit-linked) – risk margin
    - Row R0720: Technical provisions – Index-linked and unit-linked – risk margin
- The following elements of Group template S.22.01.22
    - Column C0030 – Impact of transitional measure on technical provisions
    - Row R0010 – Technical provisions
    - Row R0090 – Solvency Capital Requirement
- The following elements of Group template S.23.01.22
    - Row R0020: Non-available called but not paid in ordinary share capital at group level
    - Row R0060: Non-available subordinated mutual member accounts at group level
    - Row R0080: Non-available surplus at group level
    - Row R0100: Non-available preference shares at group level
    - Row R0120: Non-available share premium account related to preference shares at group level
    - Row R0150: Non-available subordinated liabilities at group level
    - Row R0170: The amount equal to the value of net deferred tax assets not available at the group level
    - Row R0190: Non-available own funds related to other own funds items approved by supervisory authority
    - Row R0210: Non-available minority interests at group level
    - Row R0380: Non-available ancillary own funds at group level
    - Rows R0410 to R0440 – Own funds of other financial sectors
    - Row R0610 – Minimum consolidated Group SCR
    - Row R0650 – Ratio of Eligible Own funds to Minimum consolidated Group SCR
    - Row R0680: Group SCR
    - Row R0690 – Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included in D&A
    - Row R0740: Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
    - Row R0750: Other non-available own funds
- Elements of the Narrative Disclosures subject to audit identified as ‘unaudited’.

A. Business and performance

A.1 Business details and group structure

Name and legal form of the company

Ecclesiastical Insurance Group plc (EIG) is a public limited company incorporated and domiciled in England. The address of the registered office is:

Beaufort House
Brunswick Road
Gloucester
GL1 1JZ

EIG is an insurance holding company and wholly-owned subsidiary of Allchurches Trust Limited (ATL), which is a mixed activity insurance holding company, incorporated and operating in the United Kingdom.

EIG, together with its direct and indirect subsidiaries (collectively, the Group) operates principally as a provider of general insurance and in addition offers a range of financial services, with offices in the UK & Ireland, Australia and Canada.

Supervisory authority

The supervisory authority for the Group is:

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

External auditor

Deloitte LLP
1 New Street Square
London
EC4A 3HQ

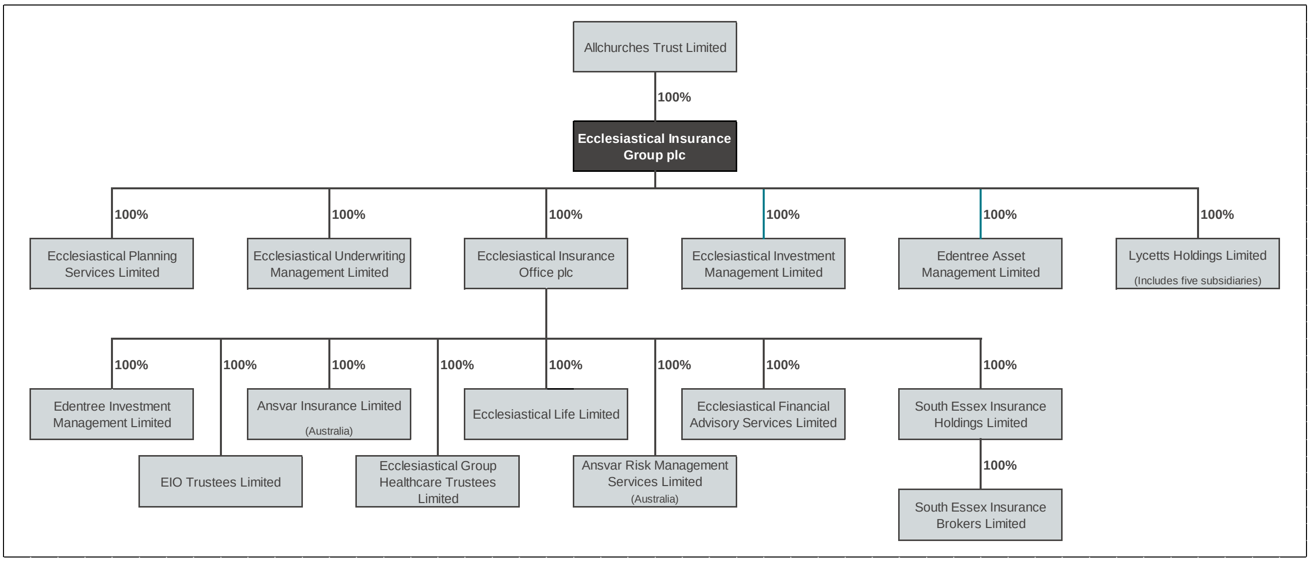
Qualifying holdings

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

ATL owns 19,999,999 ordinary £1 shares and the Chairman of EIG owns, in a non-beneficial capacity, 1 ordinary £1 share.

Group structure

Below is a simplified representation of the Ecclesiastical Group:



Subsidiaries and related undertakings

The following is a list of material subsidiaries, all of which are 100% owned either directly or indirectly by EIG:

Incorporated in the United Kingdom:

- *Ecclesiastical Insurance Office plc (EIO)* is a non-life insurance undertaking. The majority of business is written in the UK, but also has branches in Ireland and Canada. In addition, EIO has a portfolio of investments and has 100% holdings in the following material subsidiaries:
  - *Ecclesiastical Life Limited (ELL)* is an insurance undertaking whose only material line of business is life insurance contracts and has not underwritten any new business since April 2013. ELL also has a portfolio of investments.
  - *EdenTree Investment Management Limited (EdenTree)* is an investment firm that manages the investments of the group as well as managing the assets of third parties.
  - *South Essex Insurance Holdings Limited* is a holding company whose sole asset is a 100% holding in *South Essex Insurance Brokers Limited*, which operates as an insurance broker.
  - *Ecclesiastical Financial Advisory Services Limited* provides financial advice to individuals, principally within the Church of England client base.
  - *Ansvar Insurance Limited (Ansvar Australia)* is a third country non-life insurance undertaking incorporated and domiciled in Australia. Ansvar Australia also has a portfolio of investments.
- *Lycetts Holdings Limited* and its subsidiaries are an insurance broking and independent financial advisor group operating through branches in the UK.
- *Ecclesiastical Planning Services Limited* receives a fee for the distribution and administration of prepaid funeral plans.

- *Ecclesiastical Underwriting Management Limited* is an ancillary services undertaking providing underwriting management and ancillary services to EIO.
- *EdenTree Asset Management Limited (EdenTree AM)* is an investment firm that manages the investments of third parties.

During the year EIG acquired a 20% holding in Lloyd & Whyte Group Limited, the holding company of an insurance broking group.

EIO also has branches in the Republic of Ireland and Canada. Within the meaning of Article 354(1) of Solvency II Delegated Regulation (EU) 2015/35 (the Delegated Act), Canada is a material branch as its premium written represents more than 5% of the Group's total gross written premium.

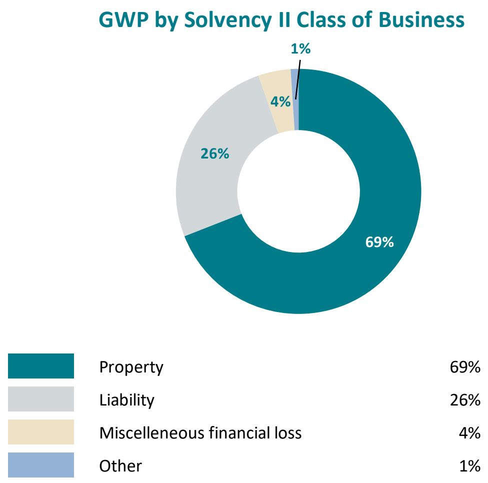
Lines of business

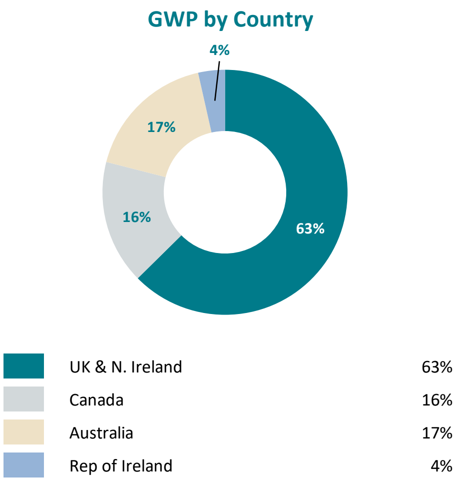
General Insurance business

The Group currently operates in the United Kingdom, Republic of Ireland, Canada and Australia. The material lines of business are:

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

The proportion of each type of business written, and total gross written premium (GWP) by country are shown in the charts below:





Life insurance business

The Group's only material line of life business is whole-of-life insurance policies, and has not underwritten any new business since April 2013.

Significant events

In early 2020, the existence of a new coronavirus, now known as Covid-19, was confirmed and since this time it has spread across the globe and is now characterised by the World Health Organisation as a pandemic. The Group considers Covid-19 a new emerging risk which particularly impacts market risk, insurance risk and operational risk. These risks are being continually monitored and managed under well-established business continuity plans.

The disclosures in this document are based on the position of the Group at 31 December 2019. Any impact arising from Covid-19 relates to conditions arising after this date and, as such, are considered non-adjusting events.

The Group has a robust and regular solvency monitoring process in place together with a strong risk management framework. Since February 2020 the Group has been monitoring the impact of the pandemic on solvency levels, and 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 Group has experienced an increase in business interruption claims notified as a result of Covid-19. This will continue to be monitored and the reserves adjusted as the year unfolds.

The Group's market risk is impacted in the form of reduced asset valuations in certain investment classes and uncertainty around valuation. Insurance risk is increased in the form of higher claims. Operational risk is heightened with a significant and rapid migration to a remote working environment and additional risk associated with key suppliers.

The Group is managing the impact of Covid-19, utilising business continuity and risk management processes where appropriate. Whilst there has been an impact on day to day operations, plans have been implemented to ensure that the Group can continue to provide services to its customers, meet its obligations as they arise, and maintain dialogue with the regulator as required.

Serving its customers and the health, safety and well-being of its employees will remain the main operational priority throughout the duration of the outbreak. The Group will continue to monitor the situation and the advice from Governments, relevant health authorities and regulators in the countries operated in as the outbreak evolves, and will take appropriate actions if required.

As at 31 December 2019, the Own Funds of the Group amounted to £534.7m (section E.1) and its SCR was £282.8m (section E.2), equating to a solvency coverage ratio of 189%.

The Directors have assessed the impact of financial market falls and expected impact on trading after the balance sheet date by performing a full solvency calculation as at 31 March 2020. At that date solvency cover had fallen but remained in excess of 170%, above the Board's risk appetite. The Group's considerable capital resources have proven resilient to the current market disruption, and the Directors can confirm that the Group continues to both meet its Solvency II regulatory requirements (SCR and MCR) and remain above its internal risk appetite. Nevertheless, the Group has identified relevant management actions that can be taken to ensure solvency remains at satisfactory levels should the position deteriorate further.

Assessments have been made as part of regular solvency monitoring activity as to the impact of the pandemic on financial performance in 2020 and over the plan period and will continue to be developed as the situation evolves. Liquidity projections have also been made and concluded that the Group holds sufficient cash levels to make payments as they fall due.

The Group also expects the trade negotiations between the UK and the EU to increase the risk of continuing investment market volatility and currency instability.

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

A.2 Performance from underwriting activities

Overall underwriting performance

The Group's general insurance underwriting performance for the year was a profit of £20.0m (2018: £29.2m). This represents another good performance with a favourable result on the liability account and a solid outturn on the property book. Prior year releases were lower than in 2018 contributing to a lower underwriting result in 2019.

The Group's life business made a net underwriting profit of £0.3m (2018: £1.6m), driven by the return on the investment portfolio. The net underwriting result has returned to a more normalised level in 2019, following a large reserve release in 2018.

Performance by material class of business

Underwriting performance by Solvency II line of business	General Liability		Fire and Other Damage to Property		Misc. Financial Loss		Life Business	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Net Earned Premium	88,187	82,817	126,435	118,901	10,833	11,176	(13)	21
Net Claims Incurred	(27,764)	(15,218)	(59,197)	(57,769)	(3,580)	(2,861)	(2,811)	66
Operating Expenses	(43,895)	(40,914)	(65,423)	(63,337)	(4,915)	(6,430)	(270)	(253)
Underwriting Performance	**16,529**	**26,684**	**1,815**	**(2,206)**	**2,338**	**1,884**	**(3,093)**	**(166)**
Net investment return of assets backing liabilities							**3,424**	**1,806**
Net underwriting result							**332**	**1,640**

General Liability

The underwriting result from the liability account continued to perform favourably. Current year claims performance was again better than expected and benefited from reserve releases in the UK and Ireland as historical claims were settled at lower amounts than expected. A strengthening of reserves in the Canadian and Australian businesses together with a reduction in prior year releases in the UK and Ireland, have both contributed to a lower underwriting result compared with 2018.

Fire and other damage to property

The improvement in the underwriting result on the property account was primarily driven by the Canadian business, which delivered a profit of £2.9m (2018: £2.3m loss). Good current year experience in Canada due to fewer large losses and the favourable development of prior year claims helped to offset the impact of a series of weather events during the first and third quarters.

UK and Ireland benefitted from an absence of large weather events, although this was partially offset by an increase in subsidence and theft claims during the year.

Miscellaneous financial loss

The underwriting result on the miscellaneous financial loss account was an improvement on prior year due to a significant improvement in the net loss ratio within the UK pecuniary loss line of business.

Life business

During the reporting period claims of £5.6m (2018: £6.1m) were paid, offset by a decrease in reserves of £2.8m (2018: £6.2m) giving a net incurred claims cost of £2.8m (2018: £0.1m benefit). Due to the close matching of investments held to cover the life business liabilities, movements in liabilities are offset by corresponding movements in the matched investments. Consequently, the main driver of the net profit of £0.3m (2018: £1.6m profit) was the return on the investment portfolio representing the life business surplus assets. The net underwriting result has returned to a more normalised level in 2019. 2018 saw a large reserve release of £1.0m as a result of reduced future direct costs following the announcement that ELL no longer required a Solvency II audit.

Performance by geographical region

The table below only covers general insurance business. All life business is undertaken in the UK.

Underwriting performance by Geographical Region	UK & Ireland		Canada		Australia	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Net Earned Premium	157,853	152,113	45,185	39,768	22,960	22,187
Net Claims Incurred	(58,249)	(44,321)	(18,742)	(20,984)	(13,869)	(7,889)
Operating Expenses	(78,778)	(77,715)	(24,225)	(21,383)	(12,338)	(12,897)
Underwriting Performance	**20,826**	**30,077**	**2,218**	**(2,599)**	**(3,246)**	**1,400**

UK & Ireland[1]

Underwriting profits were strong in the UK and Ireland with a favourable result on the liability account. The property account returned a profit, although behind last year's result, driven by an increase in theft and subsidence claims during the year. This, together with a reduced level of reserve releases, has resulted in an overall reduction in the underwriting result in 2019.

1 - Underwriting performance for the UK & Ireland differs from that disclosed in note 5 to the Ecclesiastical Insurance Group Plc 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.

Canada

In Canada the positive performance was attributed to fewer large losses, an increase in subrogation recoveries and a decline in catastrophe events. The property book performed well with favourable development in prior year claims helping to offset the impact of weather events. Liability account reserves were strengthened for prior year PSA claims.

Australia

The Australian business reported an underwriting loss of £3.2m (2018: £1.4m profit). The liability account was adversely impacted by the strengthening of physical and sexual abuse (PSA) reserves. There was also a higher than expected number of claims, a strengthening across industry as the process for claimants evolves following the conclusion of the Royal Commission, together with development in some high profile cases. The property account was also adversely impacted by higher claims handling expenses and risk margins following a major flood event.

A.3 Performance from investment activities

	Investment income		Fair value gains/(losses)		Total return	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Debt	14,220	15,026	4,601	(9,823)	18,821	5,203
Equities	9,947	10,304	52,461	(27,066)	62,408	(16,762)
Property	8,538	8,257	(3,900)	29	4,638	8,286
Cash	661	543	-	-	661	543
Derivatives	-	-	162	1,874	162	1,874
Exchange	32	122	-	-	32	122
Discount rate	-	-	(12,433)	4,144	(12,433)	4,144
Other	1,421	1,288	-	-	1,421	1,288
	34,819	**35,539**	**40,891**	**(30,842)**	**75,710**	**4,697**
Investment expenses	(941)	(771)	-	-	(941)	(771)
Total investments	**33,878**	**34,769**	**40,891**	**(30,842)**	**74,769**	**3,927**

Investment performance by asset class

The Group saw a far less volatile end to 2019 compared to 2018, with strong returns in UK and worldwide stock markets resulting in a net investment return of £74.8m (2018: £3.9m).

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

Income from debt investments remained stable reflecting the continued low interest rate environment and downwards pressure on yields gave fair value gains compared to losses in the prior year. The downward movement in bond yields led to a decrease in the discount rate applied to long-tail general insurance liabilities, resulting in a fair value loss in 2019 against a profit in 2018.

Gains and losses recognised directly in equity

During the year the Group designated certain derivatives as a hedge of its net investments in foreign subsidiaries and branches. These generated a gain of £0.6m in the current year (2018: £0.5m) which was recognised directly in equity and is included in 'Gains/losses on currency translation difference' within section A.4.

Investments in securitisation

The Group has no material holdings in securitisations in the current or prior period.

A.4 Performance from other activities

Other activities	2019 £'000	2018 £'000
Return from non-insurance operations	(5,723)	2,661
Corporate costs	(18,460)	(16,829)
Actuarial gains on retirement plans	(6,567)	3,773
Gains/(losses) on currency translation differences	(748)	(1,577)

The return on non-insurance operations has deteriorated by £8.4m because of strategic investment in people and technology in the investment management division, and because of challenging market conditions in the broking and advisory division.

Corporate costs are costs incurred in managing the Group and its subsidiaries and certain group-wide strategic investments. The increase in the year is primarily due to a headcount increase during the year and a higher level of charitable giving.

Actuarial gains or losses on retirement plans primarily relate to the Group's valuation of retirement benefits which includes the defined benefit pension scheme and post-retirement medical benefit scheme. Changes in assumptions used to calculate defined benefit scheme liabilities increased actuarial losses but were partly offset by excess returns on scheme assets, resulting in a £6.6m loss.

A.5 Any other information

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

B. System of governance

B.1 General information on the system of governance

Governing Body – Roles and segregation of responsibilities

The Governing Body of the Group is the Board of Directors (the Board). The Board's role is to provide entrepreneurial leadership of the Group within a framework of prudent and effective controls which enables the risk which the Group faces to be assessed and managed.

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, financial reporting and controls, internal controls, contracts, communication, board membership and other appointments, remuneration, corporate governance and policies.

Chairman

The Chairman'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 responsible for ensuring delivery of the strategy determined by the Board. The Group CEO may delegate any of the limits or authorities, but not responsibility, to any other executive director, function holder or Committee.

Non-Executive Directors (NED)

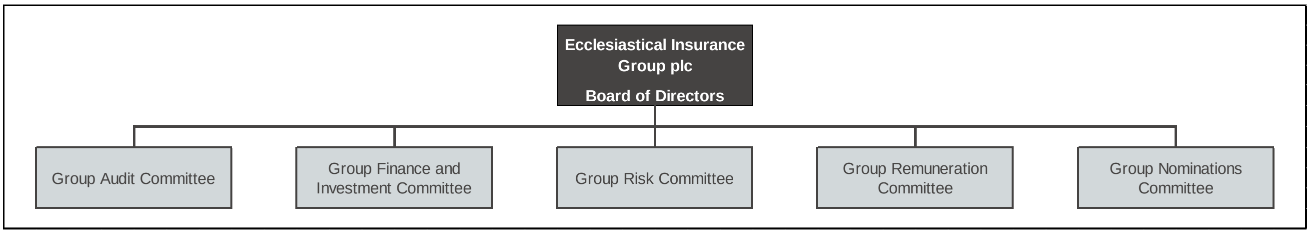
The NEDs have a responsibility to uphold high standards of integrity and probity, including acting as both internal and external ambassadors of the Group. As part of their role, the NEDs should constructively challenge and help develop proposals on strategy.

Senior Independent Director (SID)

In addition to their other duties as a Non-Executive Director, the SID is responsible for leading the evaluation of the Chairman, meeting with the non-executives at least once a year without the Chairman present and being available to shareholders if they have concerns about the running of the Group which have not been resolved.

Delegation to committees

The Board has established five committees which support the discharge of its duties:



Each Committee has agreed Terms of Reference which sets out requirements for membership, meeting administration, Committee responsibilities and reporting. A high-level overview of each Committee's delegated responsibilities is summarised below:

Group Audit Committee (GAC)

Comprising three independent NEDs, its responsibilities include:

- overseeing of the Group's financial and regulatory reporting processes;
- overseeing the Group's risk management systems and internal controls;
- reviewing the Group's whistleblowing arrangements;
- reviewing tax strategy and policies;
- overseeing the internal audit function;
- managing the relationship with the external auditor, including in relation to the auditor's appointment, reappointment and resignation, terms and remuneration, independence and expertise, non-audit services and the audit cycle; and
- reporting to the Board on how it has discharged its responsibilities.

Group Finance and Investment Committee

Comprising three independent NEDs and the Chairman, its main purpose is to ensure that the management of certain of the Group's financial assets (including its investment portfolio), is properly governed, controlled and performing as expected within agreed risk parameters. The Committee reviews and advises on any major financial decisions on behalf of the Board and reports to the Board on how it has discharged its responsibilities.

Group Risk Committee (GRC)

Comprising three independent NEDs, its responsibilities include:

- overseeing the Group's Risk Management Framework including risk appetite and tolerance;
- overseeing the Group's risk and compliance functions;
- reviewing prudential risk (including overseeing the capital model) and conduct risk; and
- reporting to the Board on how it has discharged its responsibilities.

Group Remuneration Committee

Comprising three independent NEDs and the Chairman, the Committee assists the Board in ensuring that:

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

Comprising the Chairman and four independent NEDs its role is to ensure that there is an appropriate balance of skills, knowledge and experience on the Board, its committees and within the Group's subsidiary companies.

Roles and responsibilities of key functions

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

Group Compliance

Group Compliance provides assurance to the Board that the 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 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 Group.

Group Internal Audit (GIA)

Group Internal Audit derives its authority from the GAC and 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 Group. The Group Chief Internal Auditor is accountable to the Chair of the GAC.

Group Risk

Group Risk derives its authority from the CEO and provides Group level oversight of the prudent management of risk including but not limited to conduct risk, in relation to each entity within the Group and, on an aggregated basis, of risk across the Group. This includes designing and recommending policies for the risk appetite and tolerances to the Group CEO for agreement by the Board and ensuring that these are appropriately monitored. The Group Chief Risk Officer reports to the Group Chief Financial Officer (CFO) who is accountable to the CEO.

Actuarial

Actuarial is accountable for all aspects of capital modelling, pricing and reserving across the Group and the independent Actuarial Function is responsible for providing opinions on the effectiveness of technical provision calculations, underwriting and pricing, and reinsurance purchase. Actuarial reports to the Group Chief Financial Officer (CFO) who is accountable to the CEO.

Material changes in the system of governance

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

Assessment of the adequacy of the system of governance

The Board, through the GAC and GRC, 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 Control Risk and Self-Assessment process (CRSA);
- outcomes from the Own Risk and Solvency Assessment (ORSA) process;
- findings from relevant internal audits;
- 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 Board through the GRC every two years, and was last approved in September 2018.

In addition, the performance of the Board and its committees is regularly reviewed and it is the Board's policy for its evaluations to be externally facilitated every two years. In early 2020, the Group Nominations Committee led an external evaluation of the Board and committees, assisted by the Company Secretariat. An external board evaluation provider conducted this evaluation and all Board and committee members were required to complete a bespoke assessment.

The Group 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.

Remuneration policy

The remuneration policy has been set and managed at a Group level. The 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 employees 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 may comprise 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 an employee's package should be performance-linked or variable;
- 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 role played by long-term incentives for more senior employees; and
- the Group is committed to ensuring that all employees have a fair and equal pay opportunity appropriate to their role.

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 employees 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.

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 an employee has accrued benefits in the legacy defined benefit pension scheme and is eligible to retire early, the pension entitlement will be calculated subject to the scheme rules and no enhanced early retirement terms other than those applicable in general under the scheme rules will apply.

Non-Executive Directors are not eligible to participate in pension plans.

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

No contract of significance existed during or at the end of the financial year in which a director was or is materially interested.

B.2 Fit and proper requirements

In order to determine fitness and propriety of all senior roles within the Group, individuals are subject to a competency-based interview following an analysis of their CV.

The competency-based interview is intended to explore the candidates’ experience and qualifications and would explore:

- appropriate market knowledge;
- business strategy;
- financial analysis;
- governance and risk management;
- oversight and controls;
- regulatory framework; and
- cultural fit.

Criminal record checks (DBS) and sanctions checks are carried out for each person in quantifying honesty, integrity and reputation along with a credit check to assist in verifying financial soundness. The Group will also check the Financial Conduct Authority (FCA) register where persons have previously held a regulatory role to check that no disciplinary actions have occurred against them. References are also taken from previous employers.

The Group implemented the Senior Managers and Certification Regime during late 2018 and 2019 which came into effect on 10 December 2018. The Group's approach to fitness and propriety was reviewed and refined. In late 2019, the process of assessing fitness and proprietary rolled out for all Senior Managers and certified persons.

In 2018, the company identified those employees who were carrying out a certificated role. This is defined as person performing a role which is involved in one of more aspects of the firm's affairs, so far as relating to a regulated activity and those aspects involve, or might involve, a risk of significant harm to the firm or any of its customers. Those who were deemed to be carrying out certificated functions, were assessed against the fitness and proprietary checks in late 2019.

The fitness and proprietary checks consisted of:

- disclosure and Barring (DBS) criminal records check;
- credit check;
- individuals self assessment against fitness and proprietary questions;
- check that the employee has undertaken sufficient continuous professional development;
- check that the employee has completed required mandatory training; and
- check that the employee has performed satisfactorily.

B.3 Risk management system including the ORSA

Overview of the risk management system

An enterprise-wide risk management framework is embedded across the Group with the purpose of providing the tools, guidance, policies, standards and defining responsibilities to enable the Group to achieve its strategy and objectives.

The risk management framework is owned by the Board with day-to-day responsibility for its implementation and oversight delegated to the Group Risk Function, led by the Group Chief Risk Officer (CRO).

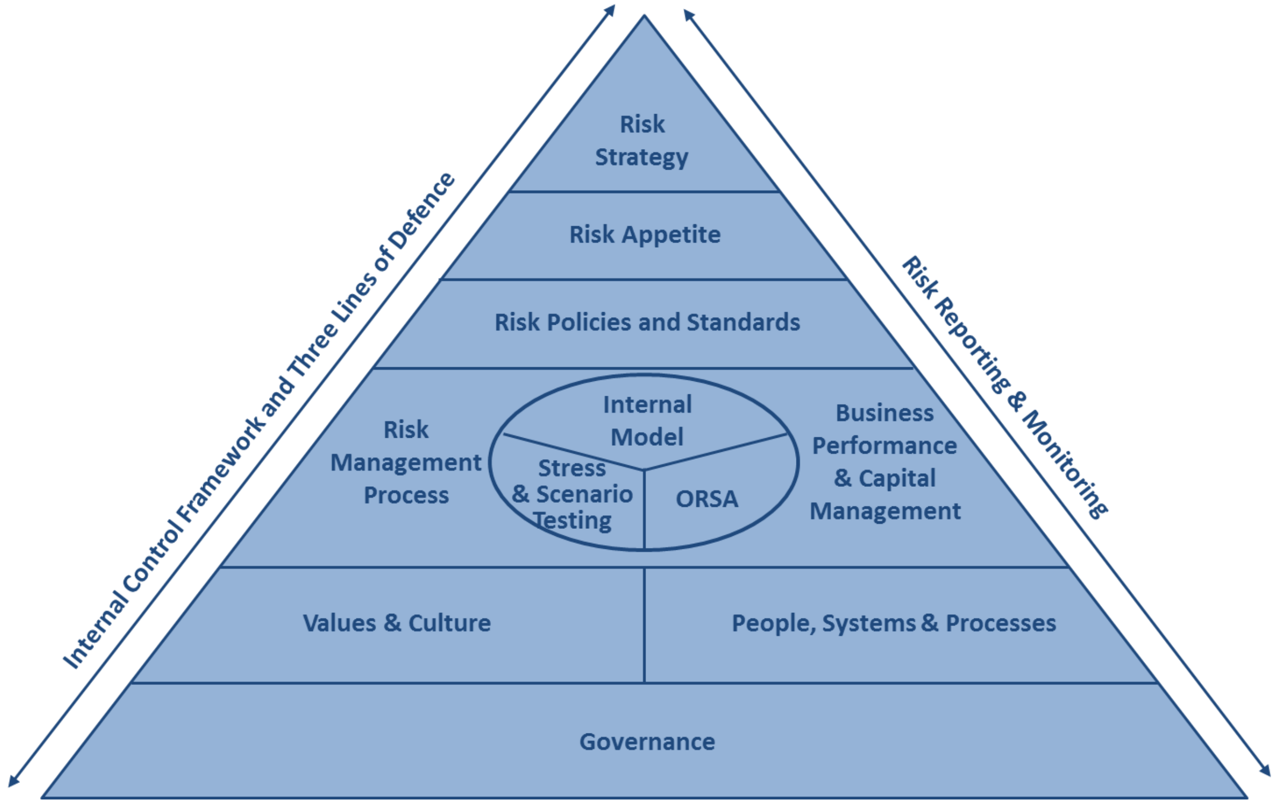
Regulatory requirements for risk management are complied with at all times and are regarded as the minimum standards for the Group's enterprise risk management system. The Group recognises that there are a number of risks that it faces which could impact on the achievement of its strategy and is therefore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

The risk management process is integrated into the culture of the Group and is led by the Group Chief Executive and the Group Management Board (GMB), with support from three executive committees, an Insurance Risk Committee, a Market and Investment Risk Committee and a Group Operational, Regulatory and Conduct Risk Committee.

On an annual basis the GRC carries out a formal review of the key strategic risks with input from the GMB and SBUs and allocates responsibility for each one to an individual member of the executive management.

Monitoring of the key strategic 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 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:



Effectiveness of identifying and managing risks

The Group's risk management framework 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 primary tools and processes for achieving this are outlined below:

Group Risk Appetite

The Board has established a risk appetite for the Group. This focuses on the material risk areas and establishes the risk taking capacity of the Group. SBU's maintain their own risk appetite limits, which are aligned to the overall Group risk appetite. Quarterly monitoring of compliance with the Group risk appetite is prepared by Group Risk and the outputs reported to the GRC.

Structured Business Risk Reviews

The management of each business unit carries out a regular business risk review. They use group 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 used.

Loss and Near Miss Process

An operational risk loss and near-miss process is in place across the business areas to facilitate the identification, recording and analysis of instances where actual 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. This is regularly reviewed and drives improvements in the internal controls. Appropriate reporting of such items is provided to the Group Operational, Regulatory and Conduct Risk Committee.

Risk Reporting to Group Executive Risk Committees and Board Risk Committees

A business unit reports to the appropriate group executive risk committee where a current risk exposure has the potential to impact its ability to achieve its objectives. The group executive risk committee reports to the GRC where they believe that a current risk exposure has the potential to impact the Group's ability to achieve its objectives. The Group Risk team assess common risks across a number of business units and report to the GRC where it is believed that any of those risks in aggregate, could adversely impact the Group'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 that risk review meeting will help 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. Those emerging risks with the potential to impact the Group are highlighted to the GRC as part of the regular reports.

The adequacy of the Risk Management Framework is reviewed on an annual basis at a Group level. The main vehicle for this being the CRSA process, supported by the Group Internal Audit function's risk-based audit programme.

The Board also uses the ORSA process as a tool to assess the effectiveness of the system of governance and risk management, and whether revisions are required to cover any changes to the Group's current and future business strategy and operations.

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* - is responsible for assisting the CRO and Board to formulate risk appetite, establish minimum standards, appropriate reporting, oversight and challenge of risk profiles and risk management activities within each of the business units. This includes executive risk management committees and is subject to oversight and challenge by the GRC; and
- *3rd Line - Assurance* - provides independent and objective assurance of the effectiveness of the Group's systems of internal control. This activity principally comprises the internal audit function which is subject to oversight and challenge by the GAC.

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 Group's risk profile, the most significant risks and that adequate and appropriate actions are in place in response.
Group 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 Group's risk management framework on behalf of the Board.
Executive Risk Committees (Second Line of Defence)	Responsible for the oversight of the most significant risks relating to the risk types for which they are responsible, including overseeing cross SBU risks and ensuring that coordinated organisation-wide responses are in place.
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 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 maintaining their own local risk profiles, 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.

Role	Responsibilities
Group Risk Function (Second Line of Defence)	Provide oversight, expert advice and propose standards and guidance to ensure a consistent and robust approach to risk management across the organisation. Facilitates the management and ongoing effectiveness 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.

Consistency of implementation across the Group

As described above the risk management framework has been embedded across the Group and the Group Risk function work with all SBUs to ensure that the framework is embedded consistently.

SBUs are responsible for the day to day management of their businesses but the Group has set out the expectations of its subsidiaries and SBUs to ensure that an appropriate level of shareholder control and scrutiny is maintained throughout the Group. The Expectations of SBUs is formally documented and all SBUs must comply with these expectations.

An SBU must update Group Risk and assurance functions immediately, pro-actively and openly on:

- any significant regulatory or legislative developments, and related implementation plans;
- any internal or external fraud, suspected fraud or financial crime;
- any breaches of risk appetite or matters giving rise to reputational risk;
- any unplanned regulatory interventions, sanctions, breaches or failure to meet local regulatory requirements; and
- any planned regulatory visits or any significant or material correspondence from any regulator.

Election to undertake a single Group ORSA report

The ORSA process is carried out at the level of the Group, as permitted by Article 246(4) of Solvency II Directive 2009/138/EC (the Directive).

Own risk and solvency assessment process

The objective of the ORSA process is to demonstrate that the Group (including all subsidiaries) has, or can access, the necessary resources to carry out its corporate strategy and business plan in the context of risk policy, risk appetite, a forward looking assessment of risks, the potential for stress and the quality of its risk management environment.

In accordance with SII Regulations, the Group maintains an ORSA policy framework to regulate and manage the ORSA process. The ORSA combines the Group'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 of the risk management environment to support the business plan in the context of a forward-looking assessment of risks, the potential for stress and risk management policy; and
- demonstrate that the Group has, or the extent to which it is likely to have access to the financial, capital and other critical resources required to deliver the business plan.

Preparation of the ORSA report is coordinated by the Group Risk function in accordance with ORSA policy, process, standards and guidance.

Frequency of review

The Group performs a full ORSA at least annually, covering the solvency position at the reference date 31st 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 is 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 GMB and GRC, who make a recommendation for final approval by the Board. The Board take an active role in the ORSA, primarily through the actions of the GRC, particularly in the forward-looking assessment of risk. The most recent ORSA Report was approved by the Board in November 2019.

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

Determination of own solvency needs

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

- maintaining the risk management framework that is used as a context for business planning;
- assessment of the current risk profile of the business and ensuring adherence to risk appetite;
- 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 business;
- a stress-testing and scenario analysis framework, including reverse stress testing, with assessment in context of the proposed business plan;
- 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 how capital shortfall might be addressed and the likelihood of success; and
- assessment of the adequacy and quality of the risk management environment.

B.4 Internal control system

Internal control system

The system of Internal control is implemented by the Board and GMB, and ensures that the Group is managed efficiently and effectively, with appropriate policies and business processes designed and implemented to help ensure that the business objectives are achieved, and that risks are managed in line with the risk appetite and risk framework.

The control framework, which sits within the overarching risk framework, requires the establishment of controls to meet the following key objectives:

- 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, and to mitigate the risk that inaccurate management information is used to make business decisions or is reported externally;
- internal model: to ensure the overall accuracy 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 Group complies with;
- reputation: to ensure that the whole system of control is designed in such a way as to ensure the Group operates to the ethical standards established by the Board, thereby protecting the Group's reputation with customers, regulators, investors and other external parties; and
- customer: to ensure that the Group provides the products and services that customers value and trust whilst delivering fair customer outcomes.

The Group's 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 a process to set objectives and the chosen objectives support and align with the Group's mission and 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 Board and GMB. Where appropriate, actions are developed to align risks with the Group's risk tolerance and appetite;
- *control standards:* a policy framework that establishes the Board and GMB's minimum standards for the mitigation of risk within the stated appetite;

- *control activities:* business processes that include control activities designed to mitigate risks to the level required to meet the control objectives;
- *monitoring activities:* establish and maintain periodic and regular monitoring of controls aligned to their materiality, to ensure that they are fit for purpose both in design and operation. This includes monitoring of individual controls by business owners and oversight and assurance activities undertaken by second and third line functions (Risk, Compliance and Internal Audit);
- *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:* open and complete 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.

Compliance function

The Group operates a Group Compliance function that has oversight of all subsidiaries and branches. This function sits in the second line of the Group's three lines of defence governance system and is responsible for:

- identifying, assessing, monitoring and reporting on the Group's compliance risk exposures;
- assessing possible impact of regulatory change and monitoring the appropriateness of compliance procedures; and
- assisting, challenging and advising the Group in fulfilling its responsibilities to manage compliance risks.

The activities and responsibilities undertaken by Group Compliance are set out in the Group Compliance charter and those policies where it has delegated responsibilities. These set out how the roles and responsibilities interact with the operational and support functions of the Group as well as with the GMB and GRC. The charter applies to all Group subsidiaries and branches. Compliance standards are applied to external service providers.

The objectives of the Group Compliance team are summarised within the charter, including:

- regulatory compliance;
- risk assessment;
- control framework;
- monitoring;
- training, advice and support;
- policies;
- event reporting and Investigation;
- board reporting;
- regulator and market engagement;

- financial crime and data protection;
- sanctions; and
- security and data governance.

The charter also sets out key performance measures to assess the effectiveness of Group Compliance. These include but are not limited to:

- production and performance of an annual compliance monitoring plan;
- production and review of compliance related policies and standards;
- delivery of compliance training, completion of annual compliance themed e-learning modules, and thematic training for all levels of staff including the Board;
- identifying emerging regulatory obligations and keeping up to date the legal & regulatory library;
- production and performance of thematic reviews;
- delivery of periodic reporting and MI to Board including an annual Money Laundering Reporting Officer (MLRO) report; and
- performance of regular sanctions screening and reporting of sanctions breaches and suspicious transactions.

Group Compliance gains its authority from the GRC and the Group Compliance Director is accountable to the Chairman of that committee.

B.5 Internal audit function

Implementation of the internal audit function

Group Internal Audit (GIA) receives its authority from the GAC, which is a committee established to review the work of the internal audit functions of the Group and to evaluate the adequacy and effectiveness of all controls operating in the Group, including 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 or overridden 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 Group will not be hindered in achieving its business objectives, or in the orderly and legitimate conduct of its business.

GIA maintains a professional audit team with sufficient knowledge, skills, experience and professional qualifications. 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 GAC that the International Standards for the Professional Practice of Internal Auditing of the Chartered Institute of Internal Audits are complied with.

GIA operates within the Group’s three lines of defence model. In order to operate an effective framework GIA maintains regular and ongoing dialogue with the first and second line functions to maintain a current and timely perspective of business direction and issues.

Demarcation between the third line of defence and the first two lines must be preserved to enable GIA to provide an independent overview to GAC 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 of defence take place it should be exceptional and approved by the GAC.

The GIA methodology provides a series of different assurance responses to a variety of scenarios to give the stakeholders the best assurance as follows:

- *risk-based internal audits* - GIA's standard audit response, this 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 High and Very High 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 key controls as well as the commercial aspects of the programme, such as benefits realisation;
- *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 GAC, including thematic reporting. Quarterly reporting is provided to the GAC, where the Group Chief Internal Auditor attends GAC 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.

Independence of the internal audit function

To ensure the independence of GIA, the Group Chief Internal Auditor is accountable to the EIG GAC Chair, reports administratively to the Group CFO and has access to the Chairman of the EIG Board.

Financial independence, essential to the effectiveness of internal auditing, is provided by the GAC 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 GAC will review the redactions and confirm (or otherwise) to the Group Chief Internal Auditor whether the redactions are appropriate.

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

B.6 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 of Actuaries Chief Actuary certificate. 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 an Actuarial Function Director, who is an experienced qualified actuary, holding an Institute of Actuaries Chief Actuary certificate. The Actuarial Function Director uses other actuarial and appropriately experienced resources to discharge his responsibilities, ensuring an appropriate level of independence between those carrying out activities and those reviewing work.

The Actuarial Function 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.

B.7 Outsourcing

Outsourcing policy

The Group's procurement and outsourcing policy is to 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 Group's compliance with regulatory obligations and not increasing the Group's exposure to operational risk.

The Group 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 Group 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.

Outsourcing of critical or important functions or activities

The Group has outsourced services in respect of the provision of legal expense handling, off-site document and media storage, workplace recovery sites, IT data lines provision and management and IT infrastructure support. All outsource providers operate from within the United Kingdom.

Intra-group outsourcing

The Group's investment management activity is outsourced to a subsidiary company, EdenTree Investment Management Limited, with a comprehensive investment management agreement in place. The Group and EdenTree outsource Trustee services and Custodian and Dealing services.

B.8 Any other information

There is no other material information to report regarding the system of governance of the Group.

C. Risk profile

This section provides information on each risk category setting out material exposures, risk concentrations and risk mitigation techniques.

Underwriting and market risks represent the most material areas of exposure for the Group and a quantitative breakdown for these risks is provided in Sections C.1 and C.2 respectively, to give context to the impact of these risks to the SCR. Movements in the SCR values compared to the prior year are covered in section E.2.

In Section C.7, an overview of key sensitivities, stress and scenario testing, and reverse stress testing is provided. This analysis plays a material part as a key risk management tool for the Group, enabling an assessment of the robustness of the business plan, and facilitating greater understanding of the impact of risks to which the business is exposed.

C.1 Underwriting risk

Underwriting risk exposure

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

Solvency Capital Requirement- Underwriting risk	2019	2018
	£'000	£'000
Premium risk	108,021	126,229
Reserving risk	81,069	77,788
Diversification	(51,599)	(55,660)
Non-life underwriting risk	**137,491**	**148,357**
Life underwriting risk	**2,977**	**2,724**

General Business

The elements of the Group'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; and
- *Reserving risk* – the risk of adverse change in the value of insurance liabilities relating to outstanding claims from prior accident years, arising from differences in the timing and amount of claims settlements and related expenses from those assumed in the best estimate reserves.

Premium risk

The underwriting risk for the Group 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 Group remains exposed to significant residual risk due to 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 Group 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. Many have undergone a significant amount of renovation and repair work following the material weather events of 1987 and 1990. In other territories, earthquake is the main tail catastrophe underwriting risks for Canada and Australia.

Within non-catastrophe underwriting risk, the potential for a disaster scenario arising from substantial levels of attritional or large claims is relatively low, particularly taking into account the Group's reinsurance structure. Nevertheless, the non-catastrophe underwriting result can materially worsen the Group's result in low return periods, particularly due to certain risks that benefit less from reinsurance cover. Other key risks include poor premium rates, poor weather experience and the occurrence of multiple large property losses.

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

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

Reserving risk

Reserving risk is the risk of actual claims payments exceeding the amounts 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. The Group's ORSA is carried out on an ultimate basis, including allowance for all future deterioration.

Latent reserving risk (such as physical and sexual abuse (PSA) and asbestosis claims) 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. Exposure to PSA liability claims is a distinctive feature of the Group's risk profile, which arises primarily from historic coverage of the core church book.

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

The Group has regular monitoring and review processes in place to assess reserving risks, such as actual versus projected claims analyses and assessment of PSA incurred claim volumes.

There have been no material changes to reserving risk during the year.

Life Business

The Group is exposed to only a limited level of life business underwriting risk. Nearly all of the policies pay a benefit on death of the life assured to provide payment for a funeral. In the current interest rate environment the reserve held for each policy is in excess of the current benefit levels. As benefit amounts increase with inflation there is a risk that the population of lives assured survive longer than assumed in the reserving calculations and that an inflation-linked return cannot be achieved on the assets backing the reserves held.

With the Group no longer underwriting new life insurance policies the nature of life business insurance risk that it is exposed to does not change over time. The risk exposure is measured as part of the ongoing process of valuation of the Group's liabilities and the mortality experience of the portfolio is investigated annually.

Over the year there has been no significant change in the risk exposure.

Underwriting risk concentration

General Business

The Group's business model gives rise to a number of risk concentrations. As a specialist niche insurer the Group writes predominantly property and casualty business concentrated in a small number of clearly defined niches. The focus on certain niches, specifically faith and education, gives rise to a concentration in respect of PSA risks.

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

Concentrations arising in high-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.

Life business

All policies have been underwritten in the UK on lives of older UK residents, but there is no identified further concentration of risk.

Underwriting risk mitigation

General business

Reinsurance is a key tool for the Group in mitigating underwriting risk. Risk measurement and sophisticated modelling and analysis are used to establish the impact and value of reinsurance. Reinsurance programmes are then arranged at both local and group levels. Global reinsurance relationships are developed strategically and transparently, and are overseen by the Group Reinsurance Board which approves all strategic reinsurance decisions.

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

Group underwriting and reserving policies and procedures, and risk appetite statements are in place to limit insurance 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.

The Group has an Insurance Risk Committee, chaired by the Group Underwriting Director, which is responsible for the oversight of the non-life insurance risks of the Group. The committee reports to the GRC, which provides challenge on the management of insurance risks and monitors overall risk exposure. There are also additional bodies such as the Catastrophe Risk Management Group which carries out close oversight of the catastrophe model outputs and the PSA Governance Committee which oversees PSA claims and the PSA reserving model.

Life business

This risk has overlaps with market risk as it relates to reinvestment risk in the event of increased longevity. The primary technique for mitigating this risk is to match assets to expected duration of payment. This position is monitored at least annually by the Actuarial Function who also monitor the Group's and the wider population's experience to ensure that reserving assumptions remain appropriate.

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 Group's level of exposure to market risk:

Solvency Capital Requirement- Market risk	2019	2018
	£'000	£'000
Market risk - excluding pension assets	178,596	153,897
Market risk - pension asets	81,598	74,382
Diversification	(11,381)	(8,402)
	248,813	**219,877**

Market risk exposure

Market risk is the risk that the Group 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 Group is exposed to are:

- *equity risk* - this represents the largest market risk for the Group, arising from exposure to global equity investments;

- *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;
- *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;
- *spread risk* - arising from the possibility of deterioration in the credit rating of corporate bonds or changes in market spreads of corporate bond yields over risk-free rates;
- *credit risk (bond default)* - arising from the possibility of default of corporate bonds; and
- *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 Group is also exposed to market risks through its sponsorship of a defined benefit pension scheme. Within the pension scheme, the main risk exposures arising are equity risk, property risk, interest rate risk, spread risk, currency risk and inflation risk.

There has been no material change in the Group's overall exposure to market risk during the year due to the relative stability of asset mix. However, Company stand-alone market risk capital has increased by £30 million, largely in response to equity gains over the year.

Compliance with prudent person principle

The Group 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 Group to fully understand the risks in the assets.

The investment strategy aligns to the Board group risk appetite and the Group's investment risk and return objectives. 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 Finance & Investment Committee of the Board. The level of such investments at EOY 2019 is only 8% of overall investments.

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 cashflows to match those of the liabilities.

Derivatives held over the reporting period have been used only for the purpose of management of risk exposures for both equity risk and currency risk.

All investment risk exposures are monitored regularly, and are overseen by the Group Market and Investment Risk Committee, which provides reports to the GRC, and the Finance & Investment Committee, which are both committees of the Board.

Market risk concentration

The largest single investment is a holding in shares of Fundacion Mapfre, representing 7% of total investments. The majority of remaining market risk exposure is located in the UK. The largest exposure is to the UK government, with 7% of total investments being in UK gilts, as at year end 2019. There are no other material concentrations of market risk as the portfolio is well diversified.

Market risk mitigation

The Group uses derivatives to mitigate equity risk by reducing the effective exposure to equity markets when the assessment of market conditions has resulted in a reduced appetite for bearing this risk. Throughout 2019, the Group held put options in order to mitigate equity risk. Regular investment performance and risk reports provide information that allows 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 cashflow position is monitored as part of the investment strategy review each year and adjusted as determined to be appropriate.

Interest rate and inflation risks are material risks arising in the pension fund. These are primarily mitigated by the fund's investment in a liability driven investments portfolio that hedges approximately 60% of these risks.

All liabilities are matched with assets in the same currency, so mitigating currency risk. Throughout 2019 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.

The Group continues to monitor factors affecting investment markets. Despite ongoing volatility in investment fair values and currency exposure during 2019, the net impact on the Group's solvency cover has been relatively low.

Market risk sensitivity

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

C.3 Credit risk

Credit risk exposure

The most material credit risk that the Group 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 Group 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.

There have been no material changes to the exposures over the reporting period.

Credit risk concentration

The Group has risk appetite limits in place which limit exposure to any single reinsurer group. The largest individual reinsurance balance owed at 31 December 2019 was approximately £2.2m.

Credit risk mitigation

The Group has a wide, well-diversified panel of reinsurers, thereby diversifying the risk exposure. The Group only uses reinsurers with strong credit ratings and all those participating are approved and monitored regularly by the Group's Reinsurance Security Committee.

The Group carries out due diligence assessments for brokers that have credit facilities, with ongoing monitoring of the credit status and experience of making timely payments.

The Group's risk appetite sets limits for the exposure to individual counterparties for cash deposits. These depend on the credit ratings of the counterparties and exposures are monitored daily.

Credit risk sensitivity

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

C.4 Liquidity risk

Liquidity risk exposure

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

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 Group 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.

Liquidity risk concentration

The Group 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.

Liquidity risk mitigation

The Group 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. Over 80% of the Group's investments are held in highly liquid assets so should be readily accessible in stressed circumstances.

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 Group'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 Group also maintains a well-diversified panel of strongly rated reinsurers to minimise the potential for over-reliance on any one reinsurer, as discussed in Section C.3.

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.

Liquidity risk sensitivity

The nature of the Group'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 the Group's 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. An even more extreme stress is also modelled whereby quicker claims payments are required and multiple reinsurers fail, but sales of collective funds, equities or property are still not required under this scenario.

The scenario analysis confirms that there is sufficient liquidity in the Group'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.

Expected profit in future premiums

Expected profits in future premium are calculated using the expected combined operating measure derived from realistic business plans and applied to the future bound premium, including current premium debtors. The result is apportioned to the line of business using the profile of premium written.

The total amount of the expected profit included in non-life future premiums as calculated in accordance with Article 260(2) of the Delegated Act is £6,978k.

The total amount of expected profit included in future life premiums is £4k.

C.5 Operational risk

Operational risk exposure

The Group 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 Group'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 evolve across the industry.

The Group's 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.

Operational risk concentration

With respect to operational risk concentration, there are a number of key systems that support business operations including underwriting and claims management. This naturally creates an operational risk concentration. Given the efficiencies to be gained from shared systems, this concentration will remain over the short to medium term and has been accepted, although it is regularly monitored.

Operational risk mitigation

The Group accepts operational risk as a natural consequence of doing business. Mitigation techniques with respect to operational risk focus on the use of preventative and detective controls. Preventative controls are sought to either avoid a particular risk materialising or lessening its impact if it does. Detective controls also provide value in helping to flag that a risk exposure is changing or is impacting business activities in a particular way. This allows corrective actions to be taken or planned to ensure that the risk exposure will not threaten the achievement of the strategic objectives of the Group.

The Group Operational, Regulatory and Conduct Risk Committee provides oversight of the relevant risks across the Group.

The Group 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, a proactive compliance function and by embedding understanding of legal and compliance requirements.

Conduct risk has long been considered an important risk, and part of the wider regulatory and legal risk universe. 'Customer Promises' have been developed by all SBUs within the Group and a robust proposition review process ensures that the customer is at the heart of all activities and that products and services are developed, distributed and maintained ethically, transparently and offering value for money.

Information security and specifically cyber are also key operational risks for the Group. Cyber risk is critical due to the ever changing threats and increased volumes of malicious attacks seen across all types of businesses. This risk is managed by a wide-ranging set of preventative and detective controls which are under constant review and the Group has a dedicated cyber security consultant.

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. Examples include an information security breach and systems unavailability.

These scenarios have a modest impact on the Group's short to medium term solvency. The conclusion is that the Group's solvency coverage is resilient to quite extreme adverse operational risk scenarios.

C.6 Other material risks

Other material risk exposure

The Group's other material risks are strategic, group and reputational risk.

Strategic risk relates to risks associated with the effective development and ongoing implementation of the Group'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 Group 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 markets or setting a strategy without due regard to the capability within the Group.

Group risk relates to exposures resulting from having a group of operating companies. Particular risks that are relevant are contagion and contamination. These involve the risk that financial problems in one member of a group can cause deterioration in other group members or the risk of financial distress or other adverse events in one Group company causing damage to the reputation of other firms within the Group.

Reputational risk relates to exposures that would result in negative reputational impacts upon the Group 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 the Group's vision of being the most trusted and ethical specialist financial services group. Risks to the Group's brand and reputation are inherently high in an increasingly interconnected environment, with the risks of external threats such as cyber security attacks, and viral campaigns through social media always present. The ongoing IICSA inquiry and related PSA issues continue to be a key area of management focus. There have been no other changes to these risks over the reporting period.

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 Group'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

Stress & scenario testing

The business plan is subject to a wide range of single and combination scenarios that explore the impact that risk events can have on the business. Each scenario represents an extreme yet plausible event that could impact the business plan, operations and financial health of the Group. 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:

- higher than planned attritional claims;
- deterioration in PSA reserves;
- reduction in GWP year on year;
- windstorm catastrophe event combined with reinsurer default;
- increase in operating expenses and broker commissions;
- market fall;
- sustained economic downturn; and
- market fall combined with a windstorm catastrophe event and a reinsurer default.

The impact of the single scenarios is in line with Group 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.

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 Group 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 Group and confirms the business model is sufficiently resilient.

D. Valuation for solvency purposes

All material asset and liability classes other than TPs have been valued in accordance with Article 75 of the Directive and Articles 7 to 16 of the Delegated Act, taking into account the following European Insurance and Occupational Pensions Authority ('EIOPA') publications:

- *EIOPA-BoS-14/170 – Guidelines on treatment of related undertakings, including participations;*
- *EIOPA-BoS-14/181 – Guidelines on group solvency; and*
- *EIOPA-BoS-15/113 – Guidelines on recognition and valuation of assets and liabilities other than technical provisions.*

TPs have been valued in accordance with Articles 76 to 86 of the Directive.

Material assets and Liabilities are defined as assets and liabilities that are valued in excess of £6.2m (Equivalent to 1% of International Financial Reporting Standards (IFRS) net assets).

As permitted by Article 9 of the Delegated Act, the valuation of assets and liabilities are based, where appropriate, on the valuation method used in the preparation of the annual financial statements. The financial statements have been prepared in accordance with IFRS and audited by external auditors.

International Accounting Standard (IAS) 39, Financial Instruments: Measurement and Recognition, requires the classification of certain financial assets and liabilities into separate categories for which the accounting requirement is different.

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.

The Group has adopted IFRS 16 using the modified retrospective approach, as permitted by the standard. On adoption of IFRS 16, the Group 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 have been 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.

Further information regarding the adoption of IFRS 16 can be found in note 1 'Accounting Policies' of the Ecclesiastical annual report and accounts for 2019, which is available on the Group's website.

D.1 Assets

Solvency II valuation of assets

A copy of the quantitative reporting template (QRT) 'S.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 Group. The table below summarises the SII 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 II valuation		2019 As reported IFRS Basis	Unconsolidate non-insurance undertakings	Reclassify to aid comparison	2019 Reclassified IFRS	Net valuation difference	2019 Solvency II Valuation
		£'000	£'000	£'000	£'000	£'000	£'000
	Total Assets	1,758,868	(234,088)	(111,428)	1,413,352	(163,384)	1,249,968
	Total liabilities	1,136,502	(234,088)	(111,428)	790,986	(97,974)	693,012
	Net assets	622,366	-	-	622,366	(65,410)	556,956
Breakdown of asset valuation							
Goodwill		44,520	(7,479)	-	37,041	(37,041)	-
Intangible assets		19,891	(3,047)	-	16,844	(16,844)	-
Deferred acquisition costs		38,199	-	-	38,199	(38,199)	-
Deferred tax assets		3,184	(981)	-	2,203	(286)	1,917
Pension benefit surplus		8,505	-	-	8,505	-	8,505
Property, plant & equipment held for own use		22,808	(4,563)	-	18,245	-	18,245
Investments	Participations	5,171	29,828	7,644	42,643	(15,578)	27,065
	Other	1,016,363	(1)	4,797	1,021,159	8	1,021,167
Loans & mortgages		4,542	(1)	-	4,541	153	4,694
Reinsurance recoverables	Non-life	159,556	-	(13,068)	146,488	(50,002)	96,486
	Life	183,288	(183,288)	-	-	-	-
Insurance & intermediaries receivables		97,927	-	(90,413)	7,514	-	7,514
Reinsurance receivables		11,177	-	(11,125)	52	-	52
Receivables (trade, not insurance)		45,279	(24,848)	(6,385)	14,046	(5,595)	8,451
Cash and cash equivalents		98,369	(41,546)	(1,034)	55,789	-	55,789
Any other assets, not elsewhere shown		89	1,838	(1,844)	83	-	83
Total assets		1,758,868	(234,088)	(111,428)	1,413,352	(163,384)	1,249,968

The table includes reclassification of certain IFRS assets and liabilities to aid comparability. This has been done as items such as creditors arising from reinsurance contracts, which are included within other liabilities in the financial statements, are included within the valuation of reinsurance recoverables for SII 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.

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

Goodwill

Goodwill in the financial statements represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets and liabilities acquired at the date of acquisition. SII requires goodwill to be valued at nil.

Intangible assets

Intangible fixed assets are valued at amortised cost in the financial statements. For SII 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 acquisition costs

In the financial statements a proportion of commission and other acquisition costs relating to unearned premiums is deferred and amortised over the period in which the related revenues are earned. For SII deferred acquisition costs have a nil value as they have no future cash flow and therefore have no fair value.

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.

For SII, deferred tax has been recalculated to take into account the valuation differences between the financial statements and the SII valuation of assets and liabilities. As this timing difference is not expected to reverse in the foreseeable future, the tax rate used is 17%, being the future rate used in the annual report and accounts.

Pension benefit surplus

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

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

Plan Assets	2019	2018
	£'000	£'000
Government bonds	4,027	3,861
Corporate Bonds	79,836	74,577
Listed Equity	158,999	138,455
Unlisted Equity	779	925
Investment funds	69,113	59,526
Collateralised securities	542	562
Cash and cash equivalents	19,546	20,387
Investment Property	43,659	44,702
Derivatives	2,396	(1,981)
Other	787	855
	379,684	**341,869**

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.

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	2019	2018
	£'000	£'000
Property improvements, fixtures and fittings & computer equipment	6,047	4,060
Owner occupied property	2,445	2,445
Motor vehicles	24	1,336
Right of use assets - property	8,702	-
Right of use assets - motor vehicles	1,027	-
	18,245	**7,841**

Property improvements, fixtures and 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 SII economic value and their IFRS value would not be material.

A valuation of owner-occupied property is undertaken by an external valuer every three years for the financial statements. As any change in value through using a more frequent annual valuation would not be material, no adjustment to this value is made for the SII valuation.

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 SII economic value and their IFRS value would not be material.

Motor vehicles are valued on an amortised cost basis in the financial statements. Their IFRS carrying value is assumed to be an acceptable approximation of fair value. A proportional approach has been taken as any discrepancy between their SII economic value and their IFRS value would not be material.

Following the adoption of IFRS 16, Motor vehicles held under finance leases previously shown as 'motor vehicles' have been reclassified as 'right of use assets' and valued accordingly.

Investments – participations (subsidiary undertakings)

The Group's financial statements fully consolidate all of the group's subsidiaries. Under SII, only insurance companies, insurance holding companies and ancillary service companies of the Group are fully consolidated.

The tables above and in section D.3 therefore include a column where the assets and liabilities of other subsidiaries are removed from the IFRS consolidation and included in ‘participations’ as a single value.

The value of the Group’s investment firm, EdenTree Investment Management Limited has been valued under sectoral rules for SII (unaudited), as required by Articles 329 and 335 of the Delegated Act.

As all the remaining participations that are not fully consolidated are unlisted companies, the preferred SII valuation method of using quoted market prices as required by Article 13(1)(a) of the Delegated Act is not possible.

The alternative method has therefore been adopted whereby each participation’s assets and liabilities are valued on a SII basis and the resulting value recognised using the adjusted equity method in accordance with Article 13(1)(b).

Key drivers for the difference in valuation of participations (£15,578k) are the removal of goodwill, intangible assets and prepayments.

Investments – other

Other investments comprises property, equities, corporate and government bonds, investment funds, derivatives and deposits.

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 GAC.

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 Group's functional currency and adjusted to reflect illiquidity where appropriate, with the fair values disclosed being directly sensitive to this input.

Accrued interest of £3,731k included within ‘receivables (trade, not insurance)’ in the financial statements have been moved to investments as bond valuations are inclusive of accrued interest for SII. This is a presentational difference only with no change in value.

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

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

Loans are carried at amortised cost using the effective interest method, which is assumed to approximate to fair value. Loans are recognised when cash is advanced to borrowers. To the extent that a loan or receivable is uncollectable, it is written off as impaired.

For SII these balances are valued at the present value of their expected future cash flows. The key assumptions used in the valuation are loan duration, interest rate and discount rate. The interest rate is as defined in the loan agreement, and is typically based on a fixed margin above the Bank of England Base Rate. The discount rate used is taken from the risk-free curves published by EIOPA.

Reinsurance recoverables

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

Insurance & intermediaries receivables and reinsurance receivables

Due to the short term nature of the outstanding balances, their amortised cost is assumed to approximate to their fair value. Under SII only amounts past their due date are included in insurance and intermediaries receivables and reinsurance receivables. Amounts not past their due date form part of TPs (See 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 SII is the same as in the financial statements except for £5,595k 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 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.

Differences between group- and subsidiary- level valuation basis

There are no material differences in the bases, methods and main assumptions used at Group level for the valuation for SII purposes of the Group's assets compared with those used by the Group's subsidiaries for their own solvency purposes.

D.2 Technical provisions

Solvency II valuation of technical provisions and assumptions used

Non-life technical provisions

Under SII non-life TPs are made up of:

- discounted best estimate claims provisions;
- discounted best estimate premium provisions; and
- risk margins (unaudited).

The 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 Actuarial Function Director, and ultimately by the Board via the GAC. 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;
- simplified methods like 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.

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

The reinsurer's share of 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

The two major contributors to the TPs are the 'general liability' (68% of TPs) and 'fire and other property damage' (30% of TPs) 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 & 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. The EIOPA prescribed UK risk free rate decreased over 2019 which resulted in an increase in the discounted latent provisions.

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. The line of business continues to reduce in significance over time.

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.

Risk margin (unaudited)

The SII risk margin is the present value cost of capital for a reference undertaking subject to a Solvency Capital Requirement (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 is derived using the PRA approved internal model, 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 SII 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 SII principles this margin is not allocated as gross and ceded, but is a single value based on the risk net of reinsurance.

Life technical provisions

The Group has only one material line of life business; whole of life policies backing funeral plans.

The TPs are valued by projecting probability-weighted future cash-flows using best-estimate assumptions and discounting these to the reporting date using the risk-free discount curve specified by EIOPA. The main assumptions made for this are:

- mortality – 96% of population mortality tables, ELT16M (males) and ELT16F (females) in 2020 with improvement of 1% per annum in future years;
- benefit escalation (Retail Prices Index (RPI)) – derived from market inflation swap rates at the reporting date (31 December 2019); and

- future renewal expenses - £13.20 per policy per annum, inflating at RPI (as above) plus 0.75% per annum.

Level of uncertainty

Non-life technical provisions

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.

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.

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.

Life technical provisions

Judgement is made to derive all of the assumptions used in the calculation of TPs. For each of these the actual future outcomes may differ from the values assumed, so giving uncertainty in the value of TPs.

The assumed level of future inflation will affect the value of assumed future benefit payments and so the value of TPs. The assumptions are derived from market swap rates at the reporting date and are consistent with the methodology used to set the risk free yields.

The assumption of future levels of mortality will have a relatively minor impact on the value of TPs. Experience of this portfolio of business has been sufficiently credible to give comfort that the level of mortality in 2020 will not deviate materially from the base level assumption. For the future improvements in mortality, the uncertainty that would lead to an increase in value of liabilities is related to greater annual rates of improvement than assumed.

The expenses incurred in running off the in-force business could differ from assumed levels, though the expense base for the life business has been relatively stable in recent years.

Comparison of solvency II technical provisions with valuation in annual financial statements

Non-life technical provisions

The building blocks making up the TPs can be split between those for which the valuation methodology is compatible between SII and current IFRS, and those which by requirements of the SII 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 SII discount rate is prescribed by EIOPA and applied to the total reserves, whereas the discount rate used in the IFRS accounts currently includes an input for liquidity premium based on actual assets held, and discounts only the latent classes of claims.

Non-life net technical provisions	2019 £'000	2018 £'000
IFRS Technical Provisions net of deferred acquisition costs, debtors and creditors	434,708	414,612
Adjustment for risk margin (unaudited)	(7,022)	(10,536)
Adjustment for discounting	12,552	14,834
Other adjustments	(13,428)	(9,845)
SII Net technical provisions	426,810	409,065

The adjustment for risk margin reflects the difference between the Board's appetite for sufficiency of reserves and the requirement under SII 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 SII and inclusion of ENID in the best estimate under SII.

Life technical provisions

A key difference between the valuation of liabilities for solvency purposes and those used in the financial statements is that the latter includes a margin for each assumption whereas the former uses best estimates and incorporates an explicit risk margin. The underlying best estimates are the same for both bases.

Life net technical provisions	2019 £'000	2018 £'000
IFRS reserves	79,213	81,964
Expenses assumed	(3,409)	(3,032)
Real interest rate	2,279	1,998
Investment expenses	(57)	(180)
Mortality	(1,193)	(1,084)
Premium debtors	(252)	(339)
Explicit Risk Margin (unaudited)	2,346	2,046
SII Net technical provisions	78,927	81,373

In addition the SII valuation discounts cash flows using a risk-free curve derived from swap rates with the addition of a volatility adjustment (15 basis points at 31 December 2019), whilst the valuation for the financial statements uses a flat discount rate based on the risk-adjusted yield of the assets backing the insurance liabilities.

The expenses assumed in future cashflows differ between the bases; the SII basis assumes that a unit expense at the current level, which has been benchmarked against industry levels, will continue to be incurred into the future. For the financial statements it is assumed that a material element of the expense base is not fully linked to policy volumes.

Differences between group- and subsidiary- level valuation basis

There are no material differences in the bases, methods and main assumptions used at group level for the valuation for solvency purposes of the Group's life and non-life TPs compared with those used by the Group's subsidiaries for their own solvency purposes.

Use of the matching adjustment

The matching adjustment has not been used in the calculation of life or non-life TPs.

Use of the volatility adjustment

The volatility adjustment is used to calculate the value of life technical provisions for the single premium funeral plan business.

If the volatility adjustment was changed to zero, the impact would be an increase in technical provisions of £1,219k, an increase in the SCR of £26k and a decrease of £1,219k in both basic own funds and amount of own funds eligible to cover the SCR and the minimum group SCR.

Use of the transitional risk-free interest rate-term structure and the Article 308[d] transitional deduction

The transitional risk-free interest rate term structure and transitional deduction are not applied in calculating the life or non-life TPs.

Recoverables from reinsurance contracts and special purpose vehicles

Non-life technical provisions

The non-life 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 TP.

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 losses occurring basis, the TP includes any future cost not yet recorded elsewhere on the balance sheet in respect of obligated business.

Life technical provisions

There are no recoverables assumed from reinsurance contracts or special purpose vehicles. This is unchanged from the previous reporting period.

Material changes in the assumptions made in the calculation of technical provisions compared with the previous reporting period

Non-life technical provisions

There have been no significant changes to previously used assumptions for non-life TPs.

Life technical provisions

The most material changes in the relevant assumptions made in the calculation of TPs compared to the previous reporting period are those reflecting economic conditions and outlook at the reference dates of the respective calculations. A reduction in real interest rates has led to an increase in the value of TPs from the values based on the previous year's assumptions.

D.3 Other liabilities

Solvency II valuation of other liabilities

A copy of the QRT 'S.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 Group.

The table below summarises the SII 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 II valuation		2019 As reported IFRS Basis	Unconsolidate non-insurance undertakings	Reclassify to aid comparison	2019 Reclassified IFRS	Net valuation difference	2019 Solvency II Valuation
		£'000	£'000	£'000	£'000	£'000	£'000
Total Assets		1,758,868	(234,088)	(111,428)	1,413,352	(163,384)	1,249,968
Total liabilities		1,136,502	(234,088)	(111,428)	790,986	(97,974)	693,012
Net assets		622,366	-	-	622,366	(65,410)	556,956
Breakdown of liability valuation							
Technical provisions	Non-life	684,765	-	(88,108)	596,657	(73,361)	523,296
	Life	262,501	(183,289)	(252)	78,960	(33)	78,927
Provisions other than technical provisions		5,435	(673)	-	4,762	-	4,762
Pension benefit obligations		10,976	(4,978)	-	5,998	-	5,998
Deferred tax liabilities		36,532	54	-	36,586	(2,333)	34,253
Derivatives		-	-	-	-	-	-
Debts owed to credit institutions		14,510	(3,127)	-	11,383	-	11,383
Insurance & intermediaries payables		2,215	-	(2,215)	-	-	-
Reinsurance payables		26,653	-	(26,653)	-	-	-
Payables (trade, not insurance)		69,869	(41,261)	5,800	34,408	(71)	34,337
Any other liabilities, not elsewhere shown		56	-	-	56	-	56
Deferred income		22,990	(814)	-	22,176	(22,176)	-
Total liabilities		1,136,502	(234,088)	(111,428)	790,986	(97,974)	693,012

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.

Technical provisions – life and non-life

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

Provisions other than technical provisions

Provisions are recognised when the Group 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 Group 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.

Pension benefit obligations

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

Deferred tax liabilities

The calculation of deferred tax in the financial statements is covered in deferred tax assets in section D.1. For SII, the deferred tax liability has been recalculated to take into account the valuation differences between the financial statements and the SII valuation of assets and liabilities. The liabilities are mainly in relation to unrealised gains on financial investments.

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 Group. Assets obtained under finance lease contracts are capitalised as property, plant and equipment and are depreciated over the period of the lease. Obligations under such agreements are included within liabilities net of finance charges allocated to future periods.

Insurance & intermediaries payables and reinsurance payables

Due to the short term nature of the outstanding balances, their amortised cost is assumed to approximate to their fair value. Under SII only amounts past their due date are included in insurance & intermediaries payables and reinsurance payables as amounts not past their due date form part of TPs (Section D.2).

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 unpresented cheques which are removed in the SII valuation as they have no economic value.

Deferred commission income

As with deferred acquisition costs, covered in section D.1, deferred commission income has not been recognised in the SII valuation as they have no future cash flow and therefore have no fair value.

Differences between group- and subsidiary- level valuation basis

There are no material differences in the bases, methods and main assumptions used at group level for the valuation for solvency purposes of the Group's liabilities compared to those used by the Group's subsidiaries for their own solvency purposes.

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.

E. Capital Management

E.1 Own funds

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

Own Funds	2019 £'000	2018 £'000
Solvency II valuation of assets	1,249,968	1,201,119
Solvency II valuation of liabilities	(693,012)	(655,582)
Excess of assets over liabilities	556,956	545,537
Qualifying subordinated debt	-	-
Foreseeable distributions	(4,446)	(4,445)
Non-available own funds at group level	(17,859)	(17,102)
Total eligible own funds	**534,651**	**523,990**

The excess of assets (section D.1) over liabilities (section D.3) plus qualifying subordinated debt less any foreseeable distributions and non-available own funds at group level, constitutes total eligible own funds that are available to meet the group SCR. The Group has no subordinated debt.

Foreseeable distributions are future material expense items at Group level such as dividends that have been approved for payment by the Board. The June 2020 payment to minority interests have been approved for payment by the Board of EIO and therefore has been included as a foreseeable distribution.

Due to the requirement for regulated undertakings within the Group to retain sufficient eligible own funds to cover their own solvency requirement, not all own funds of each undertaking can be freely moved around the Group and therefore may be unavailable to the Group to cover the Group SCR. This is referred to as 'non-available own funds at group level'.

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 Group.

The policy provides a robust framework for the management and control of capital that underpins business performance and supports the strategic development across the Group.

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 Group 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 subsidiaries and branches in order to satisfy local capital requirements (regulatory or otherwise);
- ensure that fungiblity restrictions are carefully monitored and controlled to avoid having a detrimental impact on the Group's solvency position, regulatory or otherwise;
- ensure that the level of capital available in the Group, 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 solvency capital requirements

- ensure all current and future capital requirements, regulatory or otherwise, are understood at all times;
- ensure the Group has an agreed definition of an 'Economic Capital Requirement', reflecting its own view of risk;
- ensure the Group 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 Group 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 Group 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 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 Group has an agreed return on capital target which is aligned to the expectations of all key stakeholders (i.e. the Board, ATL);
- ensure there is an agreed approach to setting and monitoring the return on capital of the Group and each business unit or risk;
- 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. The policy was last reviewed in November 2018. Reports detailing performance against this policy or any business critical changes will be reviewed periodically, but at least annually, by the GRC.

Business planning

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

Consolidation methodology

In accordance with Article 230 of the Directive method 1, the default method, is used to calculate the Group's solvency. This method fully consolidates all insurance companies, ancillary services companies and insurance holding companies in the Group.

The own funds of EdenTree, an investment firm, are calculated in accordance with its own sectoral rules as required by Articles 329 and 335 of the Delegated Act (*unaudited*). All remaining subsidiaries are consolidated using the adjusted equity method in accordance with Articles 13 and 335 of the Delegated Act.

Fungibility and transferability of group own funds (unaudited as derived from the SCR)

Due to the need for regulated undertakings within the Group to retain sufficient own funds to cover their own solvency requirement, not all own funds of each undertaking can be freely moved around the group and therefore is unavailable to the Group to cover the Group SCR.

Own funds that cannot be moved because it is required to cover an individual company's SCR or other local legal or regulatory requirement can only be recognised at the level of the Group to the extent that it contributes to the Group SCR. This is defined in Article 330 of the Delegated Act and explained in Guidelines 12 to 16 of 'EIOPA-BoS-14/181 – Guidelines on group solvency'.

Analysis of adjustments to group basic own funds		EIO	ELL	Ansvar Australia	EIG Parent	EIG Group
		£'000	£'000	£'000	£'000	£'000
Excess of assets over liabilities excluding intra group transactions						**556,956**
Foreseeable distributions						(4,446)
Restriction due to solo SII requirements						
Notional solo SCR based on group data	**(a)**	250,436	15,077	26,657	4,769	
Notional share of Group SCR	**(b)**	234,027	14,562	25,058	4,331	
Contribution ratio to Group SCR	**(b/a)**	93.4%	96.6%	94.0%	90.8%	
Stand-alone solo SCR	**(c)**	264,251	15,976	26,657	4,769	
Contribution of Solo to Group SCR	**(c x b/a = d)**	**246,937**	**15,431**	**25,058**	**4,331**	
Fungibility restrictions:						
Due to local capital requirement						
Own Funds		161,161	15,976	18,292		
Minority interest		103,090				
Due to deferred tax asset				1,917		
	(e)	264,251	15,976	20,209	-	
Unavailable at group level	**(If e>d)**	(17,314)	(545)	-	-	**(17,859)**
(Amount in excess of contribution to Group SCR)						
Available Group Own Funds						**534,651**
Unavailability split by tier:						
Tier 1						(11,105)
Restricted Tier 1 (Minority interest)						(6,754)
Tier 3						-
						(17,859)

Comparison between solvency II own funds and equity reported in the financial statements

As explained in section D.1, not all participations are fully consolidated for SII. The revaluation of those participations that are not fully consolidated is therefore shown as a single line entry. The change in value is due to the removal of intra-group transactions, goodwill, intangible assets and prepayments. Life and non-life TPs are valued on a SII basis as described in section D.2.

Reconciliation from IFRS net assets to Solvency II own funds	2019	2018
	£'000	£'000
Equity as reported in IFRS Financial Statements	**622,366**	**605,056**
Revalue participations	(14,975)	(10,715)
Revalue life technical provisions *	33	252
Revalue non-life technical provisions *	23,359	19,729
Remove deferred commission income and deferred acquisition costs	(16,023)	(14,470)
Remove goodwill and intangible assets	(53,885)	(48,557)
Remove prepayments and other items with no fair value	(5,363)	(5,495)
Impact of revaluation on deferred tax	2,047	860
Impact of valuing investment firm using sectoral rules (unaudited)	(603)	(1,123)
Solvency II valuation of excess of assets over liabilities	**556,956**	**545,537**
Foreseeable dividends & distributions	(4,446)	(4,445)
Group availability restriction	(17,859)	(17,102)
Solvency II Valuation of own funds	**534,651**	**523,990**

**** - Risk margin thereof unaudited***

The following are inadmissible or have no expected future cash flows and are removed from the SII valuation:

- deferred income and deferred acquisition costs;
- goodwill and intangible assets; and
- prepayments.

The difference between the Solvency II value of net assets and the value used for the calculation of tax gives rise to an adjustment to the deferred tax asset and liability. This is covered in sections D.1 and D.3.

As EdenTree is an investment firm, its net assets are removed from the SII consolidation and replaced by own funds valued in accordance with its own sectoral rules (unaudited).

As noted at the beginning of this section, foreseeable distributions are deducted from SII own funds, and the calculation of the group availability restriction is covered in the following section.

Movement in own funds compared to prior period

The table below shows the key movements in own funds by tier between the current and prior year:

Movement in Own Funds	Total	Tier 1		Tier 2	Tier 3
		Unrestricted	Restricted		
	£'000	£'000	£'000	£'000	£'000
Prior year balance	**523,990**	**422,441**	**100,218**	**-**	**1,331**
IFRS total comprehensive income	50,703	50,249	-	-	454
Preference dividends paid to minority interest	(8,891)	(8,891)	-	-	-
Acquisition of minority interest	-	-	-	-	-
Charitable grant paid net of tax relief	(24,503)	(24,503)	-	-	-
Movement in SII valuation of non-life technical provisions *	3,630	3,630	-	-	-
Movement in SII valuation of life technical provisions *	(219)	(219)	-	-	-
Movement in SII revaluation of participations	(4,260)	(4,260)	-	-	-
Movement in other SII deductions & revaluations	(6,749)	(6,749)	-	-	-
Movement in SII calculation of deferred tax	1,187	1,092	-	-	95
Movement in sectoral revaluation of investment firm (unaudited)	520	520	-	-	-
Movement in non-availability of Own Funds at group level	(757)	3,089	(3,883)	-	37
Total movement for year	**10,661**	**13,958**	**(3,883)**	**-**	**586**
Current year balance	**534,651**	**436,399**	**96,335**	**-**	**1,917**

**** - Risk margin thereof unaudited***

The £50,703k IFRS total comprehensive income is reported in the Group's financial statements and includes profit after tax of £58,018k, actuarial losses of £6,567k in respect of the Group's retirement benefit obligations and losses on currency translation of £748k.

Two key components of profit 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.

The adjustment to TPs has changed compared to last year due to movement in discount rates, and for life TP's changes in the real interest rates as covered in section D.2. The movement in other SII deductions includes adjustments for items that are inadmissible for SII such as prepayments, goodwill and intangible assets, which increased compared to last year. The movement in SII adjustment for deferred tax reflects the movement in adjustment for TPs and other SII adjustments.

A copy of the QRT 'S.23.01.22 – Own Funds' is included in Appendix 7. The table below is a summary of own funds by type, with comparison to the prior year:

Analysis of Own Funds	Total	Tier 1 Unrestricted	Tier 1 Restricted	Tier 2	Tier 3
2019	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Ordinary share capital	20,000	20,000	-	-	-
Minority interests	96,335	-	96,335	-	-
Amount equal to deferred tax asset	1,917	-	-	-	1,917
Reconciliation reserve	416,399	416,399	-	-	-
(Net of non-available items)	**534,651**	**436,399**	**96,335**	**-**	**1,917**
2018					
Ordinary share capital	20,000	20,000	-	-	-
Minority interests	100,218	-	100,218	-	-
Amount equal to deferred tax asset	1,331	-	-	-	1,331
Reconciliation reserve	402,441	402,441	-	-	-
(Net of non-available items)	**523,990**	**422,441**	**100,218**	**-**	**1,331**
Movement in own funds					
Ordinary share capital	-	-	-	-	-
Minority interests	(3,883)	-	(3,883)	-	-
Amount equal to deferred tax asset	586	-	-	-	586
Reconciliation reserve	13,958	13,958	-	-	-
(Net of non-available items)	**10,661**	**13,958**	**(3,883)**	**-**	**586**

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 Article 71 of the Delegated Act.

The minority interest is in respect of preference share capital issued by EIO. The minority interest is classified as restricted tier 1 capital as this is the tier classification of the underlying preference share capital of EIO.

The reconciliation reserve is primarily retained earnings from the financial statements adjusted for differences in valuation between the financial statements and SII, as covered in section D.

The movement in unrestricted tier 1 capital is in respect of the reconciliation reserve, including the movement in sectoral valuation (unaudited) of EdenTree, the Group's investment firm, and changes in the non-availability of own funds at group level.

Transitional arrangements

There are no own fund items that are subject to transitional arrangements.

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.

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

Analysis of eligible own funds available to cover Group SCR	2019 £'000	2018 £'000
Unrestricted tier 1 capital	436,399	422,441
Restricted tier 1 capital	96,335	100,218
Total eligible tier 1 capital	**532,734**	**522,659**
Restricted tier 1 relegated to tier 2	-	-
Other tier 2 capital	-	-
Total eligible tier 2 capital	**-**	**-**
Eligible tier 3 capital	**1,917**	**1,331**
Total eligible own funds*	**534,651**	**523,990**
Ineligible own funds	**-**	**-**
Total own funds*	**534,651**	**523,990**

- Including own funds of investment firm (unaudited)

The restricted tier 1 own funds cannot amount to more than 25% of unrestricted tier 1 own funds. The remainder is classified as tier 2 own funds. Tier 2 own funds cannot amount to more than 50% of the SCR and tier 3 own funds cannot amount to more than 15% of the SCR.

Eligible amount of own funds available to cover the Minimum Consolidated Group SCR

Analysis of eligible own funds available to cover minimum consolidated Group SCR	2019 £'000	2018 £'000
Unrestricted tier 1 capital*	436,399	422,441
Restricted tier 1 capital	96,335	100,218
Total eligible tier 1 capital	**532,734**	**522,659**
Restricted tier 1 relegated to tier 2	-	-
Tier 2 capital	-	-
Total eligible tier 2 capital	**-**	**-**
Total eligible own funds*	**532,734**	**522,659**
Ineligible own funds	**1,917**	**1,331**
Total basic own funds after deductions	**534,651**	**523,990**

- Excluding own funds of investment firm

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. Tier 2 capital cannot amount to more than 20% of the minimum group SCR and tier 3 capital cannot be used to cover the minimum consolidated group SCR. The ineligible capital represents the own funds classified as tier 3.

E.2 Solvency Capital Requirement [SCR] (unaudited) & Minimum Capital Requirement [MCR]

Consolidated group SCR (unaudited)

The SCR is the amount of capital that the Group is required to hold as required by the SII Directive. The Group uses a Partial Internal Model (PIM), which has been approved for use by the PRA, to calculate the SCR. The consolidated Group SCR adds to this the capital requirement of EdenTree, which is calculated in accordance with its own sectoral rules (unaudited), in line with Articles 329 and 336 of the SII Delegated Act.

The internal model is described in section E.4. A breakdown of the SCR elements applicable to the Group is given in the following section.

As at 31 December 2019 the SCR for the Group was £282,823k, and is still subject to supervisory assessment.

A copy of the QRT 'S.25.02.22 – Solvency Capital Requirement' is reproduced in Appendix 8.

Minimum group SCR

The minimum consolidated Group SCR, as defined in Article 331(2) of the Delegated Act and explained in Guideline 21 of the Group Solvency Guidelines is the sum of:

- the MCR of each EU insurance undertaking within the Group; and
- the local capital requirement of third country insurance undertakings.

The table below provides a breakdown of the Group minimum consolidated SCR (unaudited as derived from the SCR):

Minimum group solvency capital requirement	2019	2018
	£'000	£'000
MCR of Ecclesiastical Insurance Office plc	66,063	64,225
MCR of Ecclesiastical Life Limited	3,994	3,970
Local regulatory requirement of Ansvar Insurance ltd	18,292	15,603
Minimum group solvency capital requirement	**88,349**	**83,798**

SCR by risk module and Changes to the SCR and minimum group SCR compared to the prior period (unaudited)

Solvency Capital Requirement	2019 £'000	2018 £'000	Change £'000
Market risk	248,813	219,877	28,936
Counterparty default risk	13,482	13,528	(46)
Non-life underwriting risk	137,491	148,357	(10,866)
Life underwriting risk	2,977	2,724	253
Operational risk	33,369	31,105	2,264
Other risks	26,242	22,042	4,200
Diversification	(154,488)	(148,606)	(5,882)
Basic SCR	307,886	289,027	18,859
Loss absorbing capacity of deferred tax	(32,300)	(19,000)	(13,300)
Other adjustments	2,393	(806)	3,199
Consolidated SCR	277,979	269,221	8,758
Sectoral capital requirement of investment firm	4,844	4,800	44
Group SCR	**282,823**	**274,021**	**8,802**

Market risk has increased over the year, predominantly the result of increased equity exposure following growth in equity markets over 2019. The underlying view of the market (based on the ESG) has not changed materially.

Counterparty default risk is largely unchanged, since there have been no material changes in exposure over the period.

Within non-life underwriting risk, there has been a reduction in exposure to prior year risks as liability reserves continued to run off favourably, however, this has been offset by a reduction in discount rates over the year leading to an increase in Reserving risk. Premium risk has benefited from expected improvements in the underwriting result. This is partly offset by increases in natural catastrophe risk due to exposure growth across all territories.

The 2019 operational risk figure increased over the year following revaluation of the potential costs of an information security scenario.

Other risks mostly relates to the pension fund longevity risk, which increased during the year, largely due to an increase in the liabilities.

Diversification benefit is slightly higher than in 2018, owing to the increase in the underlying undiversified risks.

The 2019 LACDT adjustment has increased significantly following the removal of an adjustment previously used to remove deferred tax asset component balances within the overall closing net deferred tax liabilities. The removal of this conservative adjustment was subject to a major model change application and was approved by the PRA during 2019.

As the MCR for each EU insurance entity continues to be 25% of their respective SCR, the minimum group SCR has increased in line with the solo SCRs.

Group diversification (unaudited)

As shown above there is significant diversification benefit between risk types within the Group SCR.

This is mainly driven by diversification between market risk and non-life underwriting risk which are the two biggest risks, but are largely unrelated to each other. This is because non-life underwriting risk includes material natural catastrophe and latent reserving risks which have limited link to the economy, resulting in significant diversification benefit with market risks.

Within market risk, the pension fund is another key source of diversification for the Group. This is because market risk is largely driven by an equity led economic downturn, however the risk relating to pension liabilities creates a benefit in an economic downturn (through higher discount rates).

Within non-life underwriting risk there is also material diversification due to the geographical diversification between the territories insured, namely between Canada, Australia and the core UK insurance businesses.

Use of simplified calculations, Undertaking specific parameters and Use of the option provided for in the third subparagraph of Article 51(2) of Directive 2009/138/EC

No simplifications, undertaking-specific parameters or the duration-based equity sub-module have been used in calculating the SCR for the Standard Formula element of the Group’s Partial Internal Model.

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.

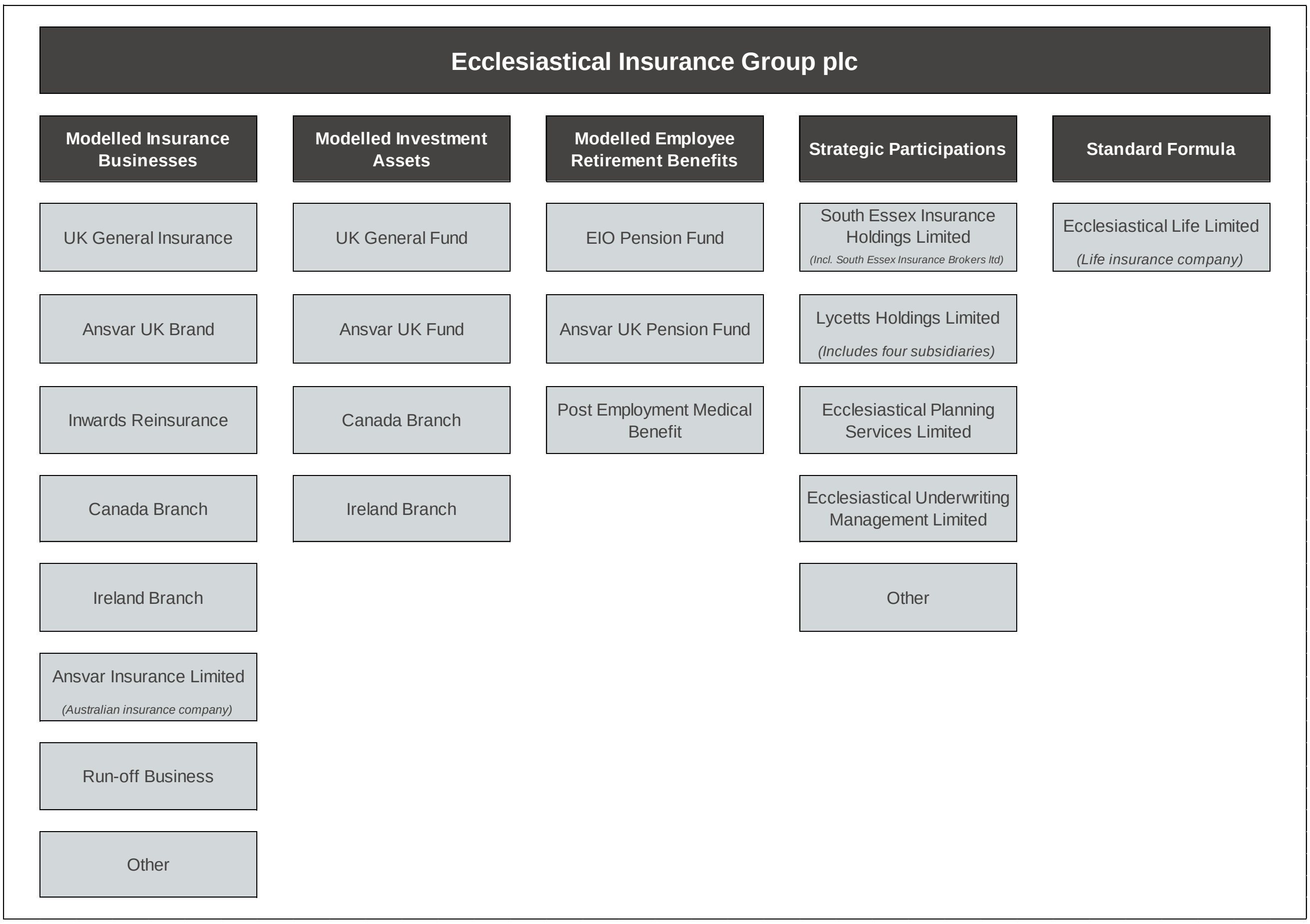
E.4 Differences between the standard formula and the internal model (unaudited)

For the purposes of calculating its SCR, the Group uses a partial internal model, as approved by the PRA. This is because the Group includes a subsidiary whose capital requirement is calculated using the standard formula.

The following sections describe various aspects of this Model.

Scope of the Partial Internal Model

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



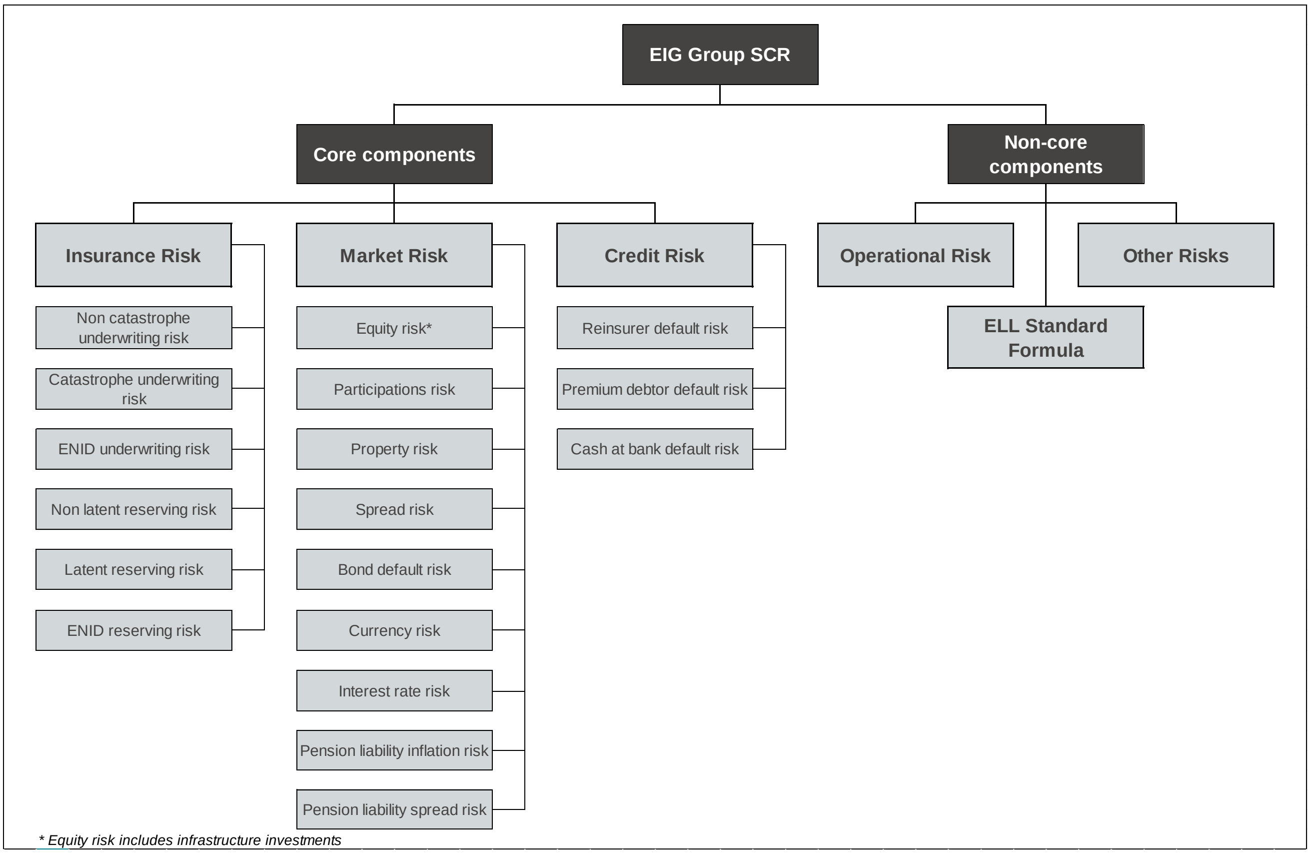
The PIM is intended to capture all the material financial risks within the Group. The most material risks relating to the general insurance business and market risk are captured within a core stochastic model.

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. This also includes the SCR for ELL which is calculated separately using the standard formula.

Finally, model adjustments are applied in order to derive the final capital requirement.

The methodology and risk type scope of the PIM is the same for all undertakings within the Group.

The diagram below illustrates the component risks within the PIM:



Use of the Partial Internal Model

The PIM 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, it is also widely used and fully integrated into decision making processes.

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

- setting of and monitoring the risk appetite;
- informing decisions relating to business strategy;
- output for the ORSA and other risk management analysis;
- setting of business plan assumptions;
- setting of investment strategy; and
- reinsurance programme design and strategy.

Methods used in the Partial Internal Model

Integration of the partial internal model

The technique for integrating the ELL standard formula result is consistent with Integration Technique 2 in Annex XVIII of the Delegated Regulation. This method involves aggregation of units from the model with modules of the standard formula. Correlations between modules and sub-modules calculated in the standard formula are set equal to those dictated within the standard formula. Other correlations required are subject to specific criteria and set in such a way that the overall SCR could not be higher.

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 Group'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.

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 PIM have been selected to agree to that set out in Article 101(3) of the Directive.

Data used in the Partial Internal Model

Calibration of the 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 Group relies on the appropriateness of market-standard external models.

The Group 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 Group's stated risk appetite.

Differences in methodologies between the IM and SF

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

Model Risk Category	Standard Formula Sub-component(s)	Standard Formula approach	Partial Internal Model
Non-Life Underwriting Risk	Premium & Reserve, Catastrophe and Lapse	▪ 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.	▪ Model classes are split to a lower level of granularity than the SII 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 Group'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 risk is 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.

Model Risk Category	Standard Formula Sub-component(s)	Standard Formula approach	Partial Internal Model
Life Underwriting Risk	Longevity, Life Expense	▪ A shock is applied representing an immediate and permanent decrease in mortality, irrespective of policyholder age or duration. ▪ A shock is applied to the opening best estimate expense reserves, in addition to a shock to the future expense inflation rate. ▪ These factors do not distinguish between the scale of a portfolio, and make no allowance for change in life business risk margin.	▪ The Standard Formula risk charge for ELL, the Group's life business, is integrated with the Partial Internal Model (along with the market and counterparty risk charges of the life company) using a linear correlation matrix. ▪ Note the Standard Formula operational risk charge for ELL is simply added with no allowance for diversification.
Market Risk: (excluding Pension Risk)	Equity	▪ 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. ▪ A transitional arrangement is unwinding over time such that the applied stress is currently increasing year on year. ▪ The shock is assumed to be instantaneous at the balance sheet, reflecting derivative protection held at that date.	▪ 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 to be explicitly captured and between each different market risk type) ▪ The Group'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. ▪ 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	▪ Strategic Participations are modelled similarly to equities, with a lower shock.	▪ 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: SEIH (broker), Lycetts (broker), EPSL (funeral planning) and EFAS (financial advisory).
	Property	▪ A single instantaneous shock factor is applied to the value of all properties at the balance Sheet date.	▪ The ESG simulates property returns for each economy. A beta parameter is calibrated and applied to adjust the level of risk, which broadly aligns the resulting charge to the Standard Formula.
	Spread	▪ 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. ▪ T The stress for this risk is not applied to Government bonds.	▪ 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.

Model Risk Category	Standard Formula Sub-component(s)	Standard Formula approach	Partial Internal Model
	Currency	▪ 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)	▪ 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	▪ A prescribed upward and downward stress, by duration of cashflow, is applied to the EIOPA 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.	▪ The ESG simulates risk-free yield curves for each relevant economy. 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 EIOPA 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	▪ A formula based charge is derived from exposures, rating and total assets held.	▪ 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)	▪ The assets and liabilities relating to retirement benefit schemes are included in the relevant market risk modules.	▪ 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
Counterparty Default Risk	Type 1 and Type 2 exposures	▪ 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.	▪ 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.
Operational Risk	N/A	▪ 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.	▪ Bespoke scenarios, covering the key operational risk exposures of the Group, 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 on overall Operational risk distribution.

Model Risk Category	Standard Formula Sub-component(s)	Standard Formula approach	Partial Internal Model
Other Risks	N/A	▪ N/A	▪ 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	▪ The tax adjustment is calculated based on an instantaneous loss represented by the diversified components making up the standard formula SCR..	▪ 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	▪ N/A	▪ 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. ▪ The result is adjusted directly against the SCR.
Aggregation	N/A	▪ A linear correlation matrix is applied between the risk modules.	▪ 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.

E.5 Non-compliance with the minimum group SCR and non-compliance with the SCR (unaudited)

Minimum group SCR non-compliance

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

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.

Appendix 1 - QRT S.02.01.02 Balance Sheet

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	1,917
R0050	Pension benefit surplus	8,505
R0060	Property, plant & equipment held for own use	18,245
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	1,048,405
R0080	*Property (other than for own use)*	148,146
R0090	*Holdings in related undertakings, including participations*	27,065
R0100	*Equities*	128,347
R0110	*Equities - listed*	42,547
R0120	*Equities - unlisted*	85,800
R0130	*Bonds*	492,521
R0140	*Government Bonds*	188,788
R0150	*Corporate Bonds*	302,839
R0160	*Structured notes*	0
R0170	*Collateralised securities*	895
R0180	*Collective Investments Undertakings*	242,643
R0190	*Derivatives*	3,470
R0200	*Deposits other than cash equivalents*	6,213
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	4,694
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	4,694
R0270	Reinsurance recoverables from:	96,487
R0280	*Non-life and health similar to non-life*	96,487
R0290	*Non-life excluding health*	96,487
R0300	*Health similar to non-life*	
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	
R0330	*Life excluding health and index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	7,514
R0370	Reinsurance receivables	52
R0380	Receivables (trade, not insurance)	8,451
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	55,615
R0420	Any other assets, not elsewhere shown	83
R0500	**Total assets**	1,249,968

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	523,296
R0520	*Technical provisions - non-life (excluding health)*	523,296
R0530	*TP calculated as a whole*	
R0540	*Best Estimate*	465,102
R0550	*Risk margin*	58,194
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	
R0580	*Best Estimate*	
R0590	*Risk margin*	
R0600	Technical provisions - life (excluding index-linked and unit-linked)	78,927
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	78,927
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	76,580
R0680	*Risk margin*	2,346
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	4,762
R0760	Pension benefit obligations	5,998
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	34,253
R0790	Derivatives	0
R0800	Debts owed to credit institutions	11,383
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)	34,338
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	56
R0900	**Total liabilities**	693,012
R1000	**Excess of assets over liabilities**	556,956

Appendix 2 - QRT S.05.01.02 Non-life premiums, claims and expenses by line of business (unaudited)

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business				869	0		258,662	98,553		2,584	284	15,894					376,845
R0120	Gross - Proportional reinsurance accepted				136	126		13,315	2,560		98	0	885					17,120
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share				699	0		135,760	7,389		2,347	258	6,433					152,886
R0200	Net				306	126		136,216	93,725		335	26	10,345		0		0	241,079
	Premiums earned																	
R0210	Gross - Direct Business				904	0		240,329	93,025		2,411	238	16,351					353,259
R0220	Gross - Proportional reinsurance accepted				135	125		13,167	2,515		95	0	839					16,877
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share				732	0		127,284	7,353		2,192	219	6,357					144,137
R0300	Net				307	125		126,213	88,187		315	19	10,833		0		0	225,999
	Claims incurred																	
R0310	Gross - Direct Business				486	43		101,477	31,325		785	473	3,866					138,455
R0320	Gross - Proportional reinsurance accepted				40	37		5,593	-644		0	0	183					5,208
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share				404	0		47,843	2,983		793	424	353					52,800
R0400	Net				122	80		59,227	27,698		-8	49	3,696		0		0	90,863
	Changes in other technical provisions																	
R0410	Gross - Direct Business																	0
R0420	Gross - Proportional reinsurance accepted																	0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share																	0
R0500	Net				0	0		0	0		0	0	0		0		0	0
R0550	**Expenses incurred**				157	61		65,897	46,354		833	76	4,916		1		31	118,325
R1200	**Other expenses**																	18,235
R1300	**Total expenses**																	136,560

Appendix 3 - QRT S.05.01.02 Life premiums, claims and expenses by line of business (unaudited)

S.05.01.02

Premiums, claims and expenses by line of business

Life

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
	Premiums written									
R1410	Gross				-13					-13
R1420	Reinsurers' share									0
R1500	Net				-13					-13
	Premiums earned									
R1510	Gross				-13					-13
R1520	Reinsurers' share									0
R1600	Net				-13					-13
	Claims incurred									
R1610	Gross				2,811					2,811
R1620	Reinsurers' share									0
R1700	Net				2,811					2,811
	Changes in other technical provisions									
R1710	Gross									0
R1720	Reinsurers' share									0
R1800	Net				0					0
R1900	**Expenses incurred**				435					435
R2500	**Other expenses**									
R2600	**Total expenses**									435

Appendix 4 - QRT S.05.02.01 Non-life premiums, claims and expenses by country (unaudited)

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010			CA	IE	AU			
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	229,621	64,457	13,911	68,857			376,845
R0120	Gross - Proportional reinsurance accepted	16,727	0	393	0			17,120
R0130	Gross - Non-proportional reinsurance accepted	0			0			0
R0140	Reinsurers' share	92,953	14,659	3,921	41,352			152,886
R0200	Net	153,394	49,797	10,382	27,505			241,079
	Premiums earned							
R0210	Gross - Direct Business	221,238	58,519	13,233	60,268			353,259
R0220	Gross - Proportional reinsurance accepted	16,485	0	392	0			16,877
R0230	Gross - Non-proportional reinsurance accepted	0			0			0
R0240	Reinsurers' share	89,652	13,334	3,843	37,308			144,137
R0300	Net	148,071	45,185	9,783	22,960			225,999
	Claims incurred							
R0310	Gross - Direct Business	70,766	22,460	4,944	40,279			138,448
R0320	Gross - Proportional reinsurance accepted	5,330	0	-122	0			5,208
R0330	Gross - Non-proportional reinsurance accepted	0			0			0
R0340	Reinsurers' share	22,197	3,718	472	26,410			52,797
R0400	Net	53,899	18,742	4,350	13,869			90,859
	Changes in other technical provisions							
R0410	Gross - Direct Business							0
R0420	Gross - Proportional reinsurance accepted							0
R0430	Gross - Non-proportional reinsurance accepted							0
R0440	Reinsurers' share							0
R0500	Net	0	0	0	0			0
R0550	**Expenses incurred**	76,530	24,252	5,070	12,471			118,324
R1200	**Other expenses**							18,235
R1300	**Total expenses**							136,559

Appendix 5 - QRT S.05.02.01 Life premiums, claims and expenses by country (unaudited)

S.05.02.01

Premiums, claims and expenses by country

Life

		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations			Top 5 countries (by amount of gross premiums written) - life obligations		Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
R1400								
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross	-13						-13
R1420	Reinsurers' share							0
R1500	Net	-13						-13
	Premiums earned							
R1510	Gross	-13						-13
R1520	Reinsurers' share							0
R1600	Net	-13						-13
	Claims incurred							
R1610	Gross	2,811						2,811
R1620	Reinsurers' share							0
R1700	Net	2,811						2,811
	Changes in other technical provisions							
R1710	Gross							0
R1720	Reinsurers' share							0
R1800	Net	0						0
R1900	**Expenses incurred**	435						435
R2500	**Other expenses**							
R2600	**Total expenses**							435

Appendix 6 – QRT S.22.01.22 Impact of long term guarantees, measures and transitionals

S.22.01.22

Impact of long term guarantees measures and transitionals

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
R0010	Technical provisions	602,222	0	0	1,219	0
R0020	Basic own funds	525,560	0	0	-1,219	0
R0050	Eligible own funds to meet Solvency Capital Requirement	534,651	0	0	-1,219	0
R0090	Solvency Capital Requirement	282,823	0	0	26	0

Appendix 7 – QRT S.23.01.22 Own funds

S.23.01.22

Own Funds

	Basic own funds before deduction for participations in other financial sector	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	20,000	20,000		0	
R0020	*Non-available called but not paid in ordinary share capital at group level*	0				
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0060	*Non-available subordinated mutual member accounts at group level*	0				
R0070	Surplus funds	0	0			
R0080	*Non-available surplus funds at group level*	0	0			
R0090	Preference shares	0		0	0	0
R0100	*Non-available preference shares at group level*	0				
R0110	Share premium account related to preference shares	0		0	0	0
R0120	*Non-available share premium account related to preference shares at group level*	0				
R0130	Reconciliation reserve	416,399	416,399			
R0140	Subordinated liabilities	0		0	0	0
R0150	*Non-available subordinated liabilities at group level*	0				
R0160	An amount equal to the value of net deferred tax assets	1,917				1,917
R0170	*The amount equal to the value of net deferred tax assets not available at the group level*	0				0
R0180	Other items approved by supervisory authority as basic own funds not specified above	0	0	0	0	0
R0190	*Non available own funds related to other own funds items approved by supervisory authority*	0				
R0200	Minority interests (if not reported as part of a specific own fund item)	103,090		103,090		
R0210	*Non-available minority interests at group level*	6,755		6,755		
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**					
R0230	**Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities**	9,091	9,091			
R0240	*whereof deducted according to art 228 of the Directive 2009/138/EC*	0				
R0250	Deductions for participations where there is non-availability of information (Article 229)	0				
R0260	Deduction for participations included by using D&A when a combination of methods is used	0				
R0270	**Total of non-available own fund items**	6,755	0	6,755	0	0
R0280	**Total deductions**	15,846	9,091	6,755	0	0
R0290	**Total basic own funds after deductions**	525,560	427,309	96,335	0	1,917
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0380	Non available ancillary own funds at group level	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Own funds of other financial sectors					
R0410	Credit Institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies	9,091	9,091			
R0420	Institutions for occupational retirement provision	0				
R0430	Non regulated entities carrying out financial activities	0				
R0440	**Total own funds of other financial sectors**	9,091	9,091	0	0	0

S.23.01.22

Own Funds

	Basic own funds before deduction for participations in other financial sector	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Own funds when using the D&A, exclusively or in combination of method 1					
R0450	Own funds aggregated when using the D&A and combination of method	0				
R0460	Own funds aggregated when using the D&A and combination of method net of IGT	0				
R0520	Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	525,560	427,309	96,335	0	1,917
R0530	Total available own funds to meet the minimum consolidated group SCR	523,644	427,309	96,335	0	
R0560	Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	525,560	427,309	96,335	0	1,917
R0570	Total eligible own funds to meet the minimum consolidated group SCR (group)	523,644	427,309	96,335	0	
R0610	**Minimum consolidated Group SCR**	88,349				
R0650	**Ratio of Eligible own funds to Minimum Consolidated Group SCR**	592.70%				
R0660	**Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)**	534,651	436,399	96,335	0	1,917
R0680	**Group SCR**	282,823				
R0690	**Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A**	189.04%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	556,956
R0710	Own shares (held directly and indirectly)	
R0720	Forseeable dividends, distributions and charges	4,446
R0730	Other basic own fund items	125,007
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0750	Other non available own funds	11,105
R0760	**Reconciliation reserve**	416,399
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	4
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	6,978
R0790	**Total Expected profits included in future premiums (EPIFP)**	6,982

Appendix 8 – QRT S.25.02.22 Solvency Capital Requirement – for groups using a partial internal model (unaudited)

S.25.02.22

Solvency Capital Requirement -
for groups using the standard formula and partial internal model

Row	Unique number of component	Component description	Calculation of the Solvency Capital Requirement	Amount modelled	USP	Simplifications
	C0010	C0020	C0030	C0070	C0090	C0120
1	50100I	Non-life underwriting risk: Premium risk	108,021	108,021	9	
2	50200I	Non-life underwriting risk: Reserving risk	81,069	81,069	9	
3	59900I	Diversification within non-life underwriting risk	-51,599	-51,599	9	
4	10000I	Market risk: excluding Pension risk	178,596	163,419	9	
5	10000P	Market risk: Pension risk	81,598	81,598	9	
6	19900	Diversification within market risk	-11,381	-11,381	9	
7	30000I	Life underwriting risk	2,977	0	9	
8	20000I	Counterparty default risk	13,483	13,236	9	
9	70100I	Operational risk	33,369	33,025	9	
10	80100	Other risks and adjustments: Other risks	26,241	26,241	9	
11	80300	Other risks and adjustments: Loss-absorbing capacity of deferred tax	-32,300	-32,300	9	
12	80400	Other risks and adjustments: Other adjustments	2,393	2,393	9	

		C0100
	Calculation of Solvency Capital Requirement	
R0110	Total undiversified components	432,467
R0060	Diversification	-154,488
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	
R0200	**Solvency capital requirement excluding capital add-on**	277,979
R0210	Capital add-ons already set	
R0220	**Solvency capital requirement for undertakings under consolidated method**	282,823
	Other information on SCR	
R0300	Amount/estimate of the overall loss-absorbing capacity of technical provisions	
R0310	Amount/estimate of the overall loss-absorbing capacity ot deferred taxes	-32,300
R0400	Capital requirement for duration-based equity risk sub-module	
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	
R0420	Total amount of Notional Solvency Capital Requirement for ring fenced funds	
R0430	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	
R0440	Diversification effects due to RFF nSCR aggregation for article 304	
R0470	Minimum consolidated group solvency capital requirement	88,349
	Information on other entities	
R0500	Capital requirement for other financial sectors (Non-insurance capital requirements)	4,844
R0510	*Credit institutions, investment firms and financial institutions, alternative investment funds*	4,844
R0520	*Institutions for occupational retirement provisions*	
R0530	*Capital requirement for non- regulated entities carrying out financial activities*	
R0540	Capital requirement for non-controlled participation requirements	
R0550	Capital requirement for residual undertakings	
	Overall SCR	
R0560	SCR for undertakings included via D and A	
R0570	**Solvency capital requirement**	282,823

Appendix 9 – QRT S.32.01.22 Undertakings in the scope of the group

S.32.01.22

Undertakings in the scope of the group

Row	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080
1	GB	213800E5HL2O1FU4I690	LEI	Ecclesiastical Insurance Office Plc	Non life insurance undertaking	Company limited by shares or by guarantee or unlimite	Non-mutual	Prudential Regulation Authority
2	GB	213800I6N42TMC2CCC49	LEI	Ecclesiastical Life Limited	Life insurance undertaking	Company limited by shares or by guarantee or unlimite	Non-mutual	Prudential Regulation Authority
3	AU	21007216506	Specific code	Ansvar Insurance Ltd	Non life insurance undertaking	Company limited by shares or by guarantee or unlimite	Non-mutual	Australian Prudential Regulation Autho
4	AU	623695054	Specific code	Ansvar Risk Management Services Ltd	Other	Company limited by shares or by guarantee or unlimite	Non-mutual	
5	GB	2138007SX6JDAUVXLI53	LEI	Edentree Investment Management Ltd	Credit institution, investment firm and financial institution	Company limited by shares or by guarantee or unlimite	Non-mutual	Financial Conduct Authority
6	GB	213800H5IYFFG685CA61	LEI	Edentree Asset Management Ltd	Other	Company limited by shares or by guarantee or unlimite	Non-mutual	Financial Conduct Authority
7	GB	126123	Specific code	Ecclesiastical Financial Advisory Services	Other	Company limited by shares or by guarantee or unlimite	Non-mutual	Financial Conduct Authority
8	GB	06317313	Specific code	South Essex Insurance Holdings Ltd	Other	Company limited by shares or by guarantee or unlimite	Non-mutual	
9	GB	5866203	Specific code	Lycetts Holdings Limited	Other	Company limited by shares or by guarantee or unlimite	Non-mutual	
10	GB	162830	Specific code	Ecclesiastical Investment Management Ltd	Other	Company limited by shares or by guarantee or unlimite	Non-mutual	
11	GB	213800O4B9KNVTLIVR02	LEI	Ecclesiastical Insurance Group Plc	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares or by guarantee or unlimite	Non-mutual	Prudential Regulation Authority
12	GB	738805	Specific code	Ecclesiastical Planning Services Ltd	Other	Company limited by shares or by guarantee or unlimite	Non-mutual	
13	GB	402228	Specific code	Ecclesiastical Underwriting Management Ltd	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimite	Non-mutual	
14	GB	941199	Specific code	EIO Trustees	Other	Company limited by shares or by guarantee or unlimite	Non-mutual	
15	GB	10988127	Specific code	Ecclesiastical Group Healthcare Trustees Ltd	Other	Company limited by shares or by guarantee or unlimite	Non-mutual	
16	GB	01143899	Specific code	Lloyd & Whyte Group Ltd	Other	Company limited by shares or by guarantee or unlimite	Non-mutual	Financial Conduct Authority
17	GB	479477	Specific code	South Essex Insurance Brokers Ltd	Other	Company limited by shares or by guarantee or unlimite	Non-mutual	Financial Conduct Authority
18	GB	00706042	Specific code	Lycett Browne - Swinburne and Douglass Ltd	Other	Company limited by shares or by guarantee or unlimite	Non-mutual	Financial Conduct Authority
19	GB	10906990	Specific code	Lycetts Risk Management Services Ltd	Other	Company limited by shares or by guarantee or unlimite	Non-mutual	Financial Conduct Authority
20	GB	2057974	Specific code	Lycetts Financial Services Ltd	Other	Company limited by shares or by guarantee or unlimite	Non-mutual	Financial Conduct Authority
21	GB	03544899	Specific code	Robertson-McIsaac Ltd	Other	Company limited by shares or by guarantee or unlimite	Non-mutual	Financial Conduct Authority
22	GB	03142714	Specific code	Farmers and Mercantile Insurance Brokers Ltd	Other	Company limited by shares or by guarantee or unlimite	Non-mutual	Financial Conduct Authority

Row	Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
1	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
2	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
3	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
4	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
5	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Sectoral Rules
6	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
7	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
8	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
9	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
10	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
11					Dominant		Included in the scope		Method 1: Full consolidation
12	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
13	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
14	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
15	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
16	20.04%	20.04%	20.04%		Significant	20.04%	Included in the scope		Method 1: Adjusted equity method
17	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
18	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
19	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
20	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
21	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
22	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method

Appendix 10 – Glossary of Abbreviations

The Board	The Board of Directors of the Group
The Chairman	The Chairman of the Board
The Group	Ecclesiastical Insurance Group plc and its subsidiaries
The Group CEO	The Group Chief Executive Officer
The Directive	Solvency II Directive 2009/138/EC
The Delegated Act	Solvency II Delegated Regulation (EU) 2015/35
Ansvar Australia	Ansvar Insurance Limited
ATL	Allchurches Trust Limited
CF	Control Function
CFO	Group Chief Financial Officer
CRO	Group Chief Risk Officer
CRSA	Control Risk and Self-Assessment process
EIG	Ecclesiastical Insurance Group plc
EIO	Ecclesiastical Insurance Office plc
EIOPA	European Insurance and Occupational Pensions Authority
ELL	Ecclesiastical Life Limited
ENID	Events Not in Data
EU	European Union
FCA	Financial Conduct Authority
GAC	Group Audit Committee
GIA	Group Internal Audit
GMB	Group Management Board
GPP	Group Personal Pension
GRC	Group Risk Committee
GWP	Gross written premiums
IAS	International Accounting Standards
IBNR	Incurred But Not Reported
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
KFH	Key Function Holder
LTIP	Long-Term Incentive Plan
MCR	Minimum Capital Requirement
MLRO	Money Laundering Reporting Officer
NEDs	Non-Executive Directors
ORSA	Own Risk and Solvency Assessment
PIM	Partial internal model
PRA	Prudential Regulation Authority
PSA	Physical and Sexual Abuse
QRT	Quantitative Reporting Template
RPI	Retail Prices Index
SBU	Strategic Business Unit
SCR	Solvency Capital Requirement
SIMR	Senior Insurance Managers Regime
SFCR	Solvency and Financial Condition Report
SID	Senior Independent Director
SII	Solvency II
TPs	Technical Provisions
UKGI	United Kingdom General Insurance
UPR	Unearned Premium Reserve