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Ecclesiastical Insurance Office plc

Annual Report and Accounts 2023

Registration number: 00024869

Ecclesiastical Insurance Office plc

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Directors and Company Information

Directors	*R. D. C. Henderson FCA *Chair* *R. Bajaj MA *F. X. Boisseau MSc D. P. Cockrem, MA, FCA Group Chief Financial Officer M. C. J. Hews BSc (Hons), FIA Group Chief Executive *Sir S. M. J. Lamport GCVO, DL *N. P. Maidment MA, FCII *C. J. G. Moulder MA, FCA Senior Independent Director S. J. Whyte MC Inst. M, ACII Deputy Group Chief Executive *A. Winther BA
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Company Registration Number	00024869
Registrar	Computershare Investor Services plc The Pavilions Bristol BS13 8AE

**Non-Executive Director*

Ecclesiastical Insurance Office plc

Strategic Report

The directors present their strategic report for the year ended 31 December 2023 for the Ecclesiastical Insurance Office plc, together with its subsidiaries the Ecclesiastical Group, also the Group.

Group Chief Executive's Review

It has been said that there are two key dates in your life. "The date you were born, and the date you find out why".

Here at Ecclesiastical Insurance, we are crystal clear on our "why". We aim to be a beacon of hope for our communities. The Ecclesiastical Insurance Group is part of Benefact Group. Owned by a charity, Benefact Group is a family of financial services businesses with an inspiring purpose to contribute to the greater good of society. We believe commercial success and social good can sit side by side to transform lives and communities. Guided by this purpose, we are driven to profitably grow the business, so that we may give even more to good causes.

2023 was another challenging year for so many. The world faced a myriad of challenges from rising global tensions, escalating climate concerns and ongoing economic hardship. In these difficult, uncertain times, when it is easy for optimism to be drowned beneath a deluge of negative news, it is even more important that businesses do the right thing and positively contribute to society.

Grow more to give more

Despite challenging conditions, we delivered a strong performance in 2023 and we are on track to double our contribution, which will allow us to give even more to good causes. As a Group, we reported a profit before tax of £44.8m which compares well with the overall Group loss before tax of £15.6m reported for the prior year.

In General Insurance, we reported an underwriting profit of £24.5m, despite our biggest single loss in the UK with the devastating fire at St Mark's Church in London. This result has benefited from strong growth and lower-than-expected claims in the latter part of the year. Gross written premiums (GWP) rose by over 10% to £615.0m. This is thanks to strong retention across our territories and record new business in the UK as we launched into the Leisure sector. Our combined operating ratio rose to 92.6% due to headwinds from prior year claims.

Delivering for our customers

Our charitable purpose drives our values, culture, ethics and ethos and inspires us to make a real difference for our brokers, customers, and communities. This was reflected in multiple award wins in 2023, which recognised our businesses as trusted specialists in their markets.

Ecclesiastical UK was named Specialist Insurance Company of the Year at the British Insurance Awards and retained its top spot in the Fairer Finance Home Insurance league table and remains the UK's most trusted home insurance provider. Ecclesiastical Canada was named as P&C Insurance Company of the Year, as well as one of Greater Toronto's Top Employers.

Our insurance customers tell us that our expert service and our compassion makes us stand out in the industry. For a third year, independent research consultancy, Gracechurch, put Ecclesiastical UK ahead of all other UK insurers for claims service. The Net Promoter Score, which measures how likely a customer is to recommend a company's products and services, for Ecclesiastical puts us ahead of many well-known and respected brands.

We wouldn't be able to deliver these results without the hard work of all our teams across the whole Benefact Group. We delivered so much together in 2023 and I would like to thank our colleagues for their efforts last year.

Helping to transform lives

In 2023, thanks to the support of our customers, brokers, business partners and colleagues, Benefact Group reached the milestone of giving more than £200m to good causes since 2014. This level of giving means that Benefact Group is the third largest corporate donor to charity in the UK, and we are on track to achieve our ambition of giving £250m by the end of 2025.

Our ultimate charitable parent company, Benefact Trust, is one of the biggest grant-making charities in the UK, and the Board approved a donation of £21m to them in respect of the Group's 2023 performance, of which £13m was paid in year and the remaining £8m to be paid in due course, to support its work providing transformative funding to charities both in the UK and abroad. We thank them for their outstanding work.

The impact of our giving is brought home to me every time I meet one of our beneficiaries and see the change we're making to lives. On a recent trip to Canada, I visited a youth homeless charity called Covenant House, where 16-24 year olds had no place to call home, no regular meals, no warmth or feeling of safety. They had no one that loved or cared for them – other than the remarkable staff at this amazing charity. On this visit I heard words from their director that will stay with me forever. She told us that, "because of your donation, you have undoubtedly saved someone's life today". Her words left no room for doubt, and her emotions mirrored the enormity of this impact.

Covenant House is just one of over 10,000 charities supported by us as Benefact Group across the world. Thank you to everyone that does business with us. I hope you realise the impact you have – not just transforming lives but saving lives.

Building a world class team

Our ambition is to build a world-class team and I'm delighted that we continue to achieve market-leading employee engagement scores in our independently run B-heard surveys. I'm proud that Ecclesiastical UK was recognised as a world-class employer and during 2023, was named by Best Companies as "UK Insurance's Number 1 Company to Work For" in their independent league tables.

This shows we're making good progress, and we remain focused and committed to building an inclusive culture where each and every colleague feels valued, respected and treated fairly. In short, we aim to provide life changing careers that change lives.

Looking ahead

After a strong 2023, we move into 2024 with renewed ambition and drive to grow the business so we can give even more to good causes. We will continue to invest in our capabilities so that we can strengthen our position as a trusted specialist in our markets, and drive forward our growth plans, through new segments, new methods of distribution and greater efficiency.

We've set stretching targets for our General Insurance teams to achieve profitable gross written premium growth across our territories. It's an exciting year for Ansvar Insurance, which has moved into new offices in Brighton, and we will be reinvigorating the brand.

Join our movement for good

Everything we do at Ecclesiastical Insurance is aimed at helping those in society who need us most. Our giving has helped transform thousands of lives and communities, and the impact of our work inspires us to do even more in the future.

On behalf of the Board and thousands of our beneficiaries, we say a heartfelt, sincere "thank you" to all our customers, business partners and dedicated colleagues for their exceptional support.

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

Principal risks and uncertainties

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

Insurance risk The risk that arises from the fluctuation in the timing, frequency and severity of insured events relative to the expectations of the firm at the time of underwriting.		
Risk detail	***Key mitigants***	***Change from last year***
Underwriting risk The risk of failure to price insurance products adequately and failure to establish appropriate underwriting disciplines. The premium charged must be appropriate for the nature of the cover provided and the risk presented to the Group. Disciplined underwriting is vital to ensure that only business within the Company's risk appetite and desired niches is written.	• A robust pricing process is in place • The underwriting licencing process has been refreshed • A documented underwriting strategy and risk appetite is in place together with standards and guidance and monitored by SBUs • This is supported by formally documented authority levels for all underwriters which must be adhered to. Local checking procedures ensure compliance • Monitoring of rate strength compared with technical rate is undertaken on a regular basis within SBUs • There are ongoing targeted underwriting training programmes in place • A portfolio management framework is in place to ensure clear understanding and allow targeted actions to be taken	There have not been material changes to this risk during the year.

Risk detail	Key mitigants	Change from last year
Reserving risk Reserving risk is the risk of actual claims payments exceeding the amounts we are holding in reserves. This arises primarily from our long-tail liability business. Failure to interpret emerging experience or fully understand the risks written could result in the Group holding insufficient reserves to meet our obligations.	• Claims development and reserving levels are closely monitored by the Group Reserving team • For statutory and financial reporting purposes, uncertainty margins are added to a best estimate outcome to allow for uncertainties • Claims reserves are reviewed and signed-off by the Board acting on the advice and recommendations of the Group Chief Actuary following review by the GI Reserving Executive Meeting. • An independent review is also conducted by the Group Investments Life and Actuarial Risk Director with reporting to the Board.	This risk is not considered to have changed materially during the year. A rise in numbers of Physical and sexual abuse claims in the UK business over the past year has led to an increase in reserves.
Catastrophe risk The risk of large scale extreme events giving rise to significant insured losses. Through our general insurance business we are exposed to significant natural catastrophes in the territories in which we do business.	• Modelling and exposure is undertaken to understand the risk profile and inform the purchase of reinsurance • There is a comprehensive reinsurance programme in place to protect against extreme events. All placements are reviewed and approved by the Group Reinsurance Board • Exposure monitoring is undertaken on a regular basis • A GI Catastrophe Risk Meeting provides oversight and sign off of reinsurance modelling and exposure management across the Group • The Group Risk Appetite specifies the reinsurance purchase levels and retention levels for such events. • Local risk appetite limits have been established to manage concentrations of risk and these are monitored by SBUs	There have been no material changes to this risk, however a single extreme event did occur in the year, with a catastrophic church fire. We continue to monitor our aggregations and exposures to such events and ensure careful management utilising appropriate protections.
Reinsurance risk The risk of failing to access and manage reinsurance capacity at a reasonable price. Reinsurance is a central component of our business model, enabling us to insure a portfolio of large risks in proportion to our capital base.	• We take a long-term view of reinsurance relationships to deliver sustainable capacity • A well-diversified panel of reinsurers is maintained for each element of the programme • A GI Reinsurance Executive Meeting approves all strategic reinsurance decisions	The level of this risk has remained broadly similar since last year, when the environment became more challenging, initially from the Pandemic, and then into global catastrophic events and continued economic volatility. This has continued to tighten the criteria and capacity in certain areas. We continue to take a long-term approach to our reinsurance relationships.

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

Risk detail	Key mitigants	Change from last year
Market and investment risk The risk of adverse movements in net asset values arising from a change in interest rates, equity and property prices, credit spreads and foreign exchange rates. This principally arises from investments held by the Group. We actively take such risks to seek enhanced returns on these investments. The Group's balance sheet is also exposed to market risk within the defined benefit pension fund.	• An investment strategy is in place which is reviewed at least annually and signed off by the Finance and Investment Committee (F&I). This includes consideration of the Group's liabilities and capital requirements • A Market and Investment Oversight Meeting is in place and provides oversight and challenge of these risks and the agreed actions. There is a formalised escalation process to the Group Management Board and F&I in place • There are risk appetite metrics in place which are agreed by the Board and include limits on asset / liability matching and the management of investment assets • Derivative instruments are used to hedge elements of market risk, notably currency. Their use is monitored to ensure effective	Overall the market risk profile has not materially changed and we remain invested for the long term. We continue to monitor market conditions and the socio-political environment.

Risk detail	***Key mitigants***	***Change from last year***
	management of risk • There is tracking of risk metrics to provide early warning indicators of changes in the market environment The Pension Scheme Trustee Board has an Investment Committee that oversees the market risks in the pension fund. The company, as employer sponsor of the fund maintains regular communication with this committee. Further information on this risk is given in note 4 to the financial statements on page 75.	
Credit risk The risk that a counterparty, for example a reinsurer, fails to perform its financial obligations to the company or does not perform them in a timely manner resulting in a loss for the Group. The principal exposure to credit risk arises from reinsurance, which is central to our business model. Other elements are our investment in debt securities, cash deposits and amounts owed to us by intermediaries and policyholders.	• Strict ratings criteria are in place for the reinsurers that we contract with and a GI Reinsurance Security Executive Meeting approves all of our reinsurance partners • Group Reinsurance monitors the market to identify changes in the credit standing of reinsurers • There are risk appetite limits in place in respect of reinsurance counterparties which are agreed by the Board • Strong credit control processes are in place to manage broker and policyholder exposures Further information on this risk is given in note 4 to the financial statements on page 75.	The level of this risk has remained broadly similar to the previous year where we were cognisant to the continuing challenges of the current cost of living crisis.
Liquidity risk The risk that the Group, although solvent, either does not have sufficient financial resources available to enable it to meet its obligations as they fall due, or can secure them only at excessive cost. We may need to pay significant amounts of claims at short notice if there is a natural catastrophe or other large event in order to deliver on our promise to our customers.	• The Group holds a high proportion of assets in readily realisable investments to ensure it could respond to such a scenario • Maintains cash balances that are spread over several banks • Arrangements within its reinsurance contracts for reinsurers to pay recoverables on claims in advance of the claim settlement	There have been no material changes to this risk since last year.
Climate change The financial risks arising through climate change. The key impacts for the Company are physical risks (event driven or longer term shifts), the transition risks of moving towards a lower carbon economy and liability risks associated with the potential for litigation arising from an inadequate response.	• Catastrophe risk is managed through reinsurance models • The Group considers flood risk and other weather-related risk factors in insurance risk selection • There is an ESG overlay on the investment strategy • The Group actively manages exposures and is up to date on market development	Whilst there is now more awareness of the challenges faced as a result of climate change, there have been no material changes to this risk since last year. A programme of work continues to fully analyse the impact on the Group and to develop appropriate risk management responses.
Operational risk The risk of loss arising from inadequate or failed internal processes, people and systems, or from external events		
Risk detail	***Key mitigants***	***Change from last year***
Systems risk The risk of inadequate, ageing or unsupported systems and infrastructure and system failure preventing processing efficiency. Systems are critical to enable us to provide excellent service to our customers.	• A defined IT strategy is in place • Systems monitoring is in place together with regular systems and data backups • A strategic systems programme is underway to deliver improved systems, processes and data • Business recovery plans are in place for all critical systems and are tested according to risk appetite	This level of risk remains stable, as the Group continues to invest in IT infrastructure to maintain and improve future stability

Risk detail	*Key mitigants*	*Change from last year*
Cyber risk The risk of criminal or unauthorised use of electronic information, either belonging to the Group or its stakeholders for example customers, employees etc. cyber security threats from malicious parties continue to increase in both number and sophistication across all industries.	• A number of security measures are deployed to ensure protected system access • Security reviews and assessments are performed on an ongoing basis • There is ongoing maintenance and monitoring of our systems and infrastructure in order to prevent and detect cyber security attacks • There is an ongoing information security training and awareness programme	Cyber risk remains a constantly evolving threat, with malicious threat attackers continuing to seek to exploit businesses. Employee awareness and vigilance is therefore highly important at this time, which is continuing to be proactively managed.
Change risk The risk of failing to manage the change needed to transform the business. A number of strategic initiatives are underway under three themes, support and protect, innovate and grow and transform and thrive. These include a transformation of our core system and key processes, which will deliver significant change for the company over the next few years. There are a number of material risks associated with major transformation, not only on the risks to project delivery itself, but the potential disruption to business as usual, or delays to planned benefits.	• The Group has a clearly articulated strategic programme, identifying areas of priority across the Group • Ensures that there is adequate resourcing for change projects using internal and external skills where appropriate • A Change Board and change governance processes are in place and operate on an ongoing basis • The Group Management Board undertakes close monitoring and oversight of the delivery of the strategic initiatives and key Group change programmes	The level of this risk has not materially changed. There continues to be a significant volume of change within the business, which is monitored closely, relating to both IT systems and to meet the ever-changing regulatory landscape. Appropriate strengthening of expertise has continued in the year to reflect and meet this volume of change.
Operational resilience The risk that the Group does not prevent, respond to, recover and learn from operational disruptions. The Group provides a wide range of services to a diverse customer base and has a reputation for delivering excellent service. Therefore, we seek to minimise the potential for any such disruption that would impact on the service provided to our customers.	• A recovery and resilience framework is in place aligned to the delivery of customer services • Recovery exercises including IT systems are regularly performed across the company with actions identified addressed within an agreed timescale • All suppliers are subject to ongoing due diligence • There is ongoing maintenance and monitoring of our systems and infrastructure in order to prevent and detect issues	Operational resilience continues to have been successfully tested during the year, with the continued need to meet the needs of our customers. Focus continues from the prior year on meeting the enhanced regulatory requirements around resilience.
Data management and governance The risk that the confidentiality, integrity and/or availability of data held across the Group is compromised, or data is misused. The Group holds significant amounts of customer and financial data and there could be significant implications if this is compromised or is found to be inaccurate.	• A Group Data Governance Committee is in place • Group data governance and Group data management and information security policies are in place • A Group data optimisation programme is in place which is responsible for ensuring the delivery of the data strategy and all aspects relating to the governance, management, use and control of the Group's data in line with regulatory requirements	Enhancements continue to be made to the governance, management, use and control of data, in order to meet the evolving requirements. It continues to be monitored and managed within the context of major change programmes.
Regulatory and conduct risk The risk of regulatory sanction, operational disruption or reputational damage from non-compliance with legal and regulatory requirements or the risk that Ecclesiastical's behaviour may result in poor outcomes for the customer.		
Risk detail	*Key mitigants*	*Change from last year*
Regulatory risk The risk of regulatory sanction, operational disruption or reputational damage from non-compliance with legal and regulatory requirements. We operate in a highly regulated environment which is experiencing a period of significant change.	• Undertakes close monitoring of regulatory developments and use dedicated project teams supported by in-house and external legal experts to ensure appropriate actions to achieve compliance • An ongoing compliance monitoring programme is in place across all our SBUs. Regular reporting to the Board of regulatory compliance issues and key developments is undertaken	There continues to be a significant volume of regulatory change. We remain focused on the management of regulatory change and therefore the overall risk level is unchanged.

Risk detail	Key mitigants	Change from last year
Conduct risk The risk of unfair outcomes arising from the Group's conduct in the relationship with customers, or in performing our duties and obligations to our customers. Customers are placed at the centre of the business, aiming to treat them fairly and ethically, while safeguarding the interests of all other key stakeholders.	· There is ongoing colleagues training to ensure that customer outcomes are fully considered in all business decisions · Customer charters have been implemented in all SBUs · Conduct risk reporting to relevant governing bodies is undertaken on a regular basis · Customer and conduct measures are used to assess remuneration	The Group remains committed to placing customers at the centre of our practices and decision making, demonstrated by our wide-ranging industry awards and customer satisfaction scores. Overall the level of this risk is unchanged from the prior year, with the main focus on meeting the Consumer Duty requirements.
Reputational risk The risk that our actions lead to reputational damage in the eyes of customers, brokers or other key stakeholders		
Risk detail	***Key mitigants***	***Change from last year***
Brand and reputation risk The Group aims to be the most trusted specialist insurer and as a consequence this brings with it high expectations from all of our stakeholders, be they consumers, regulators or the wider industry. Whilst we aim to consistently meet and where possible exceed these expectations, increasing consumer awareness and increased regulatory scrutiny across the sector exposes the Group to an increased risk of reputational damage should we fail to meet them, for example as a consequence of poor business practices and behaviours	· There is ongoing training of core customer facing colleagues to ensure high skill levels in handling sensitive claims · Adopts a values led approach to ensure customer-centric outcomes · There is a dedicated marketing and PR function responsible for the implementation of the marketing and communication strategy · Ongoing monitoring of various media is in place to ensure appropriate responses	Maintaining a positive reputation is critical to the Group's vision of being the most trusted and ethical specialist financial services group. Risks to our brand and reputation are inherently high in an increasingly interconnected environment, with the risks of external threats such as cyber security attacks, and viral campaigns through social media always present. The external environment continues to drive a high inherent probability of reputational issues across all financial services companies. We continued to focus on serving our customers and ensuring fair treatment and clear communication, and are proud of the volume of Industry Awards we continue to win

Responsible business

The Ecclesiastical Insurance Office Group is part of the wider Benefact Group. A Responsible Business Report containing a summary of positive social and environmental impact is in the Benefact Group Annual Report and Accounts which is published on www.benfactgroup.com. It covers social impact including approach to diversity, equity and inclusion, colleague wellbeing and charitable giving. It also summarises climate impact and is supported by a separate report featuring disclosures in line with the Taskforce on Climate-related Financial Disclosures (TCFD), which is published on the Company's website. A separate report enables the Benefact Group to explain climate-related disclosures in much more detail for the benefit of an increasing range of interested stakeholders.

The following table provides details of the carbon associated with the direct operation of businesses that are part of the Ecclesiastical Insurance Office Group, in line with the Streamlined Energy and Carbon Reporting (SECR) requirements.

Emissions source	***2023***				***2022***			
	UK	***Non-Uk***	***Total***	***Scope 1 & 2 tCO_2/ employee***	***UK***	***Non-UK***	***Total***	***Scope 1 & 2 tCO_2/ employee***
Scope 1: fuel, fluorinated gas losses and fuel combustion in offices and company fleet	142	7	149		143	23	166	
Scope 2: electricity and cooling in premises (location based)[1]	696	84	780		584	92	676	
Scope 2: Scope 2: electricity and cooling in premises (market based)[2]	97	75	172		82	92	174	
Scope 3: business travel[3], waste, water use	439	568	1,007		734	217	951	
Total CO2e (location based electricity)	678	650	1,328*	0.56*	959	332	1,291*	0.61*

tCO_2e is tonnes of CO_2 and equivalent gases.

* Scopes 1, 2 (market based) and scope 3

[1] The average emissions intensity of grids on which energy consumption occurs (using mostly grid-average emission factor data)

[2] Emissions based on how an organization buys its energy

[3] Air, rail, bus, taxi, ferry, car rental and grey fleet

In 2023, total energy use is 4,153,784 kWh of which 3,962,931 kWh is UK and 190,853 kWh is non-UK based. In 2022, total energy use was 4,139,168 kWh, of which 3,775,241 kWh was UK and 363,927 kWh was non-UK based.

The Group's s operational footprint comprises:

- Scope 1 emissions (fluorinated gas losses and fuel combustion in premises and company vehicles)
- Scope 2 emissions (premises electricity and cooling)
- Scope 3 emissions (business travel, waste, water and commuting).

Methodology

These emissions are measured and reported according to GHG protocols, to Streamlined Energy and Carbon Reporting (SECR) standards. The Group has reported on all emission sources required under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. Its GHG reporting year runs from September 2022 to August 2023. The emissions reporting boundary is defined as all entities and facilities either owned by or under operational control of the Benefact Group. That is, emissions relating to the Group's premises and associated travel by employees based at those premises. Its data represents 90% of our Group by headcount. We strive to continue improving the coverage and quality of data which informs our report. Scopes 1, 2 and 3 emissions have been calculated using UK government greenhouse gas reporting emission factors (Department for Environment, Food and Rural Affairs), and independently verified according to ISO – 14064-3:2019 Specifications with Guidance for the Validation and Verification of Greenhouse Gas Statements.

Colleagues

In 2023 the Benefact brand celebrated its one-year anniversary. The brand continues to be a powerful way to unite colleagues across a specialist group of financial services businesses focused on growth and sustainable success in service of generating profits to give to good causes.

Engagement and wellbeing

A healthy and engaged global team of colleagues is the cornerstone of the Group's success, so a range of support continued to be a high priority in 2023. The now well-established 'healthy working check-in' ensured feedback was gathered from colleagues now working flexibly at home, in other work settings and in fantastic offices the Group continues to invest in. 71% percent of colleagues said they felt healthy or very healthy at work and 75% said they knew what mental health resources are available to them, and of those that had used them 80% said they met their needs.

A new private medical offering for menopause, fertility, men's health and neurodiversity support was launched alongside a new 'Smart Health' app enabling direct access to private GP appointments. A formal network of mental health first aiders was also publicised to give trusted colleagues to connect with.

Independent assessment of engagement levels was benchmarked through the B-Heard survey provided by Best Companies. With almost 2,000 responses the survey is now a well-established way to listen and celebrate. The Group overall continues to sustain a two-star 'outstanding' rating, plus the UK and overseas businesses who have been responding to the survey since its inception improved by an impressive margin to achieve three-star 'world class' status. Team members celebrated this achievement at an awards event in London at which the Group was also recognised as one of the Top 50 best large companies to work for.

Diversity, equity and inclusion

The Group continues to be committed to diversity, equity and inclusion. In 2023 a group-wide inclusion network was established which now has over 30 members. The group is supporting specialist groups focusing on areas including LGBTQ+, women and colleagues from ethnically diverse backgrounds. Communications and meetings throughout the year covered topics including Diwali, neurodiversity, motor neurone disease, Black History Month, PRIDE and men's health.

A number of key events brought people together, notably a women in leadership event hosted at the Benefact Group head office in Gloucester. It welcomed 80 attendees from local businesses and the community, featured a panel discussion and raised several thousand pounds for local charity The Nelson Trust who work with vulnerable women.

Plans for 2024 include a women in leadership programme, a full review of attraction and recruitment practices and an inclusive leadership training programme for all people leaders.

Our business model and strategy

Ecclesiastical Insurance is part of the Benefact Group, which is a diverse family of specialist financial services businesses, driven by a shared ambition to do right by our customers, clients and business partners, and united by a common purpose to give all available profits to charity and good causes. This sets the Ecclesiastical Group apart from others in the financial services sector. We exist to contribute to the greater good of society. We do this by managing a successful, ethically run portfolio of businesses and by using the profits that these businesses generate to help good causes through independent grants from our ultimate charitable owner (Benefact Trust) or via our own considerable donations. We're committed to doing the right thing for our customers and to delivering growing donations to our owner so they can continue with their good work, helping to improve people's lives.

The Group's overarching strategy brings alignment and strategic focus across the entire Group. Whether in specialist insurance, asset management, broking or advisory, every business in the Benefact family is a specialist in their respective field, built on genuine insight and ethics. Together we offer products and services that help protect in the present, pre-empt the possible and invest in a healthier financial future.

Non-Financial and sustainability information statement

The Non-Financial Reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006 are addressed below. Non-financial and Environmental, Social and Governance (ESG) information is integrated across the Strategic Report, in particular in the responsible business section starting on page 7.

Non-financial and sustainability information	***Disclosure***	***Section***	***Pages***
Business model	Our business model and information on how we do business differently	Strategic Report – Our business model and strategy	9
Key performance indicators (KPIs)	Our KPIs set out how we are doing against our strategic goal	Strategic Report – Key performance indicators	13
Principal risks	Our key risks and their management	Strategic Report – Principal risks and uncertainties	3
Environmental, social matters, colleagues, human rights, financial crime and corruption	Statements of our policy and practice in these areas	Strategic Report - Primarily within the responsible business section and below.	7

Our key policies / statements of intent

We have a range of policies and guidance in place to support the key outcomes for our stakeholders. These also ensure consistent governance on environmental matters, our employees, social matters, human rights and anti-bribery and corruption.

Environmental matters

- Climate risk has strong governance and oversight and is subject to effective and robust controls.
- The Group is committed to running the business in a sustainable way to tackle climate change and encourage others to do more.
- Performance is assessed against voluntary ClimateWise reporting which is aligned to Taskforce on Climate-related Financial Disclosures (TFCD) reporting and independently audited.
- The Group aims to reduce its direct impact on the environment and seeks to use renewable sources of energy.

- Other information on environmental matters is included within the responsible business section of the Strategic Report on page 7 and in a separate TCFD report published on our website.

Colleagues

- The Group's Code of Conduct policy is centred on 'Doing the right thing' and sets the standards of conduct and behaviour expected from employees.
- The Board aims to ensure it is comprised of persons who are fit and proper to direct the business. The Board's diversity policy sets out the approach to diversity in the leadership population.
- Other information on our commitments to supporting diversity and development is included in the 'engagement and wellbeing' section of the responsible business section on page 7. Also included within the Corporate Governance Report on page 23 is information about the composition and diversity of the Board.

Social matters

- The Group was founded over 130 years ago with a charitable purpose and this remains what motivates us today. We believe business has a social responsibility and should give more to support charities and communities. More information about how we support our communities can be found in the responsible business section on page 7. The Group does not make political donations.
- The Group's tax strategy supports our group strategy and the ethical way we do business. We are committed to managing all aspects of tax transparently and in accordance with current legislation. We work to achieve the spirit of legislation and not just the letter of the law in each tax jurisdiction. Our tax strategy is available on the Company's website.

Human rights, anti-bribery and anti-corruption

- The Board is committed to operating with honesty and integrity in all of our business activities and promoting an anti-bribery and corruption culture across the Group.
- The Group has established and upholds good practices regarding human rights, anti-corruption and anti-bribery through a range of measures including robust risk management, employee Code of Conduct and employee training on topics such as data protection and vulnerable customers.
- The Group complies with relevant legislation concerning supply chain – the Modern Slavery Act 2015 and the Payment Practices and Performance regulations – to drive good practice and transparency.
- The 'socially positive' section of our responsible business section contains more information including our commitment to putting customers and partners at the heart of everything we do, focusing on good governance, service and support.

Section 172 Statement

The directors confirm that during 2023 and to the date of this Report, they have acted to promote the success of the Company for the benefit of its members as a whole and considered the matters as set out in section 172(1)(a) to (f) of the Companies Act 2006. This section describes how the directors have had regard to those matters when performing their duties.

Our approach to the long term success of the Company

The directors recognise that the long-term success of the Company, and therefore our ability to continue to help people, charities and good causes is dependent on having regard to the interests of its stakeholders at its heart. In order to achieve our strategic ambitions the Board understands how important it is to listen and and respond to the needs of our stakeholders.

As a global financial services Group driven by the ambition of transforming lives and communities, we are continually striving to do the right thing at all times. However there are occasions where the needs of different stakeholder groups may not always be aligned. On these occasions, the Board attempts to balance the conflicting interests and impacts of our stakeholders in their decision-making.

Our stakeholders

Customers	***Colleagues***
The Board considers that customers should be at the heart of everything we do, putting their needs first, treating them fairly and ethically and ensuring any actions or decisions demonstrate our passion for customers and make us first choice for customers both today and in the future. *What matters to them?* - Customer experience - Fair pricing - Specialist expertise and guidance	The Board recognises that colleagues are the Company's greatest asset given their specialist skills and knowledge and propensity to go above and beyond. *What matters to them?* - Culture and purpose - Fair pay and reward - Flexible working practices - Making a positive impact on society

- Products which represent fair value and are clear and easy to understand	- Health and wellbeing - A diverse, equitable and inclusive workplace - Training, development and progression -
Communities *The Board is committed to doing business differently and building a movement for good across society, transforming lives and communities.* *What matters to them?* - Charitable giving - Health and safety - Employment, economic and societal contribution - Environmental impact of operations	***Shareholder and investors*** *The Board understands the need to maintain a close and open relationship with shareholders and investors characterised by transparency and mutual understanding.* *What matters to them?* - Financial performance and returns - Strategy and business model - Environmental, social and governance (ESG) performance - Reputation - Strong leadership
Suppliers (including brokers) *The Board recognises the importance of the role that suppliers play in ensuring a reliable service is delivered to customers and the need to have a strong working relationship.* *What matters to them?* - Collaborative approach - Open terms of business - Fair payment terms - Responsible supply chain - Communication	***Regulators*** *The Board recognises the importance of open and honest dialogue with regulators (including those in the UK, Australia, Canada and the Republic of Ireland) and is committed to complying with applicable legislation and regulation in order to maintain standards of business conduct.* *What matters to them?* - Outcomes for customers - Operational and financial resilience - Openness and transparency - Compliance with legislation and regulation

Stakeholder Engagement

Below is an overview of our approach to stakeholder engagement and outcomes.

Key stakeholders	***Methods of engagement and outcomes***
Customers	During the year, the Board received updates on customer matters via the Group Chief Executive's Report and business updates. The Board and the Group Remuneration Committee takes account of customer experience through regular reviews of key measures such as Net Promoter scores and customer satisfaction. The Consumer Duty continued to be a key area of focus for the Board throughout 2023. The Group also has regular engagement with customers including conducting listening exercises, surveys, holding focus or consultative groups, monitoring customer complaints and satisfaction data. Key outcomes are shared with the Board. Our commitment to customers and clients is demonstrated by the tailored Customer Promises that have been developed for our businesses, the awards that we have won and independent research.
Colleagues	Members of the management team and subject matter experts are invited to Board and Committee meetings to present on items and input into discussion. During the year, the Group Chief People Officer provided an update on the Group People Strategy. Directors visit subsidiaries, businesses and project teams to gain a good understanding of colleagues' views. In order to engage, involve and inform colleagues, a range of methods as set out below are used: - Sir Stephen Lamport as the designated non-executive director for employee engagement is briefed on associated survey results and findings are reported to the Board. He also met with colleagues where discussion focused on the importance of the Group's culture and purpose.

Key stakeholders	Methods of engagement and outcomes
	- A variety of communication channels including intranet, all colleague emails (including weekly news, results, achievements and changes), briefings, conferences and publishing of financial reports and feedback and discussion is adopted (including to make colleagues aware of financial and economic factors affecting the performance of the Company); - Colleague engagement surveys adopting the B-Heard Survey provided by an external partner, Best Companies. - During the year colleagues undertake training to support the accessibility and understanding of our whistleblowing policy, procedure and approach to ensure they feel safe to speak up and challenge when needed; - Direct engagement and consultation through colleague representative forums including the Group's recognised Union and Employee Working Groups such as the DEI working Group; - 'Town Hall' meetings are hosted virtually by senior management where colleagues can ask questions and provide feedback. - A performance-related bonus scheme is operated, which directly links individual objectives and business performance to encourage employees to participate in the overall financial success of the Company and the Benefact Group; and - A range of training, development and volunteering activities are available to colleagues, including technical courses, mentoring, coaching and community opportunities.
Suppliers (including brokers)	Directors do not usually directly interact with our suppliers, however they receive reports and updates from management allowing them to oversee associated relationships and to keep up to date on developments. The Board supported by the Group Risk Committee has overseen the implementation of an enhanced approach to managing outsourcing and third parties including Group Procurement's associated action plan which was aligned to regulatory requirements. Awareness sessions were also provided to colleagues managing suppliers' relationships on their responsibilities under the Outsourcing Policy including consideration of associated regulatory requirements. During the year, the Board approved the refreshed Modern Slavery Statement.
Regulators	The Board (via its Committees) receives regular reports detailing the Group's regulatory interactions. Regular reports are also received on the evolving legal and regulatory landscape incorporating a detailed impact and progress assessment.
Shareholder and investors	Benefact Group plc owns the entire issued Ordinary share capital of Ecclesiastical Insurance Office plc. The directors of the Boards of both companies are identical. Benefact Group plc in turn is wholly owned by Benefact Trust Limited with whom the Board has an open and constructive relationship. Protocols for the exchange of information between Benefact Trust Limited and Benefact Group plc and its subsidiaries (including Ecclesiastical Insurance Office plc) are in place and cover performance, operations and financial position. There is at least one 'Common Director' (a director who is a member of the Boards of Benefact Trust Limited, Benefact Group plc and Ecclesiastical Insurance Office plc) who is expected to attend every Board meeting. The common directors present a summary of highlights from Benefact Trust Limited Board meetings to the directors. There is also engagement between respective Board and Committee Chairs and the Group Chief Executive Officer. Regular dialogue takes place on Benefact Trust Limited's expectations of the Group, strategy for the development of the business and grants from the Group. This ensures the views of Benefact Trust Limited are communicated to the Board as a whole. In turn, the Common directors are able to support the Directors of Benefact Trust Limited to understand the performance and strategic issues faced by the Company. A conflict of interest policy which sets out how actual and perceived conflicts of interest between the two companies are managed is in place.
Communities	We are owned by a charity and have a unique purpose to contribute to the greater good of society therefore all our available profits are donated to good causes. We are part of the Benefact Group which is the third largest corporate donor to charity in the UK. During the year, the Board has received regular updates on our charitable giving and areas of focus. In addition, directors have also had the opportunity to visit beneficiaries to see first-hand their work which has enabled a better understanding of needs. The Board approved a donation of £21m to Benefact Trust Limited (BTL) to support its funding of charities in respect of the Group's 2023 performance. £13m was paid in year and the remaining £8m will be paid in due course,.

Consideration of environmental and climate change matters.
During the year, the Board received regular updates on the Climate Strategy and was pleased that the first significant milestone of net zero for direct impact (scope 1 and 2) was achieved during the year.

Stakeholder engagement in decision making
The Board adopts a range of approaches to engage with stakeholders and recognises that the importance of a stakeholder group may differ depending on the matter being considered. Given the nature of the business, the Board sometimes engages directly with stakeholders and also understands that it may be more appropriate for engagement to be undertaken at an operational level.

The Board considers a variety of information to understand the impact of the Company's operations and the interests and views of key stakeholders. A one-year rolling plan of business for discussion is agreed annually to ensure that the Board is focused on the right issues at the right time and sufficient time is allowed for appropriate consideration and debate. Information is provided to directors in papers in advance of each meeting. Colleagues from the business are invited to attend meetings to provide insight into key matters and developments. At each Board meeting, the directors discuss strategic and business matters, financial, operational and governance issues and other relevant issues that arise. In addition, the Chair of each Committee provides a verbal report to the Board on proceedings of those meetings including areas of discussion and any recommendations. Because of this, the Board has an appreciation of engagement with stakeholders and other relevant matters, which enables the directors to comply with their legal duties.

Below is an example of a decision made by the Board:

Approval of donations to Benefact Trust Limited
The Board have approved three donations of £7m, £6m and £8m respectively to Benefact Trust Limited, of which £13m was paid in the year and the remaining £8m will be paid in due course. When determining whether it was appropriate to make such a distribution, the Board considered advice from the Group Chief Financial Officer and impact on stakeholders. A key area for the Board's deliberation is the Company's capital position and the affordability of donations based on a range of stressed circumstances.

Key performance indicators
The Group considers its key performance indicators to be profit or loss before tax, regulatory capital, gross written premiums, net earned premiums and combined operating ratio. In addition to information included within this Strategic Report, details about the Group's regulatory capital and combined operating ratio can be found in notes 4 and 36 to the financial statements.

Mark Hews
Group Chief Executive
21 March 2024

Financial performance

The Group reported a profit before tax for 2023 of £44.8m (2022: £15.6m loss). The increase on the prior year was materially driven by the net investment result of £57.5m (2022: £63.4m loss) which reflects the improved market conditions towards the end of the year. There has been good momentum in income across the Group's core businesses and costs have continued to be managed tightly, despite the ongoing inflationary pressures.

The Group's insurance service result of £70.7m (2022: £65.6m) was strong despite the impact from a significant fire claim at the start of the year and adverse development of prior year casualty liability and weather related claims. Gross written premium increased by over 10% to £615.0m (2022: £558.5m) as a result of new business and rate improvements. The Group recognised a net insurance financial loss of £19.5m (2022: £47.9m gain).

The Group's strong credit ratings with both Moody's and AM Best were reaffirmed during the year and our Solvency II regulatory capital position remains well above both regulatory requirements and our internal risk appetite.

Executing our strategy
Ecclesiastical is part of the Benefact Group. Within the wider Benefact Group, we made a number of changes to the legal entity structure to better align our businesses to the way in which we manage and achieve our growth ambitions across our specialist insurance, broking and advisory and asset management divisions. These changes have organised the Benefact Group into its three divisions, to support its strategic objectives and is providing a clearer approach to how the Benefact Group and its businesses operate and are governed.

As a result, on 3 January 2023 two wholly-owned subsidiaries, EdenTree Investment Management Limited and Ecclesiastical Financial Advisory Services Limited were disposed of to an undertaking of the Benefact Group. Their results for the previous year are reported in discontinued operations and assets and liabilities are classified as held for distribution.

During the year, the Group advanced a further £14.1m to the Benefact Group increasing this related party loan to £135.1m, which has been primarily used to fund acquisitions within the Benefact Group as it executes its growth ambitions.

General insurance

The Group's underwriting businesses have performed well across territories, resulting in a Group Combined Operating Ratio (COR) of 92.6% (2022 89.6%). We have delivered growth in insurance revenue, with this increasing by 9.5% to £586.5m (2022: £534.9m) reflecting both increased new business and rate strengthening and an insurance service result of £70.7m (2022: £65.6m). Underwriting has been impacted by larger than expected prior year liability claims in the UK, as well as a major fire claim in January 2023.

Our strategy to focus on profitable growth opportunities has continued to deliver, with sustained growth in premiums and the successful launch into the Leisure sector as part of plans to move into adjacent sectors. The strong growth in insurance revenue reflects targeted rate increases as well as strong retention and excellent service delivered to brokers and customers. Our programme of investment has continued, particularly across our technology platforms and with our colleagues. Our investments in these platforms are an important part of supporting the growth of our business and meeting our customers' needs for the long term.

The Group uses a number of financial performance measures when managing and monitoring the performance of the general and life insurance businesses. These include gross written premium underwriting result and the investment return.

United Kingdom and Ireland

In the UK and Ireland, underwriting profits fell to £16.4m (2022: £23.6m) resulting in a COR of 92.1% (2022: 87.1%) driven by a deterioration in prior year casualty claims. Gross written premium grew by 15.9% to £399.7m (2022: £344.8m). Current year performance was slightly above expectations despite the devasting fire which destroyed St Mark's church in London at the start of 2023. Storms Babet and Ciaran affected many of our customers but our support and the impact on profits was in line with expectations.

Many of our core segments grew by more than 20% including Heritage, Schemes, and Real Estate. The new Leisure product launch has been a success and is a good example of how we are using our specialist knowledge to grow into adjacent segments. Pricing remained robust in many of our core areas although there are early signs of increased competitiveness in some markets. Gross written premium in respect of our Faith business remained in line with prior year, in real terms, reflecting a good result in this market, as we continue to focus on providing service to this sector.

Our strategy over the medium term is to continue to deliver growth, while maintaining our strong underwriting discipline to increase the profit contribution to the Group. Our specialisms will continue to deepen through investment in people, technology and innovation together with the propositions, specialism and excellent service that our customers and broker partners value.

Ansvar Australia

Our Australian business reported an underwriting loss of AUD $9.6m resulting in a COR of 113.4% (2022: AUD $0.1m profit, COR of 99.0%). Premium grew by 8.1% in local currency to AUD $192.2m (2022: AUD $177.8m) driven by strong rate increases and higher new business growth and retention rates compared to prior year, partly offset by lower actual expiring premium.

The earn through of rate increases and continued de-risking of the portfolio has favourably impacted the result of the underlying business. Prior year strengthening in the public liability portfolio has outweighed the favourable impact of lower catastrophe claims in the year and is the main driver behind the underwriting loss for the year. The level of historic physical and sexual abuse (PSA) claims being notified continues to be in line with expectations.

Canada

Our Canadian business continued its track record of premium growth, albeit at a lower pace than prior years, reporting gross written premium of CAD$179.4m (2022: CAD$175.4m), supported by strong rate increases and new business of nearly $7.8m. The premium growth of 2.3% was achieved despite increased competition in some business segments.

Canada reported an excellent underwriting profit of CAD$25.0m resulting in a COR of 80.4% (2022: CAD$14.3m profit, COR of 88.1%). The liability book experienced favourable development on prior year claims.

Investments

The Group's net investment result for the year was £57.5m (2022: £63.4m loss), principally from fair value gains towards the later part of the year as markets improved. The Group remains committed to its long-term investment philosophy and is well-diversified and relatively defensively positioned.
Investment income of £42.9m (2022: £30.7m) was strong, while fair value gains on financial instruments of £19.6m (2022: £72.9m losses) reflect the improved market conditions seen in particular during the last quarter of the year. We recognised fair value losses of £6.6m (2022: £21.2m losses) on our investment properties, driven by a continued fall in the value of industrial sector capital values in the portfolio.

Sustainability and ESG consideration gained more prominence, influencing investor preferences, and have continued to shape our approach to responsible investing. Our responsible and sustainable investment policy plays an important part in how we invest responsibly, and the organisation remains committed to aligning our investments with ESG principles, recognising its significance in the contemporary investment landscape.

In an era marked by growing environmental concerns, responsible business practices have become imperative, and our strategy includes a focus on responsible investment and encompasses action to respond to climate risk and operations, investing in ways that support the transition to a low-carbon economy. The Group continues to focus on a range of Net Zero targets – including committing to Net Zero for all emissions across the entire Group by 2040. More information on the Group's approach to responsible investment including actions we take to mitigate the risks of transitioning to a low carbon economy can be found in our Responsible Business Report within the Benefact Group Annual Report and Accounts.

Long-term business

Our life business, Ecclesiastical Life, provides a product backing policies sold by the wider Group's pre-paid funeral plan business as well as legacy book of life insurance business which remains closed to new business. Profit before tax was £1.2m for the year (2022: £0.1m loss), driven by investment returns due to the improvement in markets in the later part of the year. Assets and liabilities in relation to the life insurance business remain well matched.

Outlook

The continued high cost of living pressures have been challenging for many in 2023 but with further evidence of easing inflationary pressures, this is expected to allow a move towards less restrictive monetary policies in the countries the Group operates within. We expect market conditions will continue to bring change and geo-political uncertainty but this will bring opportunities to help our customers and clients to navigate these challenges. While these global uncertainties persist, the Group continues to take a long-term view of risk, and the underlying resilience of our businesses means we will continue to grow sustainably and invest for the future.

The Board approved a donation of £21m in respect of the Group's 2023 performance, of which £13m was paid in year and the remaining £8m to be paid in due course, surpassing £200m cumulatively given to charitable causes since 2014, as the Benefact Group looks to achieve its ambition of giving £250m by the end of 2025.

Denise Cockrem
Group Chief Financial Officer

Note: The Group adopted IFRS 17 Insurance Contracts that became effective from 1 January 2023. Unless otherwise stated, comparatives figures for prior periods are restated on an IFRS 17 basis. Further details of the impact of the adoption of IFRS 17 are included in note 37 to the financial statements.

Strategic Report

Approved and authorised for issue by the Board of Directors and signed on its behalf by

Mark Hews
Group Chief Executive
21 March 2024

Governance

Board of Directors

David Henderson
Chair, Independent Non-Executive Director
David Henderson was appointed to the Board in April 2016. David began his career specialising in personal tax and UK trusts. He spent ten years as a banker with Morgan Grenfell and, following that, 11 years in financial services executive recruitment with Russell Reynolds Associates. He joined the Board of Kleinwort Benson Group plc as Personnel Director in 1995. He was appointed Chief Executive of Kleinwort Benson Private Bank Ltd (now Kleinwort Benson) in June 1997. He was Chairman of Kleinwort Benson from 2004 to 2008 and a Senior Adviser to the Bank until 2019. He holds several external Non-Executive Directorships.

Mark Hews
Group Chief Executive
Mark Hews was appointed Group Chief Executive in May 2013 and was previously Group Chief Financial Officer. He was appointed to the Board in June 2009 and appointed to the Board of MAPFRE RE in December 2013. He also became a Trustee of The Windsor Leadership Trust in November 2017. He was formerly a Director of HSBC Life and Chief Executive of M&S Life. Prior to this he was Finance Director at Norwich Union Healthcare. He started his financial career at Deloitte (formerly Bacon and Woodrow) as a consultant and actuary.

Denise Cockrem
Group Chief Financial Officer
Denise Cockrem was appointed Group Chief Financial Officer in December 2018 and joined the Board in September 2019. Denise is a Chartered Accountant with significant industry experience, predominantly in financial services. She spent her early career in corporate finance and banking roles for EY, Barclays, RBS and Direct Line. She then joined RSA as Group Financial Controller, spending nine years with them in various roles culminating in UK & Western Europe Finance Director. Denise most recently held the position of Chief Financial Officer at Good Energy Group plc, an AIM-listed renewable energy company who provide 100% renewable electricity and carbon neutral gas. In July 2022 Denise was appointed as a Non-Executive Director of ITM Power plc, an AIM-listed company which designs and manufactures hydrogen energy solutions to enhance the use of renewable energy. She was also a Trustee of MacIntyre Academy Trust, which provides special schools and specialist alternative provision for children and young people until February 2023. Denise was also Non-Executive Director of the Skipton Building Society from 2015 to 2021.

S. Jacinta Whyte
Deputy Group Chief Executive
Jacinta Whyte was appointed Deputy Group Chief Executive and joined the Board in July 2013 with responsibility for the Group's General Insurance business globally. She was also appointed to the Ansvar Australia Board during 2013. Jacinta joined Ecclesiastical in 2003 as the General Manager and Chief Agent of the Group's Canadian business, a role that she continues to hold. Having commenced her career as an underwriter for RSA in Dublin in 1974, she moved with them to Canada in 1988, holding a number of senior executive positions in both Ireland and Canada.

Chris Moulder
Senior Independent Non-Executive Director
Chris Moulder was appointed to the Board in September 2017. Chris is also a Director of the Insurance Board of Lloyds Banking Group and Tokio Marine Kiln. He was also a Director of the Company's ultimate parent, Benefact Trust until July 2023. Chris retired in 2017 after five years at the Bank of England as Director of General Insurance at the Prudential Regulation Authority. Prior to this he had spent 26 years with KPMG as a partner in its Financial Sector practice.

Rita Bajaj
Independent Non-Executive Director
Rita was appointed to the Board in July 2021. She is a Chair, Senior Independent Director, Non-Executive Director and Board member with over 30 years' broad investment markets experience on a number of financial services firms. Previously, she held senior investment positions at Global and UK Asset Managers in the UK & US, was EMEA CAO at a US custody bank and is a former FCA regulator.

Currently, Rita is the Audit, Risk & Compliance Chair and Senior Independent Director of Fidelity International Life Limited and the Chair of Threadneedle Investment Services Limited. She holds a non-executive directorship for Wesleyan Assurance and is a board member for the London Pension Fund Authority. In addition, Rita is an Independent Member for Hargreaves Lansdown's workplace SIPP IGC committee. She is also Non-Executive Director of EdenTree Holdings Limited and EdenTree Asset Management Limited.

Governance

Francois-Xavier Boisseau

Independent Non-Executive Director

Francois-Xavier Boisseau was appointed to the Board in March 2019. In addition Francois-Xavier is a Non-Executive Director of the Company's ultimate parent Benefact Trust Limited, Benefact Broking and Advisory Holdings Limited and the Chair of IQUW Syndicate Managing Agency Ltd.

Francois-Xavier has more than 30 years' experience working in the insurance industry, 25 years in the UK. He was CEO of Insurance Ageas (UK) until December 2018. Prior to that Francois-Xavier was CEO of Groupama and CEO of GUK Broking Services as well as being Non-Executive Chairman of Lark, Bollington and Carole Nash.

Sir Stephen Lamport

Independent Non-Executive Director

Sir Stephen was appointed to the Board in March 2020. He is the Vice Lord-Lieutenant of Surrey and a Senior Adviser at Sanctuary Counsel. He was a Director of Benefact Trust until 5 March 2024 and is Vice-President of the Community Foundation for Surrey; Painshill Park Trust Chair; Chair of the British Red Cross UK Solidarity Fund Committee; and is the Deputy High Bailiff of Westminster Abbey. He co-authored with Douglas Hurd a political novel, 'The Palace of Enchantments'.

He has now retired as a Court member of the St Katharine's Foundation. Sir Stephen was the Receiver General of Westminster Abbey from 2008 to 2018, and previously a Group Director of the Royal Bank of Scotland for five years. He was Deputy Private Secretary to The Prince of Wales from 1993, and Private Secretary and Treasurer from 1996 to 2002. From 1994 to 2002 he was a member of HM Diplomatic Service, with overseas postings in New York, Tehran and Rome.

He was appointed KCVO in 2002, and GCVO in 2018.

Neil Maidment

Independent Non-Executive Director

Neil Maidment was appointed to the Board in January 2020. Neil is an Independent Non-Executive Director at Lloyd's of London and a member of the Council of Christ's Hospital. He has over 35 years' experience in the insurance market. He was previously a Director of Beazley plc and was Chief Underwriting Officer of the company and Active Underwriter of its Lloyd's syndicates from 2008 to 2018. He was Chairman of the Lloyd's Market Association from 2016 to 2018 and served as an elected working member of the Council of Lloyd's during the same period.

Angus Winther

Independent Non-Executive Director

Angus Winther was appointed to the Board in March 2019. Angus co-founded Lexicon Partners, a London-based investment banking advisory firm, where he specialised in advising clients in the insurance and financial services sectors. He was closely involved in Lexicon Partners' leadership until it was acquired by Evercore in 2011 and served as a Senior Adviser at Evercore until October 2016. He is currently Chair of Apollo Syndicate Management Limited, a Lloyd's managing agent and was previously a Non-Executive Director of Hiscox Syndicates Limited and Trinity Exploration & Production plc. Angus is also Churchwarden of Holy Trinity Brompton, Vice Chair of the Church Revitalisation Trust and a trustee of St Mellitus College Trust, St Paul's Theological Centre, and the Church Renewal Trust.

Andrew McIntyre retired from the Board on 22 June 2023.

Board composition as at 21 March 2024

Balance of Non-Executive Directors and Executive Directors		
	2023	**2022**
Non-Executive Directors: Executive Directors	7:3	8:3
Gender Balance		
Male: Female	7:3	8:3
Ethnicity		
White British or other White (including minority-white groups)	9	10
Mixed/Multiple Ethnic Groups	0	0
Asian/Asian British	1	1
Black/African/Caribbean/Black British	0	0
Other ethnic group, including Arab	0	0
Length of Tenure		
(Chairman and non-executive directors)		
0 – 3 years	1	3
3 – 6 years	4	4
6 – 9 years	2	1
10 years+	0	0
Geographical Mix		
United Kingdom	8	9
Rest of Europe	1	1
North America	1	1
Rest of World	0	0
Age		
35-45	0	0
46-55	2	3
56-65	4	4
65+	4	4

Directors' Report

The directors present their report and the audited consolidated financial statements for the year ending 31 December 2023.

Information incorporated by reference

The Directors' Report required under Companies Act 2006 comprises this report and other disclosures contained in the Strategic Report, Governance section and Notes to the consolidated financial statements is incorporated by reference and includes the following information:

Information	*Reported in*	*Page(s)*
Business model	Strategic Report	Page 9
Corporate Governance Statement	Corporate Governance Report	Page 23
Financial instruments	Note 4 Derivative financial instruments and hedging accounting policy	Page 75 Page 66
Important events since 31 December 2023	Strategic Report	Page 21
Future developments	Strategic Report	Page 3
Research and development	Strategic Report	Page 3
Employee engagement and involvement	Strategic Report	Page 11
Stakeholder engagement	Strategic Report	Page 11
Greenhouse gas emissions and energy consumption	Strategic Report	Page 8
Going Concern and Viability Statement	Directors' Report	Page 21
Diversity and inclusion	Strategic Report	Page 9
The Section 172 Statement	Strategic Report	Page 10
Principal risks and uncertainties	Strategic Report Note 3	Page 3 Page 72

Company status and branches

Ecclesiastical Insurance Office plc is incorporated and domiciled in England and Wales (registration number 00024869). The registered office of the Company is Benefact House, 2000 Pioneer Avenue, Gloucester Business Park, Brockworth, Gloucester, GL3 4AW, United Kingdom. The Company has branches in Canada and Ireland.

Principal activities

The Group operates principally as a provider of general insurance. Details of the subsidiary undertakings of the Company are shown in note 34 to the financial statements.

Ownership and share capital

At the date of this report, the entire issued Ordinary share capital of the Company was owned by Benefact Group plc. In addition, 4.35% of the issued 8.625% non-cumulative irredeemable preference shares of £1 each ('Preference shares') are owned by Benefact Group plc. In turn, the entire issued ordinary share capital of Benefact Group plc was owned by Benefact Trust Limited, the ultimate parent of the Group.

Directors and their interests

The directors of the Company during the year and up to the date of this report are set out on pages 16 to 17 alongside the biographies of those directors currently serving on the Board.

As set out in the Notice of Meeting, all directors who have served since the last AGM will be proposed for re-election except for Denise Cockrem, who will be retiring from the Board at the end of June. All directors seeking re-election were subject to a formal and rigorous performance evaluation, further details of which can be found in the Group Nominations Committee Report. Details of directors' service contracts are set out in the Directors' Remuneration Report of Benefact Group plc.

Neither the directors nor their connected persons held any beneficial interest in any ordinary shares of the Company during the year ended 31 December 2023 and to the date of this report.

The interests of the directors and their connected persons in the preference shares in the capital of the Company as at 31 December 2023 and to the date of this report are shown below:

Director	***Nature of interest***	***Number of Non-Cumulative Irredeemable Preference Shares held***
Mark Hews	Connected person	75,342
Denise Cockrem	Connected person	32,020

The Board has a documented process in place in respect of conflicts.

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

Indemnities and insurance

In accordance with the Company's Articles and to the extent permitted by law the Company indemnifies each of its directors and directors of any associated company against certain liabilities that may be incurred because of their positions. In addition, the Company maintains directors' and officers' liability insurance. Neither our indemnity nor the insurance provides cover in the event that a director is proven to have acted dishonestly or fraudulently.

Employees

The Group is committed to nurturing a culture and work environment in which all colleagues can fulfil their potential. Our Equality and Diversity Standard and Guidance sets our expectations for an open and inclusive workplace and we place the care and wellbeing of all our colleagues at the heart of our employment policies.

Throughout the employee lifecycle from recruitment onwards, we carefully consider adjustments to our processes and practices and look for solutions to remove barriers for those colleagues with disabilities.

When needed, we engage with third-party and occupational health specialists who provide us with expert advice and ensure we are offering the best support we can. Through our adjusted work approach we provide an environment in which colleagues with additional needs can fully participate in all opportunities provided by the Group from continued employment to training, job moves and promotions. We offer a range of support for colleagues to help them maintain a healthy work and home life including; flexible working practices, virtual GP service, employee assistance programme, flu vaccinations and eye tests as well as a wide variety of flexible benefits such as dental care and critical illness insurance.

Information on employee engagement and well-being is provided in the responsible business section.

Dividends

Dividends paid on the preference shares were £9,181,000 (2022: £9,181,000).

The directors do not recommend a final dividend on the ordinary shares (2022: £nil). No interim dividends were paid in 2023 and 2022 except the interim dividend in specie made on 3 January 2023 in relation to the entire issued share capital of EdenTree Investment Management Limited of £4,651,000 and Ecclesiastical Financial Advisory Services Limited of £572,000.

Going concern

The financial performance and principal risks and uncertainties section of the Strategic Report starting on page 3 provide a review of the Group's business activities and disclose the Group's principal risks and uncertainties, including exposures to insurance, financial, operational and strategic risk.

The Group has considerable financial resources: financial investments of £941.8m, 82% of which are liquid (2022: financial investments of £870.7m, 84% liquid) and cash and cash equivalents of £112.1m (2022: £104.7m) to withstand economic pressures. Liquid financial investments consist of listed equities and open-ended investment companies, government bonds and listed debt.

The Group has a strong risk management framework and solvency position, is well placed to withstand significant market disruption and has proved resilient to stress testing. The Group has considered its capital position, liquidity and expected performance. The Group and its businesses have sufficient levels of cash and other liquid resources and has expectations it can meet its cash commitments over its planning horizon. The Group and its businesses expect to continue to meet regulatory requirements.

Despite economic pressures and challenges, given the Group's operations, robust capital strength, liquidity and in conjunction with forecast projections and stress testing, the directors have a reasonable expectation that the Group has adequate resources and is well placed to manage its risks successfully and continue in operational existence for at least 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Longer-term viability statement

The directors have assessed the prospects of the Group in accordance with Provision 31 of the 2018 UK Corporate Governance Code. Although the prospects and business plans of the Group are considered over a longer period, the assessment by the directors covers three years. In making its assessment the directors considered:

- The Group's current position and prospects, risk appetite, and the potential impact of the principal risks and how these are managed;
- The Group's long-term business plans and strategy, and the costs associated with its delivery;
- The Group's current capital, liquidity and solvency position and projections; and
- The political, economic and regulatory environment, including uncertainties on the geopolitical outlook and potential for a prolonged recession.

While the directors have no reason to believe the Group will not be viable over a longer period, a three-year outlook period has been selected. In determining this assessment period, consideration has been given to the nature of the Group and its businesses, its stage of development, strategy and business model. Given the rate of change in the markets in which the Group operates, three years provides an appropriate balance between the period of outlook and degree of clarity over specific, foreseeable risk events that could impact on the viability of the Group. The directors will continue to monitor and consider the suitability of this period.

The Group uses varying stress scenarios with reference to the principal risks, which are documented on pages 3 to 7. Scenarios are designed to be severe, but plausible, and assess the impact of certain events on the Group's profitability and capital strength. Reverse stress testing is also used to assess what could make the Group's business model unviable. The outcome of testing was discussed by the Board during the year and consideration was given to the current environment on the Group's viability.

Among the considerations and scenarios were further investment market volatility, claims experience and business deterioration.

The solvency position of the Group has been projected as part of the Own Risk and Solvency Assessment (ORSA), which is a private, internal, forward-looking assessment of own risk, required as part of the Solvency II regime. The forward looking emphasis of the ORSA ensures that business strategy and plans are formulated with full recognition of the risk profile and future capital needs.

Analysis confirms that the Group has sufficient capital resources to cover its capital requirements and is operationally resilient.

The directors have also considered the Group's ability to service its preference shares, subordinated liabilities and the expectations of its ultimate charitable owner, Benefact Trust Limited. The Group has fixed annual dividend payments of £9.2m in respect of its non-cumulative irredeemable preference shares. The Group makes regular grants to its ultimate charitable owner, Benefact Trust Limited and when determining the appropriate level of grants, the Group's capital position and future business needs are taken into account.

Confirmation of viability

Based on the Group's strong capital position, the strong risk management framework in place and the Group's resilience to the variety of adverse circumstances as demonstrated in the results of the stress testing and potential mitigating actions, the directors confirm that they have a reasonable expectation that the Group will continue in operation and be able to meet its liabilities over the three year period of the viability assessment.

Political donations

No political donations were made in the year (2022: £nil). The Group policy is that no political donations be made or expenditure incurred.

Important events since 31 December 2023

There have been no significant events or transactions since 31 December 2023.

External auditor

Having reviewed the effectiveness of the External Auditor, the Group Audit Committee recommended the reappointment of PricewaterhouseCoopers LLP to the Board. Further details are disclosed in the Group Audit Committee Report.

The Group Audit Committee reviews the appointment of the auditor, including the auditor's effectiveness and independence, and recommends the auditor's reappointment and remuneration to the Board.

In accordance with Section 489 of the Companies Act 2006, a resolution proposing that PricewaterhouseCoopers LLP be reappointed as auditor of the Group will be put to the forthcoming AGM.

Disclosure of information to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information that the auditor is unaware, that could be needed by the auditor in order to prepare their report.

Having made enquiries of fellow directors and the Group' auditor, each director has taken all the steps that they ought to have taken as a director, in order to make themselves aware of any relevant audit information, and to establish that the auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Annual General Meeting

A copy of the Notice for the 2024 AGM is available on Ecclesiastical's website.

Directors' responsibilities statement

The directors are responsible for preparing the 2023 Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK-Adopted International Accounting Standards (UKIAS). Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UKIAS have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

The directors consider that the 2023 Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Company's position and performance, business model and strategy. Each of the directors, whose names and functions are listed on pages 16 and 17 confirm that, to the best of their knowledge:

- the Group and Company financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities and financial position of the Group and Company, and of the profit of the Group; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

Approved and authorised for issue by the Board of Directors and signed on its behalf by

David Henderson	Mark Hews
Chair	*Group Chief Executive*
21 March 2024	21 March 2024

Corporate Governance Report

Introduction from the Chair

Dear Stakeholder

I am delighted to introduce the Corporate Governance Report. I firmly believe that good corporate governance is essential in assisting us to deliver our ambitions and to continue supporting our stakeholders.

Our approach to governance
As a Board, we are committed to applying the highest standards of corporate governance and believe that the affairs of the Company should be conducted in accordance with best business practice. Consequently, although the Company does not have shares with a premium listing on the London Stock Exchange we have chosen to voluntarily comply with the Principles and Provisions of the 2018 UK Corporate Governance Code (the Code) where possible. A copy of the Code can be found on the FRC's website. I am pleased to report that, we are fully compliant with the principles and provisions of good governance contained in the Code with the following exceptions:

Provision	***Current Status / Explanation***
4: *When 20 per cent or more of votes have been cast against the board recommendation for a resolution, the company should explain, when announcing voting results, what actions it intends to take to consult shareholders in order to understand the reasons behind the result.*	Given Benefact Group plc owns the entire issued Ordinary share capital of the Company, there is no need to comply with the provisions relating to outcomes from shareholder votes
10. The board should identify in the annual report each Non-Executive director it considers to be independent. Circumstances which are likely to impair, or could appear to impair, a non-executive director's independence include, but are not limited to, whether a director: – *holds cross-directorships or has significant links with other directors through involvement in other companies or bodies;* *Where any of these or other relevant circumstances apply, and the board nonetheless considers that the non-executive director is independent, a clear explanation should be provided.*	All Non-Executive Directors are Non-Executive Directors of the Company's immediate parent, Benefact Group plc. Francois Boisseau is also Non-Executive Director of the Company's ultimate parent. As explained in the Group Nominations Committee Report the Board believes, all Non-Executive Directors are independent in character and judgement. A key area of focus for the Group Nominations Committee during 2024 will be the separation of the Board of the Company and its immediate parent following the Group re-structure.
36: *Remuneration schemes should promote long-term shareholdings by executive directors that support alignment with long-term shareholder interests.*	Given the Company does not have listed equity shares we are unable to comply with the shareholding requirements for Executive Directors.

Areas of Board and Committee focus
During the year the focus was on the challenges arising from the backdrop of uncertainty and challenging economic conditions. We looked to demonstrate our resilience and commitment to our stakeholders as detailed below. We have also overseen the delivery of the Company's business plan and strategic initiatives and a range of other matters as detailed in the Board activities below.

In the year ahead, we will look to make our Board more independent from our immediate parent following the re-structure of the Benefact Group. We will also continue to focus on our growth ambitions including implementing solutions for our strategic systems.

AGM and re-election of directors
This year our AGM will be taking place on 25 June 2024. A copy of the Notice for the AGM is available www.ecclesiastical.com.

In accordance with the Code and as set out in the Notice of Meeting, all directors who have served since the last AGM will be proposed for re-election (except for Denise Cockrem). I can confirm that all directors seeking re-election were subject to a formal and rigorous performance evaluation. Further details can be found in the Group Nominations Report.

David Henderson
Chair
21 March 2024

Board leadership and Company Purpose

Role of the Board
The Board is responsible to the Group's shareholders for the long-term success of the Group, its purpose, values, strategy, culture and its governance. Great importance is placed on a well-informed and decisive Board, and Board meetings are scheduled and held regularly throughout the year.

The Board sets annual objectives for each year in addition to setting the Group's strategic direction. These are implemented through approval and regular assessment of the business plan and strategy process.

It is the Board's policy to record any unresolved concerns about the running of the Company and any proposed action in the Board minutes. During 2023, no Director had any such concerns.

Purpose, values and strategy
The Group's purpose is to contribute to the greater good of society. In particular, the Group strives to improve the lives of customers, beneficiaries and society as a whole. This is achieved by managing a portfolio of businesses that operates on the highest ethical principles. It seeks to diversify and bring an ethical dimension to more aspects of society; and all of its businesses need to set a high bar, putting its customers first and setting an example to others.

As a unique company, with a unique purpose, we know that our success is not just about what we do, it's how we do it that makes the real difference. The way that we work is based upon our Group values. They underpin our vision, ambition and strategy and they are the common thread that binds our family of businesses together.

Please also see the Strategic Report for more details.

Culture
The Board is responsible for setting the right values and culture within the Group and ensuring the fair treatment of customers. During 2023 a simplified and refreshed set of values were launched which inform the culture across the Group, as described below:

Collaborating	We're a family of diverse businesses united by our culture of inclusion and our commitment to the value, energy and fun of working together.
Ambitious	Our growth is empowered by our ability to be confident, bold and agile. We activity listen, learn and innovate whilst maintaining a consistent focus on delivering the highest standards for our customers and clients.
Responsible	We stake our reputation on integrity, ethical principles and commitment to building a responsible and sustainable legacy.
Expert	We nurture our colleagues with opportunities for growth, trusting each other's specialist expertise, knowledge and experience to deliver the best outcomes for our customers, clients and beneficiaries.
Supporting	Our purpose is at the heart of everything we do, bringing us together to build a movement for good.

Every colleague contributes to building and sustaining our culture through the way we behave with each other, our business partners, clients, customers and communities.

Our values are embedded across the Group's employee lifecycle, from recruitment through to performance management, our behaviour model, personal development and communications. The culture of the Group is monitored and assessed through the employee survey results and individually through the assessment of performance which also informs reward outcomes.

Board activities in 2023
The key activities considered by the Board and links to stakeholders during the year are set out below.

Stakeholders for this purpose are defined as [1] customers; [2] colleagues; [3] communities; [4] shareholders and investors; [5] suppliers (including brokers); [6] regulators and governments; and [7] the environment.

Strategy and Performance

CEO's Report [1,2,3,4,5,6,7]	***Benefact Trust updates*** [4]	***Business updates*** [1,2,4,5,6]
The CEO led discussions on general business performance, key strategic initiatives	Received regular reports from the Shareholder	Received business and performance updates from business areas including Australia, Canada, Ireland

Strategic Reviews

At each meeting, the Board had focused discussion on matters of strategic significance to evaluate progress, provide insight and where necessary take appropriate action as shown below:

UK General Insurance [1,2] Early themes were considered	***Insurance Systems*** [1] Discussed and challenged the approach to the combined policy administration, reinsurance and claims platform	***Climate change*** [1,3,7] • Received regular sustainability champion updates • ClimateWise Reporting update • Approved the Responsible & Sustainable Investment Policy

Financial

CFO's Report [4] The CFO led discussions on financial performance across the Group including rating agency considerations and IFRS 17, the new accounting standard	***Capital, costs and budget*** [4] • Agreed the Group Corporate Strategy and Business Plans 2024-26 • Agreed to increase the loan from EIO to Benefact Group plc	***Cashflow and dividends*** [4] • Considered the dividends to be paid to the holders of the 8.625% Non-Cumulative Shares of £1. • Considered making a distribution in the form of a grant to the Company's ultimate parent Benefact Trust Limited
Results and regulatory disclosures [1,2,4,5,6] • Reviewed and approved the Annual Report and Accounts and the half and full year results announcements • Reviewed and approved the Solvency and Financial Condition Report (SFCR) • Approved the Tax Strategy • Reviewed the going concern assessment and viability statement	***Group reinsurance arrangements*** [1, 4, 6] Received an update on the renewal season including market conditions and reinsurance arrangements put in place	***General Insurance underwriting*** [1, 4, 6] Received reports from the Chief Underwriting Officer on the performance and health of the general insurance underwriting portfolios

Governance, legal and regulatory

Board succession and diversity [3, 4. 6] • On recommendation from the Group Nominations Committee, assessed the independence of the Non-Executive Directors • Approved the changes to Committee composition • Approved the refreshed Board Diversity Policy	***Board effectiveness*** [1, 3, 4. 5, 6] • Considered outcomes from the External Board Evaluation • Approved objectives for 2023 and monitored progress during the year • Approved changes to its Committees' terms of reference	***Governance, legal and regulatory*** [1,2,3,4,5,6,7] • Approved the resolutions to be put to the Shareholder at the AGM • Considered directors' Conflicts of Interest • Considered operational resilience and the recovery plan • Considered the corporate re-structure and the approach to streamlining governance

Colleagues, culture and values

Culture [2] • Considered updates on people, engagement and performance • Reviewed the annual Health and Safety Report	***Global people strategy*** [2] Considered the Group's aspirations to be the best employer	***Consumer Duty*** [1] • Received regular reports on changes in philosophy due to Consumer Duty Regulations	***Charitable purpose*** [2] Considered regular updates on the charitable purpose and mission (including consideration of the grant policy in Canada and Australia)

Risk management

Group ORSA Approved the Own Risk and Solvency Assessment	***Effectiveness of Internal Controls*** Supported by the Group Audit Committee reviewed the internal controls in place across the Group and determined their effectiveness	***Group Risk Appetite*** Approved the Group risk appetite

Continuous professional development, training and site visits

Board CPD Sessions	***Site visits***
During the year the Board received dedicated sessions on reinsurance and credit risk, Consumer Duty, the internal model and climate change.	In 2023, directors resumed site visits to enable them to deepen their knowledge and understanding of the Group. Sites visited during the year included Australia; Canada and Ireland.

Whistleblowing

The Board (via the Group Audit Committee) is responsible for reviewing the Group's Whistleblowing Policy and Procedures and receives regular updates from the Chair of that Committee. More information is contained within the Group Audit Committee Report.

Conflicts of interest

A Register of Directors' conflicts is maintained by the Group Company Secretary to monitor and manage any potential conflicts of interest. Training on the Companies Act 2006 has been given to all directors who are regularly reminded of their duties.

Any conflicts are declared at the first Board meeting at which the director becomes aware of a potential conflict and then recorded in the conflicts register. The Board considers all conflicts in line with the provisions set out in the Company's Articles. The directors are required to review their interests recorded in the conflicts register on a biannual basis.

In addition, the Board oversees the procedure for managing actual and potential conflicts of interest in the trading relationship with brokers and the general insurance business. It is underpinned by the desire to put the customer interest at the forefront of their dealings and seek to deliver the best customer outcome.

It is the Board's policy to record any unresolved concerns about the running of the Company or any proposed action in the Board minutes. During 2023 no director had any such concerns.

Division of responsibilities

There is a division of responsibilities between non-executive and executive roles to ensure appropriate oversight and accountability. These roles and responsibilities are clearly defined, set out in writing, and reviewed by the Board. The roles of the Chair and Group Chief Executive are undertaken by separate individuals as set out in the Governance Structure Chart. In addition, the Board has designated Non-Executive Directors as champions for workforce engagement, climate change and Consumer Duty.

David Henderson met with the Non-Executive Directors without the Executive Directors present on a number of occasions throughout the year. Mark Hews regularly meets with the Group Management Board to attend to the operational management of the Group. Any matters of significance are communicated to Directors outside of the Board meeting schedule.

Governance Structure

Documents available at www.ecclesiastical.com

- *Articles of Association*
- *Matters Reserved to the Board*
- *Committee Terms of Reference*

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 risks which the Group faces to be assessed and managed. The Board sets the Group's high level strategic aims, ensures that the necessary financial and human resources are in place for it to meet its objectives and reviews management performance. The Board sets the Group's values and standards and ensures that its obligations to its customers, its shareholders and other stakeholders are understood and met.

Chair, David Henderson The Chair is responsible for the active leadership of the Board, ensuring its effectiveness in all aspects of its role. The Chair is pivotal in creating the conditions for overall board and individual director effectiveness, setting clear expectations concerning the style and tone of board discussions, ensuring the Board has effective decision-making processes and applies sufficient challenge to major proposals.	***Senior Independent Director, Chris Moulder*** The Senior Independent Director supports and acts as a sounding board for the Chair and is responsible for overseeing the governance practices of the Company and leading the directors in their appraisal of the Chair. Along with the Chair, the Senior Independent Director is the primary contact for the shareholder and they meet regularly with the shareholder to share and understand views.	***Non-executive Directors, Rita Bajaj, Francois-Xavier Boisseau, Sir Stephen Lamport, Neil Maidment, Angus Winther*** Non-Executive Directors have a responsibility to uphold high standards of integrity and probity including acting as both internal and external ambassadors of the Company. As part of their role as members of a unitary board, Non-Executive Directors should constructively challenge and help develop proposals on strategy.

The Board delegates certain matters to its five principal committees, which reports to the Board after each meeting

Group Audit Committee Oversees financial, climate, non-financial and regulatory reporting processes; internal controls; whistleblowing arrangements; tax strategy and policies; internal audit function; and manages the relationship with the external Auditor.	***Group Finance and Investment Committee*** Oversees the management of certain of the Company's financial assets (including its investment portfolio) to ensure it is properly governed, controlled and performing as expected within agreed risk parameters. It also reviews and advises on any major financial decisions on behalf of the Board	***Group Risk Committee*** Oversees the Risk Management Framework including risk appetite and tolerance; the risk and compliance functions; and reviews prudential risk (including overseeing the capital model), conduct risk and climate change risk.	***Group Nominations Committee*** Ensures that there is an appropriate balance of skills, knowledge and experience on the Board, its committees and within the Group's subsidiary companies.	***Group Remuneration Committee*** Determines the Group's Remuneration Policy and ensures there is alignment between performance and reward.

Group Chief Executive, Mark Hews

The Board delegates the execution of the Company's strategy and day-to-day management of the business to the Chief Executive, assisted by members of the Group Management Board (GMB).

Deputy Group Chief Executive, Jacinta Whyte The Deputy Group Chief Executive is accountable to the Group Chief Executive for leading the general insurance businesses.	***Group Chief Financial Officer, Denise Cockrem*** The Group Chief Financial Officer is accountable to the Group Chief Executive for the financial management of the Group and for ensuring that it complies with its statutory and regulatory reporting requirements.	***Group Company Secretary, Rachael Hall*** The Company Secretary is responsible for compliance with board procedures, advising the Board on all governance matters, supporting the Chair and helping the Board and its Committees to function efficiently. All Directors have access to the advice of the Company Secretary.

Attendance at meetings

Directors are expected to attend all Board meetings and strategy days as well as Committee meetings where they are members. However, it is recognised that sometimes this may not be possible in exceptional circumstances. Where this is the case, directors receive the papers and provide comments to the relevant meeting.

In 2023, the Board held five scheduled meetings and a strategy day. In addition, the Board participated in regular training sessions. Below is a record of the Directors' attendance for Board and Committee meetings during 2023:

	Director since	*Board Meetings attended /eligible to attend*	*Group Audit Committee*	*Group Finance & Investment Committee*	*Group Nominations Committee*	*Group Remuneration Committee*	*Group Risk Committee*
Executive Directors							
Mark Hews	Jun 2009	6/6	-	-	-	-	-
S. Jacinta Whyte	July 2013	6/6	-	-	-	-	-
Denise Cockrem	September 2019	6/6	-	-	-	-	-
Non-Executive Directors							
David Henderson	April 2016	6/6	-	5/5	3/3	5/5	-
Rita Bajaj[1]	July 2021	6/6		5/5	-	-	1/1
Francois-Xavier Boisseau[2]	March 2019	6/6	10/10	4/5	-	-	6/6
Sir Stephen Lamport	March 2020	6/6	-	-	-	5/5	6/6
Neil Maidment	January 2020	6/6	10/10	-	-	5/5	6/6
Chris Moulder [3]	September 2017	6/6	9/10	-	3/3	-	5/6
Angus Winther[4]	March 2019	6/6	-	5/5	3/3	4/5	-
Andrew McIntyre[5]	April 2017	3/3	6/6	-	-	-	3/4

[1] Rita Bajaj was appointed to the Group Risk Committee on 26 September 2023
[2] Francois-Xavier Boisseau was unable to attend a Group Finance and Investment Committee meeting due to a prior commitment arranged before the meeting was confirmed.
[3] Chris Moulder was unable to attend a Group Audit Committee and Group Risk Committee meeting due to prior commitments arranged before the meeting was confirmed.
[4] Angus Winther was unable to attend a Group Remuneration Committee meeting due to personal commitment.
[5] Andrew McIntyre retired from the Board on 22 June 2023. He was unable to attend a Group Risk Committee meeting due to a professional engagement arranged before the meeting was confirmed.

Internal controls

The Board is ultimately responsible for the systems of risk management and internal control maintained by the Group and reviews their appropriateness and effectiveness annually. The Board views the management of risk as a key accountability and is the responsibility of all management and believes that, for the period in question, the Group has maintained an adequate and effective system of risk management and internal control that complies with the Code.

The Group embeds risk management into its strategic and business planning activities whereby major risks that could affect the business in the short and long term are identified by the relevant management together with the assessment of the effectiveness of the processes and controls in place to manage and mitigate these risks.

The Group's internal control framework is vital in setting the tone for the Group and in creating a high degree of control consciousness in all employees.

A Code of Conduct and a Code of Ethics are embedded into the culture of the Group and is accessible to all staff via the intranet.

Assurance on the adequacy and effectiveness of internal control systems is obtained through management reviews, control self-assessment and internal audits.

Systems of internal control are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide reasonable, but not absolute assurance as to the prevention and detection of financial misstatements, errors, fraud or violation of law or regulations. Further information on internal controls is set out in the Group Audit Committee Report.

By order of the Board

Rachael Hall,
Group Company Secretary
21 March 2024

Nominations Committee Report

Committee member	Member since	Meetings attended
Chris Moulder	November 2019	3/3
David Henderson	January 2018	3/3
Angus Winther	May 2021	3/3

Dear Stakeholder

I am pleased to present the Group Nominations Committee's Report for the year-ending 31 December 2023. During the year, we reviewed the skills, experience and diversity on the Board, its Committees and subsidiaries and led the process for the appointment of a new Non-Executive Director which will be finalised in 2024. In addition, I was also appointed as Group Audit Committee Chair and Neil Maidment succeeded me as the Group Risk Committee Chair. In 2024, we will be focusing on making the Boards of EIO and Benefact Group plc more independent following the re-structure of the Group.

Chris Moulder, Group Nominations Committee's Chair
21 March 2024

Composition of the Board and Senior Management

The Committee considered the composition of the Board and its Committees. This included consideration of skills, knowledge, experience, length of tenure, independence, and diversity in the context of the Group's long term strategic priorities.

The Committee was conscious that improvements were required in relation to the diversity of the Board and its committees particularly in terms of female representation which it has actively tried to address. In line with the expectations of the FCA, the Committee has also committed to making this a consideration when recruiting new directors.

Board Diversity

Ecclesiastical recognises the benefits of having a diverse Board and is committed to improving diversity on the Board. It believes that diversity both strengthens the Board and business performance. The Board will take opportunities, as and when appropriate, to further improve diversity in its broadest sense (including ethnicity, skills, regional and industry experience, background, age, gender and other distinctions) as part of its recruitment practice. However, the Board believes the approach to diversity and inclusion should not be a 'tick box exercise' but an opportunity to continue to build a cohesive and robust leadership. Ultimately all appointments should be made on merit with directors able to bring a range of thoughts and opinions to avoid 'Groupthink'.

As reported last year, the Board's Diversity Policy includes objectives which align with the diversity and inclusion targets set out in the Listing Rules.

Statement on Board Diversity

Although the Board is pleased that we have met two of the three diversity targets, we are disappointed that we have been unable to achieve one of the objectives as set out below:

Board Diversity Objective	***Implementation and progress***
At least 40% of the Board are women.	30% of the Board are women. The Board recognises the need for a fully diverse, equitable and inclusive Board. During the recruitment process for a new Group Audit Committee Chair, the Board sought to appoint a woman, but we were not able to attract a suitable candidate. The Committee regularly reviews the composition of the Board, its Committees and Senior Management. Women who possess the required skills and experience will be prioritised in any future Board related appointment.
At least one of the senior positions on the Board (defined as Chair, Chief Executive, Senior Independent Director and Chief Financial Officer) is held by a women.	The Deputy Chief Executive Officer and Group Chief Financial Officer are women.
At least one director is from a minority ethnic background.	One member of the Board is from an ethnic minority background.

Numerical information on representation on the Board a is set out in the Board Diversity Schedule.

Directors' Length of Service

The Committee monitors the length of tenure of all directors as shown in the table on Board diversity.

Director's Independence and time commitments

The Board believes that all the Non-Executive Directors were independent throughout 2023. Independence is reviewed as part of each director's annual appraisal, considered by the Committee and agreed by the Board annually. The Committee has considered the circumstances and relationships of all Non-Executive Directors and, following rigorous review, the Committee confirmed to the Board that all Non-Executive Directors remained independent in character and judgement. No individual participated in the discussions relating to their own independence.

All Non-Executive Directors are directors of the Company's immediate parent, Benefact Group plc. Francois Boisseau is also a director on the Boards of Benefact Trust Limited and the Company ('common directors'). Chris Moulder and Sir Stephen Lamport were also common directors until 6 July 2023 and 5 March 2024 respectively when they stepped down from the Board of Benefact Trust Limited. The common directorship model is regarded as good practice with a charity that owns a trading subsidiary and these common directors enable the Trust to gain a thorough understanding of its subsidiary company's performance and the strategic issues it faces, and for the subsidiary to understand the expectations of its parent company. A joint Company and Benefact Trust Limited Nominations Committee Meeting is held annually, amongst other things to consider the appointment of common directors.

The Committee evaluates the time non-executive directors spend on the Company's business annually and is satisfied that, in 2023, the Non-Executive Directors continued to be effective and fulfilled their time commitment as stated in their letters of appointment.

External directorships are considered to be valuable in terms of broadening the experience and knowledge of Executive Directors, provided there is no actual or potential conflict of interest, and the commitment required is not excessive.

All appointments are subject to approval by the Board, and the Conflicts Register maintained by the Group Company Secretary is used to monitor external interests. Any monetary payments received by Executive Directors from outside directorships are paid over to and retained by the Group.

Succession Planning and Talent Development

The composition of the Board and Senior Management is informed by plans for orderly, rigorous and a phased approach to succession and to reflect the Group's strategic ambitions, opportunities and challenges faced.

In respect of each leadership role, emergency, short-term and long-term succession plans are considered and challenged by the Committee to ensure that appropriate skills are in place to support the Group's strategy and ensure a diverse pipeline of talent is in place. This is supported by a robust skills analysis which is conducted for all directors annually. During 2023, the assessment demonstrated that all directors had the required skills, expertise and knowledge the Board believes are necessary to drive the Group forward.

In support of the Group's strategy to build a world class team, the Committee reviewed the talent, succession, and leadership activities across the Group.

Board Appointments

The appointment process is set out below:

Appointment Process

An Appointments Panel comprising Chris Moulder, David Henderson, and Rachael Hall was formed for the recruitment of a new Non-Executive Director with extensive senior experience in the financial services sector or the civil service. A Position Specification for the role based on objective criteria and having regard to the outcome of the Board skills analysis was developed.

Following a tender process involving three Search Agencies, Sapphire Partners (which had no other connection to the Group) was engaged to support the recruitment process.

Having due regard to the Board's diversity and inclusion ambitions, the skills and competences outlined in the specification, and the Group's ethics, culture and values, Sapphire Partners drew up a list of potential candidates. This long-list was reduced to a short list by the Appointments Panel and interviews were held in March 2024. Information on the conclusion of this process will be provided in next year's Committee Report.

Chairs of the Group Audit Committee and the Group Risk Committee

During the year, we continued to search for a long-term successor to Andrew McIntyre who stepped down as the Chair of the Audit Committee and a member of the Board on 22 June 2023. As the Board is challenged from a female diversity perspective, the Nominations Committee had hoped that the successful candidate would be a women. After an extensive market search and much deliberation by the Nominations Committee, it was agreed to suspend the search and appoint Chris Moulder as Group Audit Committee Chair until his term comes to an end in 2026. Chris Moulder stepped down as Chair of the Group Risk Committee and was succeeded by Neil Maidment.

Group Chief Financial Officer

Denise Cockrem will retire from her role as an Executive Director and Group Chief Financial Officer on 30 June 2024. The search for a new Group Chief Financial Officer has commenced and an update will be provided in next year's Annual Report.

Induction and Training

All Directors undertake a formal, comprehensive and tailored induction upon joining the Board. This includes sessions with key SMEs across the Group.

In addition, the annual training schedule of the Board is developed in consultation with the Committee, the GMB and key SMEs around the Group before being approved by the Board. It is dynamic and can change to reflect the needs of the Board. Any Director may request further training to support their individual or collective needs. Throughout the year, the Board received training on reinsurance/credit risk, Consumer Duty, Internal Model, and Task Force on Climate-Related Financial Disclosures (TCFD)/Climate Change.

The Group Company Secretary maintains annual Continuing Professional Development (CPD) records for all directors, which the Chair reviews as part of their annual appraisal.

Board Evaluation and Performance

All Directors receive an annual appraisal from the Chair. The Chair is appraised by the Board, in his absence led by the Senior Independent Director.

As explained in last's year's Committee report Stephenson Executive Search conducted the external Board Evaluation in late 2022 and early 2023. It had no connection to the Group or its directors beyond Tim Stephenson, Stephenson Executive Search's Chair supporting David Henderson in relation to Non-Executive Director assignments. The Board was content that Mr Stephenson provided an independent view on the performance of the Board, its committees and individual directors. Mr Stephenson observed Board and Committee meetings and conducted a series of interviews with each director, the Group Company Secretary, the Group Chief Actuary and the Group Chief Risk and Compliance Officer. The outcome of the evaluation was considered by the Board in March 2023. The main recommendations arising from the Board Evaluation related to the Board Succession planning as described earlier in in this report.

Group Risk Committee Report

Committee member	*Member since*	*Meetings attended/eligible to attend*
Neil Maidment (Chair) [1]	March 2020	6/6
Rita Bajaj [2]	September 2023	1/1
Francois-Xavier Boisseau	April 2019	6/6
Sir Stephen Lamport	November 2020	6/6
Chris Moulder [3]	September 2017	5/6
Andrew McIntyre [4]	August 2017	3/4

[1] Neil Maidment was appointed as the Committee Chair on 22 June 2023.
[2] Rita Bajaj joined the Committee on 26 September 2023
[3] Chris Moulder stepped down as Committee Chair on 22 June 2023. Chris was unable to attend a meeting due to professional commitments arranged before the meetings were confirmed
[4] Andrew McIntyre was a member of the Committee until 22 June 2023 when he left the Board. Andrew was unable to attend a meeting due to a professional engagement arranged before the meeting was confirmed

Dear Stakeholder

I am pleased to present this report, my first as Chair of the Group Risk Committee, describing the work undertaken by the Committee during the past year. I would like to take the opportunity to thank Chris Moulder for leading the Committee over the last five years and his continuing support as a member of the Committee. I would also like to thank Andrew McIntyre, who stepped down from the Committee during the year, for his valued contribution. We also welcomed Rita Bajaj as a member of the Committee in September 2023.

Throughout 2023, the Committee monitored the Group's risk management framework, management of capital, operational resilience and the material risks facing the Group, paying close attention to impacts from the internal and external environments. The Committee also reviewed the Internal Model scope, use, governance and validation.

Neil Maidment, Group Risk Committee's Chair
21 March 2024

The Committee's key roles are to oversee the Group's risk management framework (including risk appetite and tolerance) and the Group's risk and compliance functions; review conduct and prudential risk (including overseeing the Internal Model); and consider the Group's exposure in managing financial risks to Climate Change.

The Group has voluntarily chosen to include this report in addition to the disclosures in the principal risks section. The latter sets out the Group's principal risks and uncertainties. The Committee has reviewed these in detail and is comfortable that the business has addressed them appropriately within its ongoing operating model and strategic priorities.

Meetings were attended by the Group Chair, Deputy Group Chief Executive, Group Chief Risk and Compliance Officer, Group Chief Financial Officer, Group Underwriting Director, Group Chief Actuary and Group Chief Internal Auditor.

Areas of focus during 2023
During 2023, the Committee continued to monitor the Group's ongoing operational and financial resilience and its capital and solvency positions, receiving updates from management particularly in light of direct and indirect impacts from the external environment. These impacts included adverse weather events in territories in which the Group operates; volatility in global investment markets; inflationary pressures; and cyber risk.

The Committee also monitored the ongoing development, governance, methodology and calibration of the Internal Model; overseeing independent validation; reviewing profit and loss attribution; and recommending Model changes and management actions to the Board.

During the year, the Committee commenced a review of the Group's Risk Management Framework Operating Model. The Committee also reviewed an independent report on catastrophe risk management and the Actuarial Function's opinions on reinsurance, underwriting and pricing. The Committee also heard updates from projects to develop the Group's outsourcing and third-party risk management model and implement new computer systems.

Additionally, the Committee received reports on risk and compliance monitoring; underwriting and insurance risk; market and investment risk; reinsurance; outsourcing and supplier risk; business continuity; operational resilience; climate change; cyber risk; and the implementation of the Consumer Duty requirements. The Committee reviewed the Group's risk appetite, Group Authorities Framework and Own Risk and Solvency Assessment, recommending them to the Board; oversaw the risk and compliance monitoring and assurance plans; and received the Money Laundering Reporting Officer's Report.

The Group Chief Risk and Compliance Officer reports to the Committee and has direct access to the Committee Chair and the Non-Executive Directors. The Committee ensures that it meets with the Group Chief Risk and Compliance Officer at least annually without other management present.

Group Audit Committee Report

Committee member	*Member since*	*Meetings attended*
Chris Moulder (Chair) [1]	September 2017	9/10
Francois-Xavier Boisseau	March 2019	*10/10*
Neil Maidment	March 2020	*10/10*
Andrew McIntyre [2]	August 2017	6/6

[1] Chris Moulder was appointed as the Committee Chair on 22 June 2023. Chris was unable to attend a meeting due to professional commitments arranged before the meetings were confirmed

[2] Andrew McIntyre was the Chair and a member of the Committee until 22 June 2023 when he left the Board.

Dear Stakeholder

I am pleased to present my report as Chair of the Group Audit Committee on the work of the Committee for the year ended 31 December 2023. I would like to thank Andrew McIntyre who stepped down from the Committee during the year for his valued contribution. Throughout another busy year, the Committee has continued to play a key role on behalf of the Board to challenge and monitor the integrity of the Group's financial and regulatory reporting and oversee its financial controls. In addition, the Committee oversees and challenges the work undertaken in internal and external audit arrangements, the internal control environment and the processes for compliance with laws, regulation and ethical codes of practice.

The Committee has scrutinised the Group's financial reporting, ensuring the Annual Report and Accounts are prepared using appropriate judgements and are a fair reflection of the Group's performance and position. The significant accounting and reporting issues considered in detail by the Committee are set out in this report. The new insurance accounting standard IFRS 17 became effective for the Group from January 2023 and continued to be an important part of the Committee's agenda. The Committee diligently ensured that internal controls were robust, providing stakeholders with confidence in the accuracy and reliability of financial information.

The Committee continues to monitor external factors to ensure reporting and controls take into consideration, and respond to, emerging developments and external risks. During the year, this has included consideration of the proposed reforms to the UK's corporate governance and audit regimes and the impact of the higher cost of living on our customers and colleagues.

The role of the Committee in the Group's governance framework is vital, providing independent challenge and oversight across financial reporting and internal control procedures. The Committee ensures the interests of our shareholders are protected by providing independent scrutiny and challenge to ensure the Group always presents a true and fair view of its performance, with a focus on the accuracy, integrity and communication of its financial reporting. The Committee also examines the Group's control environment and strategies for risk management , providing assurance these are managed appropriately. We remain satisfied that the business has maintained a robust risk management and internal controls culture, supported by strong overall governance processes.

Chris Moulder
Chair of the Group Audit Committee
21 March 2024

Members of the Committee

Committee members are Non-Executive Directors and bring a wide range of financial, risk, control and commercial expertise, with a particular depth of experience in the insurance sector that are necessary to fulfil the Committee's duties. The Committee is also then able to challenge and scrutinise management's work. The Board considers that the Committee has recent and relevant financial experience and accounting competence and that the Committee as a whole is appropriately competent in the sectors in which the Group operates.

Committee meetings

In addition to the members of the Committee, regular attendees of Committees included the Chair of the Board, Group Chief Executive Officer, Deputy Group Chief Executive, Group Chief Financial Officer, Group Chief Internal Auditor and representatives of the Group's external auditors. Other subject matter experts are invited to attend certain meetings in order to provide insight into key issues and developments.

During the year, PricewaterhouseCoopers (PwC) attended nine of the Committee's meetings. During the year, the Committee met privately with the Group's external auditors without management present.

The Committee's key responsibilities and activities include:

- scrutinising the financial statements and reviewing accounting policies and significant judgements and estimates;
- reviewing the contract of the content of financial reporting and advising the Board whether, taken as a whole, they are fair, balanced and understandable;
- reviewing the going concern basis of preparation of the financial statements and statements on viability for recommending to the Board;
- reviewing climate and non-financial metrics reporting;
- reviewing tax strategy and policies;
- reviewing the Group's whistleblowing arrangements;
- overseeing the Group's audit arrangements, both externally and internally; and
- reviewing the effectiveness of the Group's systems of internal controls and the management of financial risks.

When the Committee discharges its responsibilities these are extended to include Ecclesiastical Insurance Office plc's immediate parent Benefact Group plc and matters related to its own subsidiary undertakings and interests.

A summary of the main activities of the Committee during the year is set out below:

Auditor appointment and tenure, independence and non-audit services

The Committee has primary responsibility for overseeing the relationship with and performance of the external auditor. This includes making the recommendation on the appointment, reappointment and removal of the external auditor, assessing their independence on an ongoing basis and for agreeing the audit fee.

PwC has acted as the Group's external statutory auditor following appointment at the Annual General Meeting in June 2020. The Group's policy for auditor rotation follows regulatory requirements and PwC will be required to be rotated after no more than 20 years, and an audit tender held after no more than 10 years. Sue Morling of PwC became the Group's senior statutory auditor for the financial year 2020 after PwC's appointment. Her term as senior statutory auditor is due to conclude upon the completion of the 2024 audit.

The Company confirms that it complied with the provisions of the Competition and Markets Authority's Order for the financial year under review. Both the Board and the external auditor have safeguards in place to protect the independence and objectivity of the external auditor.

The Committee is responsible for the development, implementation and monitoring of the Group's policy on the provision of non-audit services by the external auditor. The policy is reviewed annually by the Committee. The purpose of the policy is to safeguard the independence and objectivity of the external auditor and to comply with the ethical standards of the Financial Reporting Council (FRC).

The Committee oversees the plan for the external audit to ensure it is comprehensive, risk-based and cost-effective. The plan described the proposed scope of the work and the approach to be taken, and also proposed the materiality levels to be used which are described on page 46. In order to focus the audit work on the right areas, the auditors identify particular risk issues based on various factors, including their knowledge of the business and operating environment and discussions with management.

For the year ended 31 December 2023, the Group was charged £2,494,000 (ex VAT) by PwC for audit services. Non-audit fees for audit-related assurance services required by legislation and/or regulation amounted to £156,000, making total fees from PwC of £2,650,000. There were no other non-audit services provided by PwC during the financial year. Audit fees for 2023 include amounts related to the implementation of IFRS 17 Insurance Contracts in the year. More detail can be found in note 11 to the financial statements.

External audit effectiveness

The Committee assesses the effectiveness of the external auditor annually against several criteria including, but not limited to, accessibility and knowledgeability of audit team members, the efficiency of the audit process including the effectiveness of the audit plan, and the quality of improvements recommended.

The Committee reviewed a report based on input from senior management, business unit leaders and those most involved in the external audit process, regarding the PwC 2022 statutory audit and audit-related assurance services. The Committee recognised the strengths of the external auditor and that duties were performed independently and effectively.

Appropriateness of the Group's external financial reporting

The primary role of the Committee in relation to financial reporting is to review, challenge and agree the appropriateness of the half-year and annual financial statements and annual regulatory reporting under Solvency II, concentrating on, amongst other matters:

- the quality and acceptability of the Group's accounting policies and practices;

- the clarity of the disclosures and compliance with financial and regulatory reporting standards, and relevant financial and governance reporting requirements;
- material areas in which significant judgements have been made by the Group or there has been discussion with the external auditor;
- whether the Group's Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- any correspondence from regulators in relation to financial reporting.

In respect of these annual financial statements the Committee paid particular attention to the significant judgements set out below, including a review of the corporate governance disclosures, monitoring of the external audit process and statements about going concern and viability. The Committee concluded that it remained appropriate to prepare the financial statements on a going concern basis and recommended the viability statement to the Board for approval.

The Committee reviewed and challenged the Group's annual regulatory submissions under Solvency II. The Committee focused on the reporting requirements of the publicly filed Solvency and Financial Capital Report (SFCR) and Quantitative Reporting Templates (QRTs) and privately filed Regular Supervisory Report (RSR) Annual Update.

The significant areas of focus considered by the Committee in relation to 2023, and how these were addressed, are outlined below. These were discussed and agreed with management during the course of the year, and also discussed with the auditors.

Matter considered	***Action***
General insurance reserves The estimation of the ultimate liability arising from claims under general business insurance contracts is a critical accounting estimate. There is uncertainty as to the total number of claims on each class of business, the amounts that such claims will be settled for and the timings of any payments.	The Committee considered detailed reports provided by the Head of Group Reserving on the adequacy of the Group's general insurance reserves at both the half year and the full year and discussed and challenged management across a wide range of assumptions and key judgements. This is a major area of audit focus and the auditor also provided detailed reporting on these matters to the Committee. Key areas of focus for the Committee during 2023 have been the Group latent claim reserves, Australia general liability reserves, claims inflation, weather events impacting Group companies, premium allocation approach eligibility and the risk adjustment. Following their reviews and discussions, the Committee's opinion was that the reserving process and outcomes were robust, applied consistently, were well managed and that the overall reserves set were reasonable as disclosed in note 26 of the financial statements. The Committee was satisfied that management have carried out a thorough review of the drivers of uncertainty and have arrived at an appropriate recommendation for the level of booked reserves including the risk adjustment.
Life insurance reserves The calculation of the Group's life insurance reserves requires management to make significant judgements about bond yields, discount rates, credit risk, mortality rates and current expectations of future expense levels.	The Committee considered a report from the Chief Actuary of Ecclesiastical Life Limited (ELL) (the Group's life business) which set out recommendations for the basis and methodology to apply for: • valuation of policy liabilities for inclusion in the report and accounts for ELL at 31 December 2023, and • the calculation of technical provisions in accordance with Solvency II regulations at 31 December 2023. The main areas of judgement reviewed by the Committee were the estimated future cash flows and the discount rate applied to future cash flows. The Committee also challenged the assumptions regarding mortality rates and future attributable expenses which impact the estimated future cashflows. The Committee reviewed the work done by the Chief Actuary to assess whether the methodology remained appropriate, with a particular focus on mortality assumptions, interest and inflation rate assumptions. Following its review, and after consideration of PwC's report, the Committee was satisfied that the assumptions proposed were appropriate and overall the judgements made in respect of the reserves were reasonable. The assumptions are disclosed in note 26 of the financial statements.
Pension scheme accounting The Group's liabilities of the	During 2023, the Committee received reports from management on the proposed approach to the valuation of the pension scheme. As the pension scheme is sensitive to changes in key assumptions, management completed an assessment as to the appropriateness of the assumptions used, taking advice from independent actuarial experts

scheme are material in comparison to the Group's net asset and the valuation requires many actuarial assumptions, including judgements in relation to long-term interest rates, inflation, longevity and investment returns. Judgement is applied in determining the extent to which a surplus in the Group's defined benefit scheme can be recognised as an asset.	and including, where appropriate, benchmark data, and reported its findings to the Committee. Improvements in the pension actuary's models increased the accuracy, and also dynamically captured changes in the scheme's liability profile. Following the review, management concluded the future improvements in mortality table will be updated to the CMI 2022 table. It was deemed that mortality rates in 2022 could be indicative of future mortality to some extent and that a default weighting of 25% should be applied to 2022 mortality data in the CMI 2022 table. It was concluded that the salary assumptions remained consistent with long-term expectations. The best estimate multipliers for the post-retirement mortality tables were revised following input from the Scheme Actuary. Following consideration, the Committee concluded that the assumptions proposed were appropriate and consistent with approach known by Committee members to be taking place and considered in practice. The impact of updating assumptions to reflect those in force at the balance sheet date on the valuation at 31 December 2023 is explained in note 17 to the financial statements.
Valuation of intangible assets The valuation and impairment reviews carried out over intangible assets, particularly software, is an area of focus for the Committee given the Group's investment in technology and the materiality of the balance.	The Group's significant investment in technology, together with fast-moving technology development and change, increases the importance of a detailed assessment of the value of assets and the implications of further investment. The Committee considered management's work to test and review the value of assets and any consequent impairments or changes to useful lives. The Committee concurred with management's conclusions that, after impairments, carrying values were appropriate.
Valuation of unlisted equity This is an area of focus for the Committee given the materiality and the subjectivity in deriving fair value. The judgements and estimates used to determine the value of the Group's interest in unlisted equity follow industry recognised fair value model techniques and the principles of IFRS 13 Fair Value Measurement. Judgements and estimates include the selection of the most appropriate valuation approach, the set of comparable companies, choice of valuation multiples and the setting of an illiquidity discount.	The Committee received information from management on Group's unlisted equity investments and the model used to determine fair value of these investments. The Committee paid particular attention to the application of industry recognised valuation techniques and areas of the portfolio more susceptible to valuation uncertainty. When considering management's assessment of the fair value of unlisted equities, the Committee considered the fair value model and inputs used. Particular consideration was given to the judgements included within the model that management used to determine a valuation. This included the discount applied for illiquidity, the quantity and suitability of comparable companies used within the model and specific adjustments made to respond to market expectations of the valuation of fixed income securities held by comparable companies. The Committee concluded that the number of reinsurers in the comparator group remained appropriate and that it was appropriate to continue make specific adjustments that deal with specific market expectations. The illiquidity adjustment represents a reasonable estimate of the lower value a market participant would place on the asset compared to highly liquid assets traded on a public and active market. After consideration, the adjustment was increased during 2023 as a result of another shareholder selling their shares. Following consideration, the Committee concluded that the assumptions proposed were appropriate.

The Committee is constituted as a committee of the Board of Directors of both Ecclesiastical Insurance Office plc and its immediate parent, Benefact Group plc. As a result, the Committee will also consider matters that are specific to the Group, Benefact Group plc and therefore items that are not included within Ecclesiastical Insurance Office plc's financial statements within this Annual Report and Accounts. The Committee considered a number of accounting judgements and reporting matters in the preparation of Benefact Group's financial results in a manner consistent with that set out within this report. This included the carrying value of goodwill and both the valuation of other intangibles and accounting treatment of a material acquisition in the Benefact Group's broking and advisory division.

Implementation of IFRS 17 Insurance Contracts

In 2023, the Group Audit Committee played a pivotal role in overseeing the successful implementation of IFRS 17, the new standard for insurance contracts issued by the International Accounting Standards Board (IASB), effective for the Group from 1 January 2023. Recognising the importance of this accounting change on financial reporting, the Committee engaged with management and external auditors. The Committee's efforts were focused on ensuring a seamless transition, the appropriate application of the standard into the Group's accounting policies, a thorough assessment of data systems, actuarial methodologies and financial processes. This included consideration of key judgements involved in the implementation, including the level of aggregation and risk adjustment. The Committee actively monitored the progress of the implementation project, providing valuable insights to mitigate potential risks and enhance the accuracy of financial statements.

Climate change risk and related disclosures
During the year the Committee continued to strengthen its understanding of the developments of disclosures regarding climate change and its impacts. This included the Committee receiving training from external and internal experts. The Committee discussed with management the continued development of the Group's disclosures regarding climate change risks and impacts which are included principally within the Annual Report and Accounts of the Benefact Group plc. The Committee's review paid particular attention to the transparency of disclosure and alignment to Task Force on Climate-Related Financial Disclosures along with the challenges in working towards net-zero. As the Benefact Group and the Group develops its response to the risks and impacts of climate change the Committee expects to consider management's evaluation of the potential impact on the financial statements and the evolution of disclosure.

Fair, balanced and understandable
The Committee considered whether in its opinion, the 2023 Annual Report and Accounts were fair, balanced and understandable and provided the information necessary for shareholders to assess the Group's position and performance, business model and strategy. The Committee has reviewed and provided feedback on early drafts of the Annual Report and Accounts, highlighting any areas where further clarity was required in the final version.

The Committee was provided with comprehensive verification of all the information and facts in the Annual Report and Accounts. When forming its opinion, the Committee reflected on information it had received and discussions throughout the year as well as its knowledge of the business and its performance. When forming its opinion, in particular, the Committee considered:

Is the report fair?
- Does the financial reporting reflect the key messages within narrative statements?
- Is the story complete and is there any sensitive material that has been omitted that should have been included?
- Does the Group that is portrayed in the Annual Report and Accounts reflect the Group discussed by the Committee and the Board?

Is the report balanced?
- Are the key areas of judgement included within any narrative reporting and significant matters discussed within this Committee report consistent with the disclosures within the financial statements?
- Are the significant and higher risk areas identified within the Annual Report and Accounts also those risks identified and reported by PwC.

Is the report understandable?
- Does the reporting focus on the more significant items and not become obscured with immaterial detail?
- Are the important messages highlighted up front?
- Does the report use clear and concise language and provide simple explanations of topics?

The Committee was satisfied that the disclosures in the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and represented the results and business performance for the year ended 31 December 2023.

Oversight of the Group's systems of internal control including the internal audit function

Assessment of internal controls
The Group's approach to internal control and risk management is set out in the Corporate Governance Report section of this Annual Report and Accounts.

In reviewing the effectiveness of the system of internal control and risk management during 2023, the Committee has:
- reviewed the findings and agreed management actions arising from both external and internal audit reports issued during the year;
- monitored management's responsiveness to the findings and recommendations of the Group Chief Internal Auditor;
- met with the Group Chief Internal Auditor once during the year without management being present to discuss any issues arising from internal audits carried out; and
- considered a report prepared by the Group Chief Internal Auditor giving his assessment of the strength of the Group's internal controls based on internal audit activity during the year.

Internal control over financial reporting
Internal control over financial reporting is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of management and financial reporting in accordance with generally accepted accounting principles. Controls over financial reporting policies and procedures include controls to ensure that:
- through clearly defined role profiles and financial mandates, there is effective delegation of authority;
- there is adequate segregation of duties in respect of all financial transactions;
- commitments and expenditure are appropriately authorised by management;
- records are maintained which accurately and fairly reflect transactions;
- any unauthorised acquisition, use or disposal of the Group's assets that could have a material effect on the financial statements should be detected on a timely basis;

- transactions are recorded as required to permit the preparation of financial statements; and
- the Group is able to report its financial statements in compliance with IFRS.

Due to inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Risk management and control systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies. Through its review of reports received from management, along with those from internal and external auditors, the Committee did not identify any material weaknesses in internal controls over financial reporting during the year. The financial systems are deemed to have functioned properly during the year under review, and there are no current indications they will not continue to do so in the forthcoming period.

Group Internal Audit (GIA)
GIA is monitored by the Committee and provides independent, objective 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. GIA operate co-sourcing arrangements the UK, Ireland and Canada where specialist resource is required to supplement existing Group resources. In addition, GIA oversees and monitors the outsourced internal audit arrangements in Australia.

The Committee has oversight responsibility for GIA and is satisfied that GIA has appropriate resources. The Group Chief Internal Auditor is accountable to the Committee Chair, reports administratively to the Group Chief Financial Officer and has access to the Group Chief Executive and the Chair of the Board. The function also has an extensive stakeholder management programme across the whole of the Group.

GIA's annual programme of work is risk based and designed to cover areas of higher risk or specific focus across the Group. The plan is approved annually in advance by the Committee and is regularly reviewed throughout the year to ensure that it continues to reflect areas of higher priority. Where necessary, changes to the agreed plan are identified as a consequence of the Group's changing risk profile. Throughout the year, GIA submitted quarterly reports to the Committee summarising findings from audit activity undertaken and the responses and action plans agreed with management. During the year, the Committee monitored progress of the most significant management action plans to ensure that these were completed in a timely manner and to a satisfactory standard.

Whistleblowing
During the year, the Committee continued to perform regular oversight of the Group's whistleblowing arrangements, which are the responsibility of the Board and overseen by Group HR. Actions have focussed on ensuring an environment in which whistleblowing is well understood, openly communicated and that a positive culture for raising concerns is promoted across the Benefact Group.

The Group has an established annual whistleblowing activity cycle encompassing training, communication and monitoring. Online training modules for all colleagues and managers in both whistleblowing and code of conduct increase and maintain awareness and emphasise an open and positive culture. Individual attestation and quarterly reporting ensure the continued close monitoring of whistleblowing activity and understanding across the Group. These annual actions are reinforced by regular colleague communications and awareness raising activities. The Group's whistleblowing procedures, polices and guides are also reviewed and updated annually to ensure that, in line with best practice, they are accessible, easily understood and are aimed to encourage and give confidence to potential whistleblowers.

Legal and regulatory developments
The Committee receives regular reports and considers the impact of legal and regulatory developments on the UK Group to control legal and regulatory risk. It monitors the application and impact of any actions required by the business or organisation through to completion. Reports are shared with relevant business areas, and with relevant subsidiary Boards and Board Committees.

The year ahead
The Committee remains vigilant in its commitment to fostering a culture of excellence in financial governance. Its forward-looking approach includes proactively addressing potential challenges such as emerging accounting standards, technological advancements, and global economic shifts. In the upcoming year, the Committee will intensify efforts to enhance the effectiveness of risk management processes, ensuring alignment with organisational objectives, staying well-informed of industry best practices to meet the demands of an ever-evolving business landscape. The Committee will continue to collaborate closely with management and stakeholders, fostering transparency, accountability, and resilience in the face of dynamic market conditions. The focus on innovation, adaptability, and the highest standards of financial stewardship will be key in the pursuit of sustained corporate integrity.

Remuneration Committee Report

Remuneration Review

Remuneration Committee Chair's statement
As Chair of the Remuneration Committee (the Committee), I am pleased to introduce the Remuneration Review for 2023 and to highlight some of the key aspects of the Committee's work during the year. The Committee's principal aim remains to ensure that all colleagues are rewarded fairly according to their contribution to the success of the Group and the quality of their individual performance, keeping carefully in mind the relationship between reward, recruitment and retention.

This review sets out an overview of remuneration at EIO which is aligned with that at Benefact Group. The full Group Directors' Remuneration Report is available in the Benefact Group Annual Report.

Remuneration principles
To ensure these continue to drive the Group's strategy and to achieve long-term success by the delivery of the expected level of grant to the Group's shareholder and owner Benefact Trust Limited, remuneration continues to be underpinned by the following principles: fair reward; simplification of the Group's incentive arrangements; compliance with evolving regulatory and corporate governance requirements; linking pay and performance; alignment of incentive designs with the Group's strategy and shareholder expectations; and consideration of the reputational impact of any changes.

2023 performance and incentive outcomes
The financial results for EIO are set out in the CEO's report. 2023 continued, however, to be a challenging year for customers, brokers, business partners and colleagues alike. The Committee note with thanks the efforts of all our colleagues in continuing to deliver what matters most to the business: supporting our customers by providing excellent customer service, maximising its grant to the shareholder, and delivering on the next chapter in our strategy and continued ambition for the future.

During the year EIO also provided additional support to employees in the context of the cost-of-living crisis. This included a one-off award based on grade to ensure that support was targeted to those who needed it most.

The annual bonus and long-term incentive plan outcomes in the year reflected the wider Group performance. The Committee considered that the annual bonus outcomes were a fair reflection of the overall performance achieved by both the Group and the individuals. Having considered all the relevant factors, the Committee determined that a discretionary adjustment to the Broking and Advisory: Turnover metric be applied to achieve the threshold for this element, given actual performance was so close to the threshold level. No discretion was applied to the long -term incentive plan. Further details of performance against the targets set for 2023 are disclosed in the Benefact Group plc 2023 Directors' Remuneration Report.

In line with the Committee's established practice, the Committee, supported by the Group Chief Risk and Compliance Officer, considered risk management outcomes across the Group as part of its deliberations, including how these had impacted individual performance assessments where relevant. Following this review, the Committee did not consider further risk adjustment of the awards was necessary.

The Committee is of the view that the remuneration policy operated as intended during the year and that the overarching remuneration framework is appropriate taking into account both internal and external factors.

Key Committee activities during the year
Salaries for executive directors were increased taking into account of salary increases across the wider employee population.

During the year the Committee undertook a comprehensive review of the remuneration packages of the Executive Directors to ensure that they are aligned with the Group's strategic objectives and reflect both the experience and track record of the Executive Directors. Following this review the Committee has determined to increase the maximum incentive opportunities for the Executive Directors to ensure that the total remuneration package is competitive and to ensure that we continue to award appropriately for performance. Any payment under incentives will continue to be subject to stretching performance targets. Further detail on the incentive opportunity increases is disclosed in the Benefact Group plc 2023 Directors' Remuneration Report.

In addition, the Committee has reviewed the performance measures to ensure that they continue to be aligned to the Group's strategy and has made some minor adjustments to the measures and weightings for 2024, including simplifying the number of sub-measures in the Greater Good measure in the annual bonus scheme.

The Committee considered the Chair's fees as part of the regular review of NEDs' fees. David Henderson took no part in the discussions on his fees, nor the NEDs in discussion of theirs.

Gender pay gap report

The Group's gender pay report for 2023 showed our median gender pay gap remained unchanged at 19.1% for EIO. The wider Group median pay gap has slightly increased at 25.7%. The Group continues to be committed to promoting inclusion and diversity through our business and to ensuring that all employees have a fair and equal pay opportunity appropriate to their role.

Conclusion

I value the continued support and counsel of our charitable owner and ultimate shareholder, Benefact Trust Limited, and reaffirm our responsibility to drive sustained and improved performance over the long-term through our remuneration strategy, policy and principles.

Sir Stephen Lamport
Chair of the Group Remuneration Committee
21 March 2024

Committee member	***Member since***	***Meetings attended***
Sir Stephen Lamport (Chair)	June 2020	5/5
David Henderson	September 2016	5/5
Neil Maidment	March 2020	5/5
Angus Winther	April 2019	4/5

Angus Winther was unable to attend a Group Remuneration Committee meeting due to a bereavement.

Group Remuneration Committee

Purpose and membership

The Committee is responsible for recommending to the Board the Remuneration Policy for Executive Directors and for setting the remuneration packages for each Executive Director, members of the Group Management Board (GMB), Material Risk Takers and heads of strategic business units. None of the Executive Directors were involved in discussions relating to their own remuneration. The Committee also has overarching responsibility for the Group-wide Remuneration Policy.

All members are independent Non-Executive Directors (NED) and have the necessary experience and expertise to meet the Committee's responsibilities. There was cross-membership of the Group Risk Committee and the Committee to promote alignment of the Group's Risks and Remuneration Policies and consideration of Risk management and outcomes in setting reward.

Advisers to the Committee

During the year, the Committee received external advice from Deloitte in relation to the strategic review of remuneration including simplification of bonus schemes and the approach to benchmarking; remuneration packages for Executive Directors, members of the GMB and heads of strategic business units; and remuneration market trends and regulation. The Committee also had access to benchmarking reports from Willis Towers Watson and McLagan, which provided additional data to support the determination of pay and conditions throughout the Group.

Fees for professional advice to the Committee paid to Deloitte were £115,650 (2022: £81,375). The Committee is satisfied that the advice it received during 2023 from Deloitte was impartial.

To assist its work, during the year the Committee received input from the Group Chief Executive, Group Chief Financial Officer, Group Chief People Officer, Group HR Director, Group Chief Actuary, Group Chief Risk and Compliance Officer and Group Reward Director. Such input, however, did not relate to their own remuneration.

Remuneration Policy summary

The full Benefact Group Directors' Remuneration Policy can be found in the 2021 Directors' Remuneration Report which sets out the key features of the remuneration policy and how it will be implemented, as well as a full description of the principles which underpin the Group's reward structure, including detail on how the Committee has addressed the principles in the UK Corporate Governance Code of: i) clarity; ii) simplicity; iii) risk; iv) predictability; v) proportionality; and vi) alignment to culture.

The remuneration structure for the Executive Directors comprises of:

- Fixed annual elements including salary, pension contribution that is aligned with the wider employer population, and benefits. These are set in order to recognise the responsibility and experience of the Executive Directors and to ensure current market competitiveness.
- Variable incentive elements including an annual bonus, with one-third of the total bonus deferred over three years, and a long-term incentive plan. These are set in order to incentivise and reward the Executive Directors for making the Group successful on a sustainable basis. Both the annual bonus and long-term incentive plan are subject to a balanced scorecard of financial and non-financial measures aligned to our strategy.

Annual Report on Remuneration

This section of the Directors' Remuneration Report sets out how the above Remuneration Policy was implemented in 2023 and the resulting payments the highest paid director received, and the aggregate remuneration paid to all directors. The financial information contained in this review has been audited where indicated.

Highest paid Director

The table below shows a single total figure of remuneration received in respect of qualifying services for the 2023 financial year for the highest paid director, together with comparative figures for 2022. The remuneration disclosures for the other Board Directors are set out in full in the Benefact Group plc 2023 Directors' Remuneration Report. The disclosure in this review is not specific to time allocated within EIO as remuneration relates to Group-wide accountability.

Fixed remuneration £000								Variable remuneration £000						Total remuneration £000	
Salary		Benefits[1]		Pension benefit[2]		Total		Annual bonus[3]		Long Term Incentive Plan (LTIP)[4]		Total		Total	
2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
517	493	14	14	54	53	585	560	356	391	362	245	718	636	1,303	1,196

[1] Benefits include car allowance and private medical insurance which are valued at the taxable value. Provision of benefits during 2023 was in line with the Directors' Remuneration Policy.

[2] The highest paid director received a cash allowance in lieu of pension of 12% from 1 April 2022 (15% to 1 April 2022).

[3] In line with the deferral policy, for annual bonus earned, one-third of the total bonus is deferred over a period of three years. The value of 2023 annual bonus that is deferred is set out in the Benefact Group plc 2023 Directors' Remuneration Report.

[4] LTIP represents the amount payable in respect of the three-year LTIP performance period 2021-2023 for 2023 and 2020-2022 for 2022, as disclosed in the 2022 Directors' Remuneration Report. The Group operates a cash LTIP scheme, therefore no part of the award was attributable to share price appreciation. The director holds unvested LTIP awards in accordance with the rules of the LTIP plan.

Annual bonus outcomes for 2023

The annual bonus outturns were determined taking into account both Benefact Group and individual performance and is set out in full in the Benefact Group plc 2023 Directors' Remuneration Report.

LTIP outcomes in 2023 (audited)

The LTIP amount included in the single total figure of remuneration is the cash award resulting from the Group LTIP grant for the period 2021-2023. Vesting was dependent on performance over the three financial years ending on 31 December 2023 is set out in full in the Benefact Group plc 2023 Directors' Remuneration Report.

Wider stakeholder engagement

The Group consults with its recognised Union, Unite, regarding remuneration for employees within relevant UK businesses. Additionally, employees can provide feedback via the Group's employee engagement survey and to their managers or HR. The Group Chief People Officer attends the Committee meetings and advises the Committee on HR strategy, including the effectiveness of the Group's remuneration policies and how they are viewed by employees.

Independent auditors' report to the members of Ecclesiastical Insurance Office plc

Report on the audit of the financial statements

Opinion

In our opinion, Ecclesiastical Insurance Office plc's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2023 and of the group's profit and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted International Accounting Standards as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements, which comprise: Consolidated and Parent Statements of Financial Position as at 31 December 2023; Consolidated Statement of Profit or Loss, Consolidated and Parent Statements of Comprehensive Income, Consolidated and Parent Statements of Cash Flows and Consolidated and Parent Statements of Changes in Equity for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion is consistent with our reporting to the Group Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 11, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Our audit approach

Context

The company is a UK headquartered general insurer. The majority of business is written in the UK however it also has branches in Ireland and Canada and subsidiaries in Australia. In previous periods, the Group headed by Ecclesiastical Insurance Office plc had included subsidiaries that carried out general insurance, life insurance, investment management and financial advisory and broking business. As a result of a group restructure, the Ecclesiastical Insurance Office Group now consists of subsidiaries that carry out general insurance and life insurance only.

Overview

Audit scope

- We have scoped the audit based on the financially significant components and material account balances within the group, which are described below.

Key audit matters

- Assumptions used in calculating Physical and Sexual Abuse "PSA" reserves (Group and Parent)
- The transition to IFRS 17 required a number of judgements and assumptions to be made, the most important being the appropriateness of the Premium Allocation Approach "PAA" to certain contracts and the methodology and assumptions used in the calculation of the risk adjustment (Group and Parent)

Materiality

- Overall group materiality: £11,300,000 (2022: £10,000,000) based on 1.8% of net assets.
- Overall company materiality: £10,700,000 (2022: £9,500,000) based on 1.8% of net assets (capped at 95% of overall Group materiality).
- Performance materiality: £8,500,000 (2022: £7,500,000) (group) and £8,100,000 (2022: £7,125,000) (company).

Independent auditors' report to the members of Ecclesiastical Insurance Office plc

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The transition to IFRS 17 required a number of judgements and assumptions to be made, the most important being the appropriateness of the Premium Allocation Approach "PAA" to certain contracts and the methodology and assumptions used in the calculation of the risk adjustment (Group and Parent) is a new key audit matter this year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	***How our audit addressed the key audit matter***
Assumptions used in calculating Physical and Sexual Abuse "PSA" reserves (group and parent) (group and parent)	
As disclosed in the Group Audit Committee Report and notes 2, 3 and 26. The valuation of the general insurance liability for incurred claims is a complex process involving inherent uncertainty and is a significant area of management judgement within the financial statements of the group and parent company.	We engaged our actuarial specialists and with their involvement, we have performed the following procedures in relation to the fulfilment cash flows:
The uncertainty around claims frequency, claims severity, discount rate, future inflation and risk adjustment require significant management judgement and estimation in calculating the overall insurance contract liabilities.	Inspected the Reserving Committee control which reviews, challenges and approves the assumptions used within the calculation of the fulfilment cash flows;
We consider the area of significant judgement to be specific to assumptions used in calculating the fulfilment cash flows for PSA exposures, specifically in relation to the probability weighted best estimate of the liability for incurred claims.	Challenged the assumptions used by management including evaluation of historic claim numbers, average claims cost, future inflation, as well as the specific uncertainties included within the risk adjustment;
Specifically, the assumptions requiring significant judgement and estimation are claims frequency, claim severity, the discount rate, future inflation, and specific uncertainty margins included within the risk adjustment.	Evaluated reasonable alternative assumptions by performing independent sensitivity analysis and assessing the impact on the value of fulfilment cash flows calculated;
	We have assessed the appropriateness of the resulting liability for incurred claims based on the assumptions selected.
	Based on the work performed and evidence obtained, we consider the assumptions used in the calculation of the PSA fulfilment cash flows to be appropriate.
The transition to IFRS 17 required a number of judgements and assumptions to be made, the most important being the appropriateness of the Premium Allocation Approach "PAA" to certain contracts and the methodology and assumptions used in the calculation of the risk adjustment. (Group and Parent)	
As disclosed in the Group Audit Committee Report and notes 1, 2 and 26, The group and company adopted IFRS 17 for insurance contracts as at 1 January 2023. This has led to changes in the valuation of insurance contract liabilities, recognition of insurance revenue and expenses and presentation of the financial statements.	We have engaged our actuarial specialists and with their involvement, we have performed the following procedures to address the risks identified; PAA eligibility
We determined that elements of the transition to IFRS 17,comprised a key audit matter due to the complexity of the new standard and the nature of the judgements and estimation techniques involved. The elements were the eligibility of the premium allocation approach and the methodology and assumptions used in the calculation of the risk adjustment.	Performed detailed testing over a sample of underlying insurance contracts to assess the contract boundaries;

PAA eligibility The majority of the company's policies have a coverage period of one year or less and are therefore automatically eligible to apply PAA. For policies with a coverage period greater than 12 months, judgement is required to determine whether there would be a material difference in applying the PAA or the General Measurement Model ("GMM") which requires a number of judgments and assumptions: • The assessment of the contract boundaries of underlying contracts; • The calculation of a GMM liability for remaining coverage; • Claims assumptions used in the base scenario; • Reasonable expected scenarios; and • Evaluation of differences between PAA and GMM calculated liabilities.	Independently recalculated the GMM liability for remaining coverage; Tested the appropriateness of the assumptions including loss ratios, payment patterns and discount rate, in the base scenario by evaluating historic experience and reconciling to approved forecasts; Assessed the appropriateness of management's reasonably expected scenarios based on historic experience and evaluation of wider market conditions; and Evaluated management's conclusions in respect of the materiality of differences between GMM and PAA.
Risk Adjustment IFRS 17 requires a Risk Adjustment to be recognised which represents the company's view of compensation for non-financial risk. The calculation of the Risk Adjustment is subjective and an area of judgement particularly in the case of the company which has classes of non-life liabilities that are settled over a long period of time.	***Risk Adjustment*** Engaged our actuarial specialists and with their involvement, we have performed the following procedures to address the risks identified in relation to the risk adjustment; Evaluated management's approach to the risk adjustment and it's compliance with the requirements of IFRS 17; Assessed the appropriateness of the methodology and assumptions used to derive the risk adjustment and testing of the derivation of the risk adjustment, including the appropriateness of allowance for diversification between lines of business and additional uncertainty margins. Assessed the sufficiency of risk adjustment disclosures included within the financial statements. Based on the work performed and evidence obtained, we consider the application of PAA eligibility and assumptions used in calculation of risk adjustment to be appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the parent company, the accounting processes and controls, and the industry in which they operate. The group operates a general insurance business in the United Kingdom, Republic of Ireland, Canada and Australia and a life insurance business. The group also includes certain non-insurance entities within the United Kingdom and Australia which are smaller and do not form part of our in-scope components. We consider the general insurance business in the United Kingdom and the consolidation adjustments to be financially significant reporting components and have performed a full scope audit of these components. The general insurance business in the Republic of Ireland, Canada and Australia as well as the life insurance business were noted to include specific large balances which have then been brought into the scope of our audit.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the process that has been adopted to assess the extent of the potential impact of climate risk on the Group's and Parent's financial statements and to support disclosures made. We remained alert when performing our audit procedures for any indicators of the impact of climate risk, including in our testing of the valuation of investment assets and the valuation of insurance liabilities which have been identified as areas of higher risk of impact. We also considered the consistency of the disclosures in relation to climate change between the Annual Report and the financial statements based on the knowledge obtained from our audit. Our conclusions were that the impact of climate change does not give rise to a Key Audit Matter for the Group and it did not impact our risk assessment for any material Financial Statement line item or disclosure.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements - group	***Financial statements - company***
Overall materiality	£11,300,000 (2022: £10,000,000).	£10,700,000 (2022: £9,500,000).
How we determined it	1.8% of net assets	1.8% of net assets (capped at 95% of overall group materiality)
Rationale for benchmark applied	The engagement team concluded that a net assets benchmark is the most appropriate when setting an overall materiality on the 2023 audit engagement. In our view, we consider net assets to be the appropriate benchmark as it best aligns with the underlying interest of the stakeholders. The quantum of materiality was determined by considering the various benchmarks available to us as auditors, our experience of auditing other insurance groups and the business performance during 2023.	In line with overall group materiality, the engagement team concluded that a net assets benchmark is the most appropriate when setting an overall materiality. This is capped at 95% of overall group materiality to allow for potential aggregation risk.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £2.0 million and £10.3 million. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to £8,500,000 (2022: £7,500,000) for the group financial statements and £8,100,000 (2022: £7,125,000) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount in the middle of our normal range was appropriate.

We agreed with the Group Audit Committee that we would report to them misstatements identified during our audit above £565,000 (group audit) (2022: £500,000) and £540,000 (company audit) (2022: £475,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

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

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Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements 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 based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Corporate governance statement

ISAs (UK) require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code, which the Listing Rules of the Financial Conduct Authority specify for review by auditors of premium listed companies. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;

- The directors' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group and company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Group Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but 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 economic decisions of users taken on the basis of these financial statements.

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulation, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate the financial statements, such as those impacting revenue and expenses, as well as management bias in accounting estimates, in particular the valuation of specific general insurance contract liabilities including Physical and Sexual Abuse ("PSA") reserves. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Procedures to audit the appropriateness of key areas of transition to IFRS 17, specifically the PAA eligibility assessment and the methodology and assumptions used in the calculation of the risk adjustment.
- Enquired of Group functions including compliance, risk and internal audit and consideration of known or suspected instances of non-compliance with laws and regulation and fraud;

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

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

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Use of this report
This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment
Following the recommendation of the Group Audit Committee, we were appointed by the members on 18 June 2020 to audit the financial statements for the year ended 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement is 4 years, covering the years ended 31 December 2020 to 31 December 2023.

Sue Morling (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
21 March 2024

Consolidated statement of profit or loss for the year ended 31 December 2023

	Notes	**2023** **£000**	*Restated** 2022 £000
Insurance revenue	5, 6	**586,484**	534,894
Insurance service expenses	7	**(408,584)**	(444,472)
Insurance service result before reinsurance contracts held		**177,900**	90,422
Net expense from reinsurance contracts		**(107,174)**	(24,775)
Insurance service result		**70,726**	65,647
Net insurance financial result	8	**(19,540)**	47,862
Net investment result	9	**57,469**	(63,439)
Other operating expenses		**(60,751)**	(63,196)
Other finance costs		**(3,151)**	(2,456)
Profit/(loss) before tax		**44,753**	(15,582)
Tax (expense)/credit	13	**(8,018)**	4,673
Profit/(loss) for the year from continuing operations		**36,735**	(10,909)
Net profit attributable to discontinued operations	15	**719**	13,696
Profit for the year	10	**37,454**	2,787

*The comparative financial statements have been restated as detailed in note 37.

Consolidated and parent statements of comprehensive income for the year ended 31 December 2023

	Notes	2023 Group £000	2023 Parent £000	*Restated** 2022 Group £000	*Restated** 2022 Parent £000
Profit for the year		**37,454**	**36,365**	2,787	16,380
Other comprehensive income/(expense)					
Items that will not be reclassified to profit or loss:					
Fair value gains on property		**850**	**850**	-	-
Actuarial gains/(losses) on retirement benefit plans	17	**5,103**	**5,103**	(10,171)	(10,171)
Attributable tax		**(1,492)**	**(1,492)**	2,543	2,543
		4,461	**4,461**	(7,628)	(7,628)
Items that may be reclassified subsequently to profit or loss:					
(Losses)/gains on currency translation differences	25	**(4,024)**	**(912)**	5,642	2,649
Gains/(losses) on net investment hedges	25	**4,860**	**1,353**	(4,514)	(1,938)
Attributable tax	25	**(688)**	**(338)**	825	485
		148	**103**	1,953	1,196
Net other comprehensive income/(expense)		**4,609**	**4,564**	(5,675)	(6,432)
Total comprehensive income/(expense)		**42,063**	**40,929**	(2,888)	9,948

*The comparative financial statements have been restated as detailed in note 37.

Consolidated and parent statements of changes in equity for the year ended 31 December 2023

Group	Notes	Share capital £000	Share premium £000	Revaluation reserve £000	Translation and hedging reserve £000	Retained earnings £000	Total £000
At 31 December 2022 (as restated*)		**120,477**	**4,632**	**222**	**19,556**	**466,991**	**611,878**
Adjustment on initial application of IFRS 9		**-**	**-**	**-**	**-**	**(1,395)**	**(1,395)**
At 1 January 2023		**120,477**	**4,632**	**222**	**19,556**	**465,596**	**610,483**
Profit for the year		**-**	**-**	**-**	**-**	***37,454***	***37,454***
Other net income		**-**	**-**	***635***	***148***	***3,826***	***4,609***
Total comprehensive income		**-**	**-**	**635**	**148**	**41,280**	**42,063**
Dividends on ordinary shares	14	**-**	**-**	**-**	**-**	**(5,223)**	**(5,223)**
Dividends on preference shares	14	**-**	**-**	**-**	**-**	**(9,181)**	**(9,181)**
Gross charitable grant	14	**-**	**-**	**-**	**-**	**(13,000)**	**(13,000)**
Tax relief on charitable grant	14	**-**	**-**	**-**	**-**	**3,837**	**3,837**
Group tax relief in excess of standard rate		**-**	**-**	**-**	**-**	**(63)**	**(63)**
At 31 December 2023		**120,477**	**4,632**	**857**	**19,704**	**483,246**	**628,916**
At 31 December 2021 (as reported)		120,477	4,632	268	17,603	491,981	634,961
Adjustment on initial application of IFRS 17		-	-	-	-	*5,186*	*5,186*
At 1 January 2022 (as restated*)		120,477	4,632	268	17,603	497,167	640,147
Profit for the year		-	-	-	-	*2,787*	*2,787*
Other net expense		-	-	-	*1,953*	*(7,628)*	*(5,675)*
Total comprehensive income/(expense)		-	-	-	1,953	(4,841)	(2,888)
Dividends on preference shares	14	-	-	-	-	(9,181)	(9,181)
Gross charitable grant	14	-	-	-	-	(20,000)	(20,000)
Tax relief on charitable grant	14	-	-	-	-	3,800	3,800
Reserve transfers		-	-	(46)	-	46	-
At 31 December 2022 (as restated*)		120,477	4,632	222	19,556	466,991	611,878
Parent							
At 31 December 2022 (as restated*)		**120,477**	**4,632**	**223**	**8,232**	**409,740**	**543,304**
Adjustment on initial application of IFRS 9		**-**	**-**	**-**	**-**	**(552)**	**(552)**
At 1 January 2023		**120,477**	**4,632**	**223**	**8,232**	**409,188**	**542,752**
Profit for the year		**-**	**-**	**-**	**-**	***36,365***	***36,365***
Other net income		**-**	**-**	***634***	***103***	***3,827***	***4,564***
Total comprehensive income		**-**	**-**	**634**	**103**	**40,192**	**40,929**
Dividends on ordinary shares		**-**	**-**	**-**	**-**	**(5,223)**	**(5,223)**
Dividends on preference shares		**-**	**-**	**-**	**-**	**(9,181)**	**(9,181)**
Gross charitable grant		**-**	**-**	**-**	**-**	**(13,000)**	**(13,000)**
Tax relief on charitable grant		**-**	**-**	**-**	**-**	**3,837**	**3,837**
Group tax relief in excess of standard rate		**-**	**-**	**-**	**-**	**(63)**	**(63)**
At 31 December 2023		**120,477**	**4,632**	**857**	**8,335**	**425,750**	**560,051**
At 31 December 2021 (as reported)		120,477	4,632	269	7,036	420,088	552,502
Adjustment on initial application of IFRS 17		-	-	-	-	*6,340*	*6,340*
At 1 January 2022 (as restated*)		120,477	4,632	269	7,036	426,428	558,842
Profit for the year		-	-	-	-	*16,380*	*16,380*
Other net expense		-	-	-	*1,196*	*(7,628)*	*(6,432)*
Total comprehensive income		-	-	-	1,196	8,752	9,948
Dividends on preference shares		-	-	-	-	(9,181)	(9,181)
Gross charitable grant		-	-	-	-	(20,000)	(20,000)
Tax relief on charitable grant		-	-	-	-	3,800	3,800
Group tax relief in excess of standard		-	-	-	-	(105)	(105)
Reserve transfers		-	-	(46)	-	46	-
At 31 December 2022 (as restated*)		120,477	4,632	223	8,232	409,740	543,304

*The comparative financial statements have been restated as detailed in note 37.

The revaluation reserve represents cumulative net fair value gains on owner-occupied property. Further details of the translation and hedging reserve are included in note 25.

Consolidated and parent statements of financial position at 31 December 2023

	Notes	31 December 2023		*Restated** 31 December 2022		*Restated** 1 January 2022	
		Group	**Parent**	Group	Parent	Group	Parent
		£000	**£000**	£000	£000	£000	£000
Assets							
Cash and cash equivalents	23	**112,082**	**83,436**	104,664	66,569	94,736	48,437
Financial investments	20	**941,755**	**658,601**	870,749	636,637	883,770	678,494
Current tax recoverable		**5,181**	**5,181**	4,212	4,212	5	5
Reinsurance contract assets	26	**220,108**	**154,770**	240,124	146,423	202,767	131,935
Investment property	19	**130,813**	**130,813**	140,846	140,846	163,355	162,822
Pension assets	17	**19,788**	**19,788**	15,338	15,338	28,304	28,304
Property, plant and equipment	18	**34,183**	**31,570**	31,405	30,906	33,477	32,771
Goodwill and other intangible assets	16	**25,866**	**23,769**	30,255	28,158	29,598	27,501
Deferred tax assets	28	**8,483**	**229**	9,938	520	8,857	-
Other assets	22	**165,104**	**160,631**	148,349	141,322	89,788	90,468
Assets classified as held for distribution	15	**-**	**-**	14,999	3,722	62,483	28,612
Total assets		**1,663,363**	**1,268,788**	1,610,879	1,214,653	1,597,140	1,229,349
Equity							
Share capital	24	**120,477**	**120,477**	120,477	120,477	120,477	120,477
Share premium account		**4,632**	**4,632**	4,632	4,632	4,632	4,632
Retained earnings and other reserves		**503,807**	**434,942**	486,769	418,195	515,038	433,733
Total shareholders' equity		**628,916**	**560,051**	611,878	543,304	640,147	558,842
Liabilities							
Insurance contract liabilities	26	**781,842**	**569,833**	789,546	538,747	769,727	529,281
Investment contract liabilities	31	**95,886**	**-**	58,479	-	15,519	-
Current tax liabilities		**2,931**	**2,931**	308	228	819	819
Lease obligations	32	**21,687**	**19,551**	19,062	18,712	21,440	20,806
Retirement benefit obligations	17	**4,801**	**4,801**	4,960	4,960	7,058	7,058
Subordinated liabilities	30	**25,853**	**25,853**	25,818	25,818	24,433	24,433
Provisions for other liabilities	27	**6,330**	**6,177**	5,961	5,870	6,143	6,068
Deferred tax liabilities	28	**37,838**	**36,671**	37,027	36,209	50,024	47,699
Other liabilities	29	**57,279**	**42,920**	47,345	40,805	39,750	34,343
Liabilities classified as held for distribution	15	**-**	**-**	10,495	-	22,080	-
Total liabilities		**1,034,447**	**708,737**	999,001	671,349	956,993	670,507
Total shareholders' equity and liabilities		**1,663,363**	**1,268,788**	1,610,879	1,214,653	1,597,140	1,229,349

*The comparative financial statements have been restated as detailed in note 37.

No statement of profit or loss is presented for Ecclesiastical Insurance Office plc as permitted by Section 408 of the Companies Act 2006. The profit after tax of the parent company for the period was £36,365,000 (2022: profit of £16,380,000).

The financial statements of Ecclesiastical Insurance Office plc, registered number 24869, on pages 50 to 144 were approved and authorised for issue by the Board of Directors on 21 March 2024 and signed on its behalf by:

David Henderson
Chair

Mark Hews
Group Chief Executive

Consolidated and parent statements of cash flows for the year ended 31 December 2023

	Notes	2023		*Restated** 2022	
		Group	**Parent**	Group	Parent
		£000	**£000**	£000	£000
Profit/(loss) before tax from continuing operations		**44,753**	**41,903**	(15,582)	12,687
Profit before tax from discontinued operations		**719**	**1,501**	14,115	-
Adjustments for:					
Depreciation of property, plant and equipment		**5,879**	**5,288**	6,261	5,373
Revaluation of property, plant and equipment		**(35)**	**(35)**	-	-
Loss/(profit) on disposal of property, plant and equipment		**2**	**3**	(9)	-
Amortisation and impairment of intangible assets		**5,583**	**5,583**	3,558	3,351
Movement in expected credit loss provision		**(1,255)**	**(552)**	-	-
Impairment of shares in subsidiary undertakings		**-**	**-**	-	(161)
Profit on disposal of subsidiary		**(718)**	**(1,501)**	(14,293)	(20,146)
Net fair value (gains)/losses on financial instruments and investment property		**(12,928)**	**(7,728)**	94,121	66,658
Dividend and interest income		**(35,077)**	**(27,709)**	(22,906)	(20,075)
Finance costs		**3,151**	**3,079**	2,528	2,456
Other adjustments for non-cash items		**1,560**	**1,560**	695	695
Changes in operating assets and liabilities:					
Net decrease/(increase) in reinsurance contract assets		**13,974**	**(9,601)**	(32,053)	(12,851)
Net increase in investment contract liabilities		**37,407**	**-**	42,961	-
Net increase in insurance contract liabilities		**6,430**	**35,512**	4,879	2,861
Net increase in other assets		**(16,857)**	**(19,001)**	(57,512)	(51,810)
Net increase in other liabilities		**11,615**	**3,426**	1,491	3,050
Cash generated/(used) by operations		**64,203**	**31,728**	28,254	(7,912)
Purchases of financial instruments and investment property		**(202,338)**	**(127,968)**	(208,588)	(109,878)
Sale of financial instruments and investment property		**147,364**	**119,627**	156,110	115,561
Dividends received		**10,452**	**9,526**	7,177	10,795
Interest received		**23,618**	**17,354**	17,022	10,732
Tax paid		**(2,705)**	**(2,546)**	(6,487)	(6,330)
Net cash from/(used by) operating activities		**40,594**	**47,721**	(6,512)	12,968
Cash flows from investing activities					
Purchases of property, plant and equipment		**(2,358)**	**(1,331)**	(3,234)	(2,934)
Proceeds from the sale of property, plant and equipment		**296**	**-**	28	-
Purchases of intangible assets		**(1,245)**	**(1,245)**	(3,900)	(3,900)
Disposal of subsidiary, net of cash disposed		**-**	**-**	36,355	45,197
Net cash (used by)/from investing activities		**(3,307)**	**(2,576)**	29,249	38,363
Cash flows from financing activities					
Interest paid		**(2,491)**	**(2,419)**	(2,528)	(2,456)
Payment of lease liabilities		**(3,128)**	**(2,935)**	(3,267)	(2,605)
Change in interest in subsidiary		**-**	**-**	-	(5,157)
Dividends paid to Company's shareholders		**(9,181)**	**(9,181)**	(9,181)	(9,181)
Charitable grant paid to ultimate parent undertaking		**(13,000)**	**(13,000)**	(15,000)	(15,000)
Net cash used by financing activities		**(27,800)**	**(27,535)**	(29,976)	(34,399)
Net increase/(decrease) in cash and cash equivalents		**9,487**	**17,610**	(7,239)	16,932
Cash and cash equivalents at beginning of year (as reported)		**104,664**	**66,569**	114,036	48,437
Cash classified as held for distribution		**-**	**-**	(5,177)	-
Exchange (losses)/gains on cash and cash equivalents		**(2,069)**	**(743)**	3,044	1,200
Cash and cash equivalents at end of year	23	**112,082**	**83,436**	104,664	66,569

*The comparative financial statements have been restated as detailed in note 37.

Notes to the financial statements

1 Accounting policies

Ecclesiastical Insurance Office plc (hereafter referred to as the 'Company', or 'Parent'), a public limited company incorporated and domiciled in England and Wales, together with its 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. The Company is limited by shares. The material accounting policies adopted in preparing the UK adopted International Financial Reporting Standards (IFRS) financial statements of the Group and Parent are set out below.

Basis of preparation

The Group's consolidated and Parent's financial statements have been prepared using the following accounting policies, which are in accordance with UK adopted IAS applicable at 31 December 2023, and in accordance with requirements of the Companies Act 2006. The policies have been applied consistently to all years unless otherwise stated. The financial statements have been prepared on the historical cost basis, except for certain financial assets, financial liabilites and derivatives measured at fair value through profit and loss (FVTPL), and the revaluation of properties and certain derivatives measured at fair value through other comprehensive income (FVOCI).

As stated in the Directors' Report, the directors consider that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

Items included in the financial statements of each of the Group's entities are measured in the currency of the primary economic environment in which that entity operates (the 'functional currency'). The consolidated financial statements are stated in sterling, which is the Company's functional currency and the Group's presentational currency.

As permitted by Section 408 of the Companies Act 2006, a separate profit and loss account for the Company is not presented.

New and revised standards

A number of amendments and improvements to accounting standards have been issued by the International Accounting Standards Board (IASB), and endorsed by the UK, with an effective date of on or after 1 January 2023, and are therefore applicable for the 31 December 2023 financial statements. None had a significant impact on the Group.

IFRS 9 *Financial Instruments* and IFRS 17 *Insurance Contracts* have been adopted in the year.

IFRS 9 introduces a new model for the classification and measurement of financial instruments, a single, forward-looking 'expected credit loss' impairment model and a reformed approach to hedge accounting.

IFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Key relevant concepts for the Group are:

- Expected profits (represented by the contractual service margin, "CSM") are explicitly spread over the lifetime of the contract in a formulaic manner matched to the provision of current and future coverage, rather than for example embedded within ongoing releases from a prudent reserving basis.
- Expected losses (arising on onerous contracts) are recognised up front and as and when identified.

The effects of adopting IFRS 9 and IFRS 17 are disclosed in note 37.

Amendments to other standards in issue but not yet effective are not expected to materially impact the Group.

Use of estimates

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. Those estimates which have the most material impact on the financial statements are disclosed in note 2.

Notes to the financial statements

1 Accounting policies (continued)

Basis of consolidation

Subsidiaries

Subsidiaries are those entities over which the Company, directly or indirectly, has control, with control being achieved when the Company has power over the investee, is exposed to variable return from its involvement with the investee and has the ability to use its power to affect its returns. The results and cash flows relating to subsidiaries acquired or disposed of in the year are included in the consolidated statement of profit or loss, and the consolidated statement of cash flows, up to the date of disposal, and are included within discontinued operations where appropriate. All inter-company transactions, balances and cash flows are eliminated, with the exception of those between continuing and discontinued operations.

In the Parent statement of financial position, subsidiaries are accounted for within financial investments at cost less impairment, in accordance with International Accounting Standard (IAS) 27 *Separate Financial Statements*.

The Group uses the acquisition method of accounting to account for business combinations. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Non-controlling interests are measured either at fair value or at a proportionate share of the identifiable net assets of the acquiree. Goodwill is measured as the excess of the aggregate of the consideration transferred, the fair value of contingent consideration, the amount of non-controlling interests and, for an acquisition achieved in stages, the fair value of previously held equity interest over the fair value of the identifiable net assets acquired. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognised directly through profit or loss.

For business combinations involving entities or businesses under common control, the cost of the acquisition equals the value of net assets transferred, as recognised by the transferor at the date of the transaction. No goodwill arises on such transactions.

Discontinued operations and operations held for sale or distribution

Assets and liabilities for a disposal group which are held for sale outside the Group or distribution within the Group are reported as assets or liabilities held for sale or distribution and shown separately in the consolidated statement of financial position and carried at the lower of their carrying amount and fair value less estimated selling costs. Discontinued operations comprise activities either disposed of or classified as held for sale or distribution. The results of discontinued operations and profit or loss on disposal of discontinued operations are presented separately in the consolidated statement of profit or loss. Comparatives are restated where applicable.

Foreign currency translation

The assets and liabilities of foreign operations are translated from their functional currencies into the Group's presentation currency using year-end exchange rates, and their income and expenses using average exchange rates for the year. Exchange differences arising from the translation of the net investment in foreign operations are taken to the currency translation reserve within equity. On disposal of a foreign operation, such exchange differences are transferred out of this reserve, along with the corresponding movement on net investment hedges, and are recognised in the statement of profit or loss as part of the gain or loss on sale.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions. Exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised through profit or loss.

Product classification

Contracts under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as insurance contracts. Contracts that do not transfer significant insurance risk are classified as investment or service contracts. All of the Group's life business contracts written up to April 2013 are classified as insurance contracts and those written from August 2021 are classified as investment contracts. The closed book of business (insurance contracts) relates to funeral plan business directly written by Ecclesiastical Life Limited (ELL) backed by a Whole of Life policy, which is administered by Ecclesiastical Planning Services Limited (EPSL). This was closed to new business in 2013. EPSL is a subsidiary undertaking of the Benefact Group. New business (investment contracts) written from August 2021 creates unit trust backed life policies to secure the pre-paid funeral plans written by EPSL and a third party provider.

Contracts may contain a discretionary participating feature, which is defined as a contractual right to receive additional benefits as a supplement to guaranteed benefits. The Group does not have any such participating contracts (referred to as with-profit contracts). The Group's long-term business contracts are referred to as non-profit contracts in the financial statements.

Net investment return
Net investment return consists of dividends, interest and rents receivable for the year, realised gains and losses, unrealised gains and losses on financial investments and investment properties. Dividends on equity securities are recorded as revenue on the ex-dividend date. Interest and rental income is recognised as it accrues.

Unrealised gains and losses are calculated as the difference between carrying value and original cost, and the movement during the year is recognised through profit or loss. The value of realised gains and losses includes an adjustment for previously recognised unrealised gains or losses on investments disposed of in the accounting period.

Insurance contract liabilities
The Group adopted IFRS 17 *Insurance Contracts* on 1 January 2023. IFRS 17 provides a comprehensive and consistent approach to accounting for insurance contracts. It replaces IFRS 4 Insurance Contracts, which was issued in 2005 and was largely based on grandfathering of previous local accounting policies. The application of IFRS 17 impacts the measurement and presentation of insurance contracts and reinsurance contracts.

Contracts under which the Group accepts significant insurance risk are classified as insurance contracts. Insurance risk is transferred when the Group agrees to compensate a policyholder should an adverse specified uncertain future event occur. Contracts held by the Group under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts held. Insurance and reinsurance contracts held also expose the Group to financial risk.

Insurance contracts issued and reinsurance contracts held may be initiated by the Group, or they may be acquired in a business combination or in a transfer of contracts that do not form a business. All references in these accounting policies to 'insurance contracts' and 'reinsurance contracts' held include contracts issued, initiated, or acquired by the Group, unless otherwise stated.

Under IFRS 17 the presentation of insurance revenue and insurance service expenses in the consolidated statement of profit or loss is based on the concept of insurance service provided during the period.

Accounting policy changes resulting from the adoption of IFRS 17 for the General Insurance business have been applied using a full retrospective approach. Under the full retrospective approach, on 1 January 2022 the Group has identified, recognised and measured each group of insurance contracts as if IFRS 17 requirements had always applied and derecognised previously reported balances that would not have existed if IFRS 17 had always been applied. These implicitly include some deferred acquisition costs for insurance contracts, insurance receivables and payables, and provisions for levies that are attributable to existing insurance contracts. Under IFRS 17, they are included in the measurement of insurance contracts issued and reinsurance contracts held.

The Group is required to use the full retrospective approach for transition from IFRS 4 to IFRS 17 where it is practicable to do so. Where it is impracticable to do so, IFRS 17 permits the use of a modified retrospective approach or a fair value approach. For the Group's life insurance business, it has been concluded that applying the full retrospective approach is impracticable and that the fair value approach is the most appropriate method to apply on transition. The fair value approach uses the fair value of a group of insurance contracts (determined by applying the requirements of IFRS 13 Fair Value Measurement) and the fulfilment cash flows at the date of transition to calculate the unearned profit or loss at the transition date. The choice between applying the modified retrospective approach and the fair value approach impacts the amount of unearned profit or loss recognised at the transition date and future profitability.

Comparative figures in the financial statements have been restated to reflect the impact of adoption of IFRS 17.

Insurance contract liabilities are measured as the sum of the liability for incurred claims (LIC) and liability for remaining coverage (LFRC). The LIC represents the obligation to pay valid claims for insured events that have occurred, which may also include events that have already occurred but have not been reported to the Group. The LFRC represents the Group's liability for insured events that have not yet occurred under the insurance contract. Under IFRS 17, insurance revenue in each reporting period represents the change in the LFRC that relates to services for which the Group expects to receive consideration.

(a) General insurance and reinsurance contracts
(i) Classification
The Group issues general insurance products to both individuals and businesses. The Group offers general insurance products in a number of sectors.

The Group does not offer any product with direct participating features.

(ii) Separating components

The Group assesses its insurance and reinsurance products to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Group applies IFRS 17 to all remaining components of the host insurance contract. The Group's insurance and reinsurance contracts do not include any components that require separation.

Once the consideration of distinct components has been determined, the Group assesses whether the contract should be separated into several insurance components that, in substance, should be treated as separate contracts. To determine whether a single legal contract does not reflect the substance of the transaction and its insurance components should be recognised and measured separately instead, the Group considers whether there is an interdependency between the different risks covered, whether components can lapse independently of each other and whether the components can be priced and sold separately. The Group's insurance and reinsurance contracts do not include any separate insurance components that should be treated as separate contracts.

(iii) Level of aggregation

Insurance and reinsurance contracts are aggregated into portfolios and split into annual cohorts and profitability groups for measurement and presentational purposes. The portfolios are comprised of contracts with similar risks which are managed together. Judgement is applied when determining portfolios and includes drivers such as geography, lines of business (where these are separate components) and legal entities within the Group.

Each annual cohort of business recognised within the portfolio is further divided into groups based on the expected profitability, determined at initial recognition and assessed using actuarial valuation models applied to lower level sets of contracts. As a minimum the following groupings are separated:

- Onerous contracts;
- Contracts that have no significant possibility of becoming onerous (based on the probability that changes to assumptions result in contracts becoming onerous); and
- Any remaining contracts.

Contracts are considered onerous if the fulfilment cashflows allocated to that group of contracts in total are a net outflow. Where the Premium Allocation Approach (see section (vi)) is applied, the Group uses an IFRS 17 permitted simplification that assumes that no contracts in a portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. The Group has developed methodology that identifies facts and circumstances that indicate whether a set of contracts is onerous, which is primarily based on internal management budgeting information.

(iv) Recognition and derecognition

An insurance contract issued by the Group is recognised from the earliest of:

- The date the Group is exposed to risk which is ordinarily the beginning of the coverage period (i.e. the period during which the Group provides services in respect of any premiums within the contract boundary of the contract);
- The date the first premium payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; or
- The date when facts and circumstances indicate the contract is onerous.

When a contract is recognised, it is added to an existing group of contracts. However, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future similar contracts are added. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

The Group derecognises insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e. discharged, cancelled or expired); or
- The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Group derecognises the initial contract and recognises a new contract based on the modified terms.

When a modification is not treated as a derecognition, the Group recognises amounts paid or received for the modification with the contract as an adjustment to the relevant LRC.

(v) Contract boundaries

The Group uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts. The measurement of a group of contracts includes all the future cash flows within the boundary of each contract in the group, determined as:

Insurance contracts

Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums, or in which the Group has a substantive obligation to provide the policyholder with services. A substantive obligation to provide services ends when:

- The Group has the practical ability to reassess the risks of the policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or
- The Group has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not consider risks that relate to periods after the reassessment date.

The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Group's substantive rights and obligations and, therefore, may change over time.

Reinsurance contracts

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.

A substantive right to receive services from the reinsurer ends when the Group is no longer compelled to pay amounts to the reinsurer and if the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Group's substantive rights and obligations and, therefore, may change over time.

(vi) Measurement model – Premium Allocation Approach (PAA)

The Group applies the PAA when measuring the liability for remaining coverage of groups of insurance and reinsurance contracts when the following criteria are met at inception:

Insurance contracts:

- The coverage period of each contract in the group is one year or less; or
- Where the coverage period of a group of contracts is longer than one year, it is reasonably expected that the measurement of the liability for remaining coverage for the group containing those contracts under PAA does not differ materially from the measurement that would be recognised by applying the General Measurement Model (GMM) (see section (b)(iv)).

Reinsurance contracts held:

- The coverage period of each contract in the group is one year or less; or
- The Group reasonably expects that the resulting measurement of the asset for remaining coverage under the PAA would not differ materially from the result of applying the GMM.

The vast majority of the Group's non-life business has a duration of one year or less and the PAA model is eligible automatically. Where the PAA model is not automatically eligible, financial modelling is performed comparing the financial effects under the two models. Where the financials are not expected to be materially different under the GMM and PAA, the relevant unit of account is treated as PAA eligible.

Initial recognition

On initial recognition of each group of contracts, the carrying amount of the LRC is measured as the premiums received less any insurance acquisition cash flows allocated to the group at that date. For reinsurance contracts held, the measurement of the reinsurance contract held includes all expected cash flows within the boundary of the reinsurance contract, including those cash flows related to recoveries from future underlying insurance contracts that have not yet been issued by the Group, but are expected to be issued during the coverage period of the reinsurance contract held.

Subsequent recognition

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

- Increased by any premiums received and the amortisation of insurance acquisition cash flows recognised as expenses; and
- Decreased by the amount recognised as insurance revenue for services provided and any additional insurance acquisition cash flows allocated after initial recognition.

For reinsurance contracts held, at each of the subsequent reporting dates, the Group applies the same accounting policies to measure a group of reinsurance contracts held, adapted where necessary to reflect features that differ from those of insurance contracts.

To identify onerous contracts, the PAA facts and circumstances test uses the latest signed-off Corporate Strategic Plan, identifying sets of contracts with a gross Combined Operating Ratio (COR) > 100% (including risk adjustment), when aligned to the relevant period being tested. Where the Group recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or when further onerous underlying insurance contracts are added to a group, the Group establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held representing the expected recovery of the losses.

A loss-recovery component is subsequently reduced to zero in line with reductions in the onerous group of underlying insurance contracts to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the Group expects to recover from the group of reinsurance contracts held.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Group recognises a loss within insurance service expenses in the consolidated statement of profit or loss and increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage. Measurement of the loss component arising from the identification of onerous contracts is based on the future expected profitability calculation attributed to the annual cohort(s) which are indicated to be loss making.

The Group recognises the LIC of a group of insurance contracts at the discounted amount of the future cash flows relating to claims incurred but not yet settled and attributable expenses.

Discount rates are applied to reflect the time value of money and characteristics of the liability cash flows and contracts (including liquidity).

The change in the LIC due to the effects of the time value of money and financial risk is recognised within the net insurance financial result in the consolidated statement of profit or loss.

The Group recognises the loss arising from onerous contracts as part of the insurance service expense in the statement of comprehensive income. If there are no changes in expectations in subsequent periods, the release of the loss component is recognised as an adjustment to insurance service expenses in the consolidated statement of profit or loss in line with the pattern of earned premium.

(vii) Risk adjustment
The risk adjustment reflects the compensation required by the Group for bearing uncertainty about the insurance cash flows that arise from non-financial risks. The Group uses a combination of techniques to measure the risk adjustment, aligning to latest risk appetite approach.

Risk appetite is set net of reinsurance with the amount held for insurance contracts including the amount transferred to reinsurers. Under the PAA, the risk adjustment is driven by claims reserving uncertainty, which the Group models using statistical techniques including bootstrapping, supplemented where appropriate by scenario analysis, diversification between lines of business and backtesting of actual reserve development experience. The Group appetite targets an overall confidence level at or above the 75th percentile. General operational risk not attributed to insurance contracts is not within the scope of risks included.

The change in the risk adjustment for earned business is recognised within insurance service expenses in the consolidated statement of profit or loss.

(viii) Insurance acquisition cash flows
Insurance acquisition cash flows are costs considered directly attributable to selling, underwriting or starting a portfolio of insurance contracts and are presented within the liability for remaining coverage. Insurance acquisition cash flows include direct costs and indirect costs. The PAA provides an option to expense insurance acquisition cash flows as incurred, however the Group has chosen not to apply this option. Insurance acquisition cash flows are amortised over the coverage period of the group of insurance contracts which they relate to.

Under IFRS 17, insurance acquisition cash flows for insurance contracts, insurance receivables and payables, and provisions for levies that are attributable to existing insurance contracts are included in the measurement of insurance contracts issued .

(ix) Insurance revenue
Under the premium allocation approach, insurance revenue for the period is the amount of expected premium receipts (excluding any investment component and after adjustment to reflect the time value of money and the effect of financial risk, if applicable) allocated to the period for services provided. The Group allocates the expected premium receipts to each period of insurance contract services, on the basis of the passage of time or, if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, on the basis of the expected timing of incurred insurance service expenses. Changes to the basis of allocation are accounted for prospectively as a change in accounting estimate.

(x) Insurance service expenses

Insurance service expenses include fulfilment and acquisition cash flows which are costs directly attributable to insurance contracts and comprise both direct costs and the allocation of fixed and variable overheads. It is comprised of the following:

- Incurred claims and benefits excluding investment components;
- Other incurred discretionary attributable insurance service expenses;
- Amortisation of insurance acquisition cash flows;
- Changes that relate to past service (i.e. changes in the future cash flows relating to the LIC); and
- Changes that relate to future service (i.e. losses/reversals on onerous groups of contracts from changes in the loss components).

Amortisation of insurance acquisition cash flows is done on a straight-line basis and reflected in insurance service expenses in the same amount as insurance acquisition cash flows recovery reflected within insurance revenue as described above. Other expenses not meeting the above categories are included in other operating expenses in the consolidated statement of profit or loss.

(xi) Net income or expense from reinsurance contracts

Net income or expense from reinsurance contracts represents the insurance service result for groups of reinsurance contracts held and comprises of the allocation of reinsurance premiums and other incurred directly attributable claims and expenses.

Reinsurance premium and expenses are recognised using the principles used to determine insurance revenue and expenses. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received insurance contract services at an amount that reflects the portion of ceding premiums that the Group expects to pay in exchange for those services.

The estimates of the present value of future cash flows of the reinsurance contracts held will reflect the risk of non-performance by the reinsurer and the risk adjustment for reinsurance contracts held and is measured and recognised separately from insurance contracts issued.

In addition, the allocation of reinsurance premiums includes changes in the reinsurance assets arising from retroactive reinsurance contracts held and voluntary reinstatement ceded premiums.

Reinsurance expenses reflect the allocation of reinsurance premiums paid or payable for receiving services in the period.

The Group treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be recovered under the reinsurance contract held.

(xii) Net insurance financial result

Net insurance financial result comprises the change in the carrying amount of groups of insurance contracts issued and reinsurance contracts held arising from the effect of the time value of money and changes in the time value of money and the effect of financial risk and changes in financial risk.

(b) Life insurance

(i) Classification

The adoption of IFRS 17 did not change the classification of the Group's life insurance business contracts.

(ii) Level of aggregation

The Group's life insurance business comprises whole of life insurance contracts with similar risks which are managed together. These are aggregated into a single portfolio of insurance contracts.

The portfolio of contracts is divided into groups based on the expected profitability, determined at initial recognition and assessed using actuarial valuation models. As a minimum the following groupings are separated:

- Onerous contracts;
- Contracts that have no significant possibility of becoming onerous (based on the probability that changes to assumptions result in contracts becoming onerous); and
- Any remaining contracts.

As the fair value approach has been applied on transition, the Group is not required to recognise separate cohorts for contracts issued more than one year apart.

(iii) Contract boundary

The Group uses the concept of contract boundary to determine what cash flows should be considered in the measurement of insurance contracts. The measurement of the contracts includes all the future cash flows within the boundary of each contract in the group.

Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums, or in which the Group has a substantive obligation to provide the policyholder with services. A substantive obligation to provide services ends when:

- The Group has the practical ability to reassess the risks of the policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or
- The Group has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not consider risks that relate to periods after the reassessment date.

The Group has concluded that it has no practical ability to reassess the risks of its portfolio and set a price to reflect them after inception of the life insurance contract. Therefore no contract boundary is assumed to exist before the expiry of the insurance contract.

(iv) Measurement Model – General Measurement Model (GMM)

The GMM is the default method used to measure insurance contracts under IFRS 17.

Initial recognition

On initial recognition, the carrying amount of the LRC is measured as the sum of discounted probability-weighted fulfilment cash flows within the contract boundary, an explicit risk adjustment and a contractual service margin (CSM), representing the unearned profit of the contract to be recognised as revenue over the coverage period. If the portfolio of contracts is expected to be onerous at inception, the loss is recognised immediately within insurance service expenses in the statement of consolidated profit or loss and the CSM is set to zero.

Subsequent measurement

The carrying amount of the LRC is updated at each reporting date to reflect the re-measurement of the fulfilment cash flows to reflect estimates based on current assumptions. The changes in fulfilment cash flows are reflected either in the insurance service result or by adjusting the CSM, depending upon their nature. If the fulfilment cash flows exceed the CSM, the portfolio of contracts becomes onerous, and the loss is recognised immediately within insurance service expenses in the statement of consolidated profit or loss.

The Group recognises the LIC of a group of insurance contracts at the discounted amount of the fulfilment cash flows relating to claims incurred but not yet settled and attributable expenses.

(v) Risk adjustment

The risk adjustment reflects the compensation required by the Group for bearing uncertainty about the cash flows that arises from non-financial risks. The Group uses the value at risk/confidence level approach, choosing a confidence level and deriving the risk adjustment directly from it. The confidence level percentile input used by the Group to determine the risk adjustment is the 95th percentile calculated using a one-year Value-at-Risk (VaR) measure. The risk adjustment is calculated at the entity level.

(vi) Insurance revenue

As the Group provides services under the group of insurance contracts, it reduces the LRC and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration Group expected to be entitled to in exchange for those services. Insurance revenue comprises the following:

- Amounts relating to the changes in the LRC:
  - Insurance claims and expenses incurred in the period measured at amounts expected at the beginning of the period, excluding:
    - Amounts related to the loss component;
    - Repayments of investment components;
    - Amounts of transaction-based taxes collected in a fiduciary capacity; and
    - Insurance acquisition expenses;
  - Changes in the risk adjustment for non-financial risk, excluding;
    - Changes included in insurance finance income or expenses;
    - Changes that relate to future coverage (which adjust the CSM); and
    - Amounts allocated to the loss component;
  - Amounts of the CSM recognised in profit or loss for the services provided in the period; and
  - Experience adjustments arising from premiums received in the period that relate to past and current service and related cash flows such as insurance acquisition cash flows and premium-based taxes.

The amount of CSM recognised in profit or loss in each period to reflect services provided is determined by considering, for each group of contracts, coverage units that reflect the quantity of the benefits provided in each period and the expected coverage period. Coverage units are reviewed and updated at each reporting date. The quantity of benefits provided is based on the level of maximum benefit provided under the insurance contract and the coverage period is set as the probability-weighted average expected duration for the group of contracts.

(vii) Insurance service expenses

Insurance service expenses include fulfilment and acquisition cash flows which are costs directly attributable to insurance contracts and comprise both direct costs and the allocation of fixed and variable overheads. It is comprised of the following:

- Incurred claims and benefits excluding investment components;
- Other incurred discretionary attributable insurance service expenses;
- Amortisation of insurance acquisition cash flows;
- Changes that relate to past service (i.e. changes in the future cash flows relating to the LIC); and
- Changes that relate to future service (i.e. losses/reversals on onerous groups of contracts from changes in the loss components).

Amortisation of insurance acquisition cash flows is reflected in insurance service expenses in the same amount as insurance acquisition cash flows recovery reflected within insurance revenue as described above. Other expenses not meeting the above categories are included in other operating expenses in the consolidated statement of profit or loss.

(viii) Insurance acquisition cash flows

For life insurance contracts, acquisition costs comprise direct costs such as initial commission and the indirect costs of obtaining and processing new business. As with general insurance business, those attributable are included in the measurement of insurance contracts issued and reinsurance contracts held.

Investment contract liabilities

For products that have no significant insurance risk and therefore classified as investment contracts, the Group recognises a liability measured at fair value. The fair value of these liabilities is estimated based on an arms-length transaction between willing market participants with consideration given to the cost of the minimum repayment guarantee to the policyholders. The cost of the guarantee is determined using risk free rates of return, with the associated volatility assumption and allowing for the costs of administration associated with this low risk investment strategy.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the identifiable assets and liabilities acquired at the date of acquisition. Goodwill on acquisitions prior to 1 January 2004 (the date of transition to IFRS) is carried at book value (original cost less amortisation) on that date, less any subsequent impairment. Where it is considered more relevant, the Group uses the option to measure goodwill initially at fair value, less any subsequent impairment.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Computer software

Computer software is carried at historical cost less accumulated amortisation and impairment, and amortised over a useful life of between three and ten years, using the straight-line method. Amortisation and impairment charges incurred for the period are included in the statements of profit or loss within other operating and administrative expenses.

Software costs that cannot be classified as intangible assets are charged to profit or loss during the period in which they are incurred.

Other intangible assets

Other intangible assets consist of acquired brand, customer and distribution relationships, and are carried at cost at acquisition less accumulated amortisation and impairment after acquisition. Amortisation is on a straight-line basis over the weighted average estimated useful life of intangible assets acquired. Amortisation and impairment charges incurred for the period are included in the statement of profit or loss within other operating and administrative expenses.

Property, plant and equipment

Owner-occupied properties are stated at fair value and movements are taken to the revaluation reserve within equity, net of deferred tax. When such properties are sold, the accumulated revaluation surpluses are transferred from this reserve to retained earnings.

Where the fair value of an individual property is below original cost, any revaluation movement arising during the year is recognised within net investment return in the statement of profit or loss. Valuations are carried out at least every three years by external qualified surveyors. All other items classed as property, plant and equipment within the statement of financial position are carried at historical cost less accumulated depreciation and impairment.

Land is not depreciated. No depreciation is provided on owner-occupied properties since such depreciation would be immaterial. Depreciation is calculated to write down the cost of other assets to their residual values over their estimated useful lives as follows:

Computer equipment	3 - 5 years straight line
Motor vehicles	4 years straight line
Fixtures, fittings and office equipment	3 - 10 years or length of lease straight line
Right-of-use assets	Over the term of the lease

Where the carrying amount of an item carried at historical cost less accumulated depreciation is greater than its estimated recoverable amount, it is written down to its recoverable amount by way of an impairment charge to profit or loss.

Repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Investment property

Investment property comprises land and buildings which are held for long-term rental yields. It is carried at fair value with changes in fair value recognised in the statement of profit or loss within net investment return. Investment property is valued annually by external qualified surveyors at open market value. Investment properties are derecognised when they have been disposed of. Where the Group disposes of a property, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in profit or loss within net investment return.

Financial instruments

The Group adopted IFRS 9 *Financial Instruments* from 1 January 2023 replacing IAS 39 *Financial Instruments* . IFRS 9 incorporates new classification and measurement requirements for financial assets and introduces a new impairment model based on expected credit loss which replaces the IAS 39 incurred loss model. As permitted by IFRS 4, the Group deferred the application of IFRS 9 to align with the adoption of IFRS 17 from 1 January 2023.

In accordance with the transition requirements of IFRS 9, the comparative period is not restated and measurement differences arising on transition are reported in opening retained earnings as at 1 January 2023.

The Group's IFRS 9 accounting policies are described below:

(a) Classification and measurement

All financial assets under IFRS 9 are to be initially recognised at fair value, plus or minus (in the case of a financial asset not at FVTPL) transaction costs that are directly attributable to the acquisition of the financial instrument. Classification and subsequent measurement of financial assets depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

Debt instruments

There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI) are measured at amortised cost. Interest income from these financial assets is included in 'net investment result' using the effective interest rate method.
- Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI, except where an election is made to classify as FVTPL. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'net investment result. Interest income from these financial assets is included in 'net investment result' using the effective interest rate method.

- Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. In order to eliminate or significantly reduce an accounting mismatch, an irrevocable election can be made (on an instrument-by-instrument basis) to classify and measure debt instruments at FVTPL instead of amortised cost or FVOCI. A gain or loss on a debt investment that is measured at FVTPL is recognised in profit or loss and presented net within 'net investment result'.

Equity instruments
- FVTPL: By default, the group classifies and measures equity investments at FVTPL. Changes in the fair value of equity instruments at FVTPL are recognised in 'net investment result' in the consolidated statement of profit or loss.
- FVOCI: An irrevocable election can be made (on an instrument-by-instrument basis) on the date of acquisition to classify and measure equity instruments at FVOCI. Designation is not permitted if the equity instrument is held for trading. Where this election has been made, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss within 'net investment result' when the Group's right to receive payments is established.

(b) Impairment
The Group recognises a forward-looking loss allowance for expected credit losses (ECL) on financial assets measured at amortised cost or FVOCI. ECL is an unbiased, probability-weighted estimate of credit losses and considers all reasonable and supportable information. The impairment methodology applied depends on whether there has been a significant increase in credit risk or default.

The Group elects to apply the simplified approach permitted by IFRS 9 and recognises lifetime ECL for trade receivables and lease receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for current and forecast economic conditions.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. Lifetime ECL represents the expected losses that will result from all possible default events over the expected life of a financial instrument. 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. A financial asset is written off to the extent there is no reasonable expectation of recovery. Any subsequent recovery in excess of the financial asset's written down value is credited to profit or loss.

Impairment losses are presented within 'net investment return' in the consolidated statement of profit or loss.

The Group's IAS 39 accounting policies are described below:

The Group accounts classifies its financial investments as either financial assets at fair value through profit or loss (designated as such or held for trading), as financial assets at fair value through other comprehensive income or as loans and receivables.

(a) Financial assets at fair value through profit or loss
Financial investments are classified into this category if they are managed, and their performance evaluated, on a fair value basis. Purchases and sales of these investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the assets, at their fair value adjusted for transaction costs. Financial investments within this category are classified as held for trading if they are derivatives that are not accounted for as a net investment hedge or are acquired principally for the purpose of selling in the near term.

The fair values of investments are based on quoted bid prices. Where there is no active market, fair value is established using a valuation technique based on observable market data where available.

Derivative financial instruments and hedging
Derivative financial instruments include foreign exchange contracts and other financial instruments that derive their value from underlying equity instruments.

All derivatives are initially recognised in the statement of financial position at their fair value, which usually represents their cost, including any premium paid. They are subsequently remeasured 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 notional or contractual amounts associated with derivative financial instruments are not recorded as assets or liabilities in the statement of financial position as they do not represent the fair value of these transactions. Collateral pledged by way of cash margins on futures contracts is recognised as an asset in the statement of financial position within cash and cash equivalents.

Certain Group derivative transactions, while providing effective economic hedges under the Group's risk management positions, do not qualify for hedge accounting under the specific IFRS rules and are therefore treated as derivatives held for trading. Their fair value gains and losses are recognised immediately in net investment return. The fair value gains and losses for derivatives which are hedge accounted in line with IFRS 9 are recognised in other comprehensive income.

(b) Financial assets at fair value through other comprehensive income
Derivative instruments for hedging of net investments in foreign operations
On the date a foreign exchange contract is entered into, the Group designates certain contracts as a hedge of a net investment in a foreign operation (net investment hedge) and hedges the forward foreign currency rate.

Hedge accounting is used for derivatives designated in this way, provided certain criteria are met. At the inception of the transaction, the Group documents the relationship between the hedging instrument and the hedged item, as well as the risk management objective and the strategy for undertaking the hedge transaction. The Group also documents its assessment of whether the hedge is expected to be, and has been, highly effective in offsetting the risk in the hedged item, both at inception and on an ongoing basis.

Gains and losses on the hedging instrument, relating to the effective portion of the net investment hedge, are recognised in other comprehensive income and accumulated in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in net investment return.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to profit or loss on disposal of the related investment.

(c) Loans and receivables
Loans and receivables, comprising loans and cash held on deposit for more than three months, are carried at amortised cost using the effective interest method. 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. Subsequent recoveries are credited to profit or loss.

Offset of financial assets and financial liabilities
Financial assets and liabilities are offset, and the net amount reported in the statement of financial position, when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

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

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.

Leases
Group as a lessee
Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the lease asset is available for use by the Group. Each lease payment is deducted from the lease liability. Finance costs are charged to the profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Lease liabilities are determined using the net present value of the payments over the lease term with the rate used to discount payments reflecting the rate implicit in the lease or, if it not readily determinable, the Group's incremental borrowing rate, and include:

- Fixed payments less any lease incentives receivable;
- Variable lease payments that are based on an index or rate;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of an option if the lessee is reasonably certain to exercise that option; and
- Payments and penalties from terminating the lease, if the lease term reflects the lessee exercising that option.

Right-of-use assets are initially measured at cost and subsequently measured as cost less accumulated depreciation and comprises:

- The amount of the initial measurement of lease liability;
- Any lease payment made at or before the commencement date, less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are presented within property, plant and equipment in the statement of financial position.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Group as a lessor
The Group enters into lease agreements as a lessor with respect to some of its investment properties. The Group also sublets property no longer occupied by the Group.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Provisions and contingent liabilities
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.

The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation but either an outflow of resources is not probable or the amount cannot be reliably estimated.

Employee benefits
Pension obligations
The Group operates defined benefit and defined contribution pension plans, the assets of which are held in separate trustee-administered funds.

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. 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. Independent actuarial valuations are carried out at the end of each reporting period.

In accordance with IAS 19, *Employee Benefits,* current and past service costs, gains and losses on curtailments and settlements and net interest expense or income (calculated by applying a discount rate to the net defined benefit liability or asset) are recognised through profit or loss. Actuarial gains or losses are recognised in full in the period in which they occur in other comprehensive income.

Contributions in respect of defined contribution plans are recognised as a charge to profit or loss as incurred.

Notes to the financial statements

1 Accounting policies (continued)

Other post-employment obligations

Some Group companies provide post-employment medical benefits to 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. Interest expense (calculated by applying a discount rate to the net obligations) is recognised through profit or loss. Actuarial gains and losses are recognised immediately in other comprehensive income. Independent actuarial valuations are carried out at the end of each reporting period.

Other benefits

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the year-end date.

Taxation

Income tax comprises current and deferred tax. Income tax is recognised in the statement of profit or loss except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in the statement of comprehensive income.

Current tax is the expected tax payable on the taxable result for the period, after any adjustment in respect of prior periods.

Deferred tax is provided in full 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.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Appropriations

Dividends

Dividends on Ordinary shares are recognised in equity in the period in which they are declared and, for the final dividend, approved by shareholders. Dividends on Non-Cumulative Irredeemable Preference shares are recognised in the period in which they are declared and appropriately approved.

Charitable donation to ultimate parent undertaking

Payments are made via Gift Aid to the ultimate parent company, Benefact Trust Limited, a registered charity. The Group does not regard these payments as being expenses of the business and, as such, recognises these net of tax in equity in the period in which they are approved.

Use of Alternative Performance Measures (APM)

As detailed in the Strategic Report, the Group uses certain key performance indicators which, although not defined under IFRS, provide useful information and aim to enhance understanding of the Group's performance. The key performance indicators should be considered complementary to, rather than a substitute for, financial measures defined under IFRS. Note 36 provides details of how these key performance indicators reconcile to the results reported under IFRS.

Accounting policies applicable to discontinued operations

Discontinued operations comprise of the Group's broking and advisory and investment management businesses. Further details are included in note 15 to the financial statements. The following accounting policies are applicable only to the results of discontinued operations or balances related to the businesses sold in the year or held for sale or distribution.

2 Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and judgements that affect the reported amounts of assets and liabilities. Estimates and judgements are regularly reviewed and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management have considered the current economic environment in their estimates and judgements.

(a) Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations which are dealt with separately below, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Pension and other post-employment benefits

The Group's pension and other post-employment benefit obligations are discounted at a rate set by reference to market yields at the end of the reporting period on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds includes the nature and quality of the corporate bonds and the identification of outliers which are excluded.

The Group also applies judgement in determining the extent to which a surplus in the defined benefit plan can be recognised in the statement of financial position. In accordance with IAS 19, Employee benefits, the recognisable surplus is limited to the lower of the surplus in the plan and the asset ceiling. The asset ceiling is the present value of future economic benefits available in the form of a refund or as a reduction in future contributions. The Group applies judgement in determining the asset ceiling in accordance with IFRS Interpretations Committee Interpretation 14 (IFRIC 14).

Unlisted equity securities

The value of unlisted equity securities, where there is no active market and therefore no observable market price, are classified as level 3 financial assets. This requires the Group to make judgements in respect of the most appropriate valuation technique to apply. Further details, including the amounts recognised within the financial statements which are impacted by these judgements are shown in note 4(b).

Significant insurance risk

Whole-of-life policies issued by the Group where significant insurance risk has been accepted from a policyholder are accounted for as insurance contracts. Whole-of-life policies where the Group has not accepted significant insurance risk from a policyholder are accounted for as financial instruments. Contracts can have features of, or appear to have features of, an insurance contract and therefore judgement is required on whether there is insurance risk and then whether that insurance risk is significant. Policies are considered to be insurance contracts where future benefits are linked to inflation as there is uncertainty over the timing and amount of a resulting claim. Policies that provide a policyholder with a guarantee to return the original premium have not transferred insurance risk and are considered financial instruments.

Level of aggregation

The Group separates insurance contracts into portfolios of similar risks that are managed together. For the non-life business the majority of the Group's insurance contracts represent a combination of component risks which are sold as an overall product and this unit has not been unbundled because the combination is not solely for administrative or customer convenience. For contracts eligible for the PAA (materially all of the non-life business), the primary indicator of the portfolios for gross business has been judged to be the geographic territory of the risk. The life business represents a separate portfolio, as a single product line. Portfolios of insurance contacts are divided into profitability groups for measurement purposes. Under the PAA model the default assumption is made that no groups are onerous unless facts and circumstances indicate otherwise, which is determined through review for go-forward expected losses for groupings identified in the Group Corporate Strategic Plan.

Risk adjustment

A risk adjustment for non-financial risk is determined to reflect the compensation that the Group would require for bearing non-financial risk and its degree of risk aversion. The risk adjustment for non-financial risk has been determined using a combination of confidence level techniques, and scenarios, with the judgement made that the techniques previously used for quantifying reserve risk appetite and setting reserves explicitly above the best estimate represent the most appropriate mechanism for quantifying compensation required.

2 Critical accounting estimates and judgements in applying accounting policies (continued)

IFRS 17 transition

For the Group's life business, the Group has used the fair value transition approach and not the fully retrospective approach (FRA). The Group concluded the FRA was impracticable primarily due to the lack of certain data and certain assumptions and calculations would not be possible without the use of hindsight.

The IFRS 17 Standard does not specify how the fair value of a group of contracts at the transition date should be calculated. IFRS 13 defines the fair value as, "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." An approach based on Solvency II technical provisions has been used to leverage existing data and processes to calculate the fair value. The fair value was calculated as a best estimate liability plus a cost of the capital that a market participant would be required to hold.

(b) Key sources of estimation uncertainty

In applying the Group's accounting policies various transactions and balances are valued using estimates or assumptions. All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and their predictions of future events and actions.

The following items are considered key estimates and assumptions which, if actual results differ from those predicted, may have significant impact on the following year's financial statements:

The ultimate liability arising from claims made under general business insurance contracts

The estimation of the ultimate liability arising from claims made under general business insurance contracts is a critical accounting estimate. There is uncertainty as to the total number of claims made on each business class, the amounts that such claims will be settled for and the timing of any such payments. There are various sources of estimation uncertainty as to how much the Group will ultimately pay with respect to such contracts. Such uncertainty includes:

- whether a claim event has occurred or not and how much it will ultimately settle for;
- variability in the speed with which claims are notified and in the time taken to settle them, especially complex cases resolved through the courts;
- changes in the business portfolio affecting factors such as the number of claims and their typical settlement costs, which may differ significantly from past patterns;
- new types of claim, including latent claims, which arise from time to time;
- changes in legislation and court attitudes to compensation, including the discount rate applied in assessing lump sums, which may apply retrospectively;

The uncertainties surrounding the estimates of claims payments for the various classes of business are discussed further in note 3. General business insurance liabilities include a risk adjustment in addition to the best estimates for future claims. The sensitivity of profit or loss to changes in the ultimate settlement cost of claims reserves is presented in note 26.

Future benefit payments arising from life insurance contracts

The determination of the liabilities under life insurance contracts is dependent on estimates made by the Group. Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. The Group bases these estimates on standard industry and national mortality tables, adjusted to reflect recent historical mortality experience of the Group's portfolio, with allowance also being made for expected future mortality improvements. The estimated mortality rates are used to determine forecast benefit payments net of forecast premium receipts.

A discount rate curve is calculated on a bottom up basis. The risk free curve is based on the UK government bond yield curve. A liquidity premium based on the return on a notional index of fixed interest assets, including gilts and corporate bonds, is added to the risk free curve. The liquidity premium is adjusted for credit risk and differences in liquidity between the notional assets and the liabilities.

In addition, a risk adjustment for non-financial risks is then added to the best estimate liability calculated on the basis set out above. The sensitivity of profit or loss to changes in the assumptions is presented in note 26(b)(iv).

2 Critical accounting estimates and judgements in applying accounting policies (continued)

Pension and other post-employment benefits

The cost of these benefits and the present value of the pension and other post-employment benefit liabilities depend on factors that are determined on an actuarial basis using a number of assumptions. Any change in these assumptions may affect planned funding of the pension plans.

The discount rate assumption is a component in determining the charge to profit or loss. The effect of movements in the actuarial assumptions during the year, including discount rate, mortality, inflation, salary and medical expense inflation assumptions, on the pension and other post-employment liabilities are recognised in other comprehensive income. An explanation of the actuarial gains recognised in the current year is included in note 17.

The Group determines an appropriate discount rate at the end of each year, to be used to determine the present value of estimated future cash outflows expected to be required to settle the pension and other post-employment benefit obligations.

The expected rate of medical expense inflation is determined by comparing the historical relationship of medical expense increases over a portfolio of UK-based post-retirement medical plans with the rate of inflation, making an allowance for the size of the plan and actual medical expense experience.

Other key assumptions for the pension and post-employment benefit costs and credits are based in part on current market conditions. Additional information including the sensitivity of pension and post-employment medical benefit scheme liabilities to changes in the key assumptions is disclosed in note 17.

Unlisted equity securities

The valuation of unlisted equity securities requires estimates to be made for the illiquidity discount and credit rating discount. Further details, including the sensitivity of the valuation to these inputs, are shown in note 4(b).

Discount rates

IFRS 17 requires entities to determine discount rates that reflect the characteristics of the liabilities using either the 'bottom up' or 'top down' approach. The 'top down' approach involves using discount rate curves derived from a portfolio of reference assets adjusted to remove all characteristics of the assets that are not present in insurance contracts, but not requiring to eliminate the illiquidity premium.

The Group selected to continue to apply its previous practice for non-life business of using the 'bottom up' approach which requires the use of risk-free rate curves and adding the illiquidity premium. The Group derives illiquidity by reference to the illiquidity estimated to apply to a suitable reference portfolio of assets with similar liquidity characteristics. The published yields on Government bonds in each territory are used as a reference for risk-free rates. The characteristics of the Group's general insurance contract claims liabilities are less liquid than those of its life insurance contracts, because the life insurance contracts have surrender options.

3 Insurance risk

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

(a) Risk mitigation

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

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

(b) Concentrations of risk

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

The table below summarises written premiums for the financial year, before and after reinsurance, by territory and by class of business. Further details on the gross and net written premiums, which are alternative performance measures that are not defined under IFRS, are detailed in note 36.

2023		**General insurance**				**Life insurance**	
Group		**Property £000**	**Liability £000**	**Miscellaneous financial loss £000**	**Other £000**	**Whole of life £000**	**Total £000**
Territory							
United Kingdom and Ireland	Gross	**297,481**	**79,966**	**24,668**	**3,287**	**(24)**	**405,378**
	Net	**137,933**	**75,916**	**11,816**	**64**	**(24)**	**225,705**
Australia	Gross	**57,703**	**43,194**	**1,337**	**434**	**-**	**102,668**
	Net	**9,182**	**37,275**	**1,313**	**82**	**-**	**47,852**
Canada	Gross	**73,958**	**32,979**	**-**	**-**	**-**	**106,937**
	Net	**48,247**	**29,512**	**-**	**-**	**-**	**77,759**
Total	Gross	**429,142**	**156,139**	**26,005**	**3,721**	**(24)**	**614,983**
	Net	**195,362**	**142,703**	**13,129**	**146**	**(24)**	**351,316**
Parent							
Territory							
United Kingdom and Ireland	Gross	**297,481**	**79,966**	**24,668**	**5,904**	**-**	**408,019**
	Net	**137,933**	**75,916**	**11,816**	**2,618**	**-**	**228,283**
Canada	Gross	**73,958**	**32,979**	**-**	**-**	**-**	**106,937**
	Net	**48,247**	**29,512**	**-**	**-**	**-**	**77,759**
Total	Gross	**371,439**	**112,945**	**24,668**	**5,904**	**-**	**514,956**
	Net	**186,180**	**105,428**	**11,816**	**2,618**	**-**	**306,042**

3 Insurance risk (continued)

2022		General insurance				Life insurance	
		Property	Liability	Miscellaneous financial loss	Other	Whole of life	Total
Group		£000	£000	£000	£000	£000	£000
Territory							
United Kingdom and Ireland	Gross	255,418	71,575	20,006	3,086	7	350,092
	Net	119,847	68,128	10,259	100	7	198,341
Australia	Gross	55,266	42,978	918	536	-	99,698
	Net	5,886	36,037	868	101	-	42,892
Canada	Gross	73,779	34,982	-	-	-	108,761
	Net	47,335	31,914	-	-	-	79,249
Total	Gross	384,463	149,535	20,924	3,622	7	558,551
	Net	173,068	136,079	11,127	201	7	320,482
Parent							
Territory							
United Kingdom and Ireland	Gross	255,418	71,575	20,006	5,833	-	352,832
	Net	119,847	68,128	10,259	2,847	-	201,081
Canada	Gross	73,779	34,982	-	-	-	108,761
	Net	47,335	31,914	-	-	-	79,249
Total	Gross	329,197	106,557	20,006	5,833	-	461,593
	Net	167,182	100,042	10,259	2,847	-	280,330

(c) General insurance risks

Property classes

Property cover mainly compensates the policyholder for damage suffered to their property or for the value of property lost. Property insurance may also include cover for pecuniary loss through the inability to use damaged insured commercial properties (business interruption).

For property insurance contracts, there can be variability in the nature, number and size of claims made in each period.

The nature of claims may include fire, weather damage, escape of water, explosion (after fire), riot and malicious damage, subsidence, accidental damage, theft and earthquake. Subsidence claims are particularly difficult to predict because the damage is often not apparent for some time. The ultimate settlements can be small or large with a risk of a settled claim being reopened at a later date.

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

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

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

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

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

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

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

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

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

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

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

Note 26 presents the development of the estimate of ultimate claim cost for public and employers' liability claims occurring in a given year. This gives an indication of the accuracy of the estimation technique for incurred claims.

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

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

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

4 Financial risk and capital management

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

There has been no change from the prior period in the nature of the financial risks to which the Group is exposed. The continued conflict in Ukraine, Middle East and the cost of living crisis means there is continued uncertainty in relation to the economic risks to which the Group is exposed. This includes equity price volatility, movements in exchange rates and long-term UK growth prospects. The Group's management and measurement of financial risks is informed by either stochastic modelling or stress testing techniques.

(a) Categories of financial instruments
(i) Categories applying IFRS 9

	Financial assets			Financial liabilities				
Group	**Designated as fair value through profit or loss £000**	**Classified as fair value through profit or loss £000**	**Amortised cost £000**	**Fair value through profit or loss £000**	**Fair value through other comprehensive income £000**	**Amortised cost £000**	**Other assets and liabilities £000**	**Total £000**
At 31 December 2023								
Financial investments	940,897	824	34	-	-	-	-	941,755
Other assets	-	-	156,385	-	-	-	8,719	165,104
Cash and cash equivalents	-	-	112,082	-	-	-	-	112,082
Lease obligations	-	-	-	-	-	(21,687)	-	(21,687)
Subordinated liabilities	-	-	-	-	-	(25,853)	-	(25,853)
Other liabilities	-	-	-	-	(2,380)	(38,806)	(16,093)	(57,279)
Inv't contract liabilities	-	-	-	(95,886)	-	-	-	(95,886)
Net other	-	-	-	-	-	-	(389,320)	(389,320)
Total	940,897	824	268,501	(95,886)	(2,380)	(86,346)	(396,694)	628,916
At 31 December 2022 (restated*)								
Financial investments	869,880	755	114	-	-	-	-	870,749
Other assets	-	-	140,246	-	-	-	8,103	148,349
Cash and cash equivalents	-	-	104,664	-	-	-	-	104,664
Lease obligations	-	-	-	-	-	(19,062)	-	(19,062)
Subordinated liabilities	-	-	-	-	-	(25,818)	-	(25,818)
Other liabilities	-	-	-	(2,475)	(759)	(30,720)	(13,391)	(47,345)
Inv't contract liabilities	-	-	-	(58,479)	-	-	-	(58,479)
Net other	-	-	-	-	-	-	(361,180)	(361,180)
Total	869,880	755	245,024	(60,954)	(759)	(75,600)	(366,468)	611,878
Parent								
At 31 December 2023								
Financial investments	615,036	824	34	-	-	-	42,707	658,601
Other assets	-	-	154,483	-	-	-	6,148	160,631
Cash and cash equivalents	-	-	83,436	-	-	-	-	83,436
Lease obligations	-	-	-	-	-	(19,551)	-	(19,551)
Subordinated liabilities	-	-	-	-	-	(25,853)	-	(25,853)
Other liabilities	-	-	-	(1,156)	(1,225)	(26,821)	(13,718)	(42,920)
Net other	-	-	-	-	-	-	(254,293)	(254,293)
Total	615,036	824	237,953	(1,156)	(1,225)	(72,225)	(219,156)	560,051
At 31 December 2022 (restated*)								
Financial investments	593,061	755	114	-	-	-	42,707	636,637
Other assets	-	-	136,277	-	-	-	5,045	141,322
Cash and cash equivalents	-	-	66,569	-	-	-	-	66,569
Lease obligations	-	-	-	-	-	(18,712)	-	(18,712)
Subordinated liabilities	-	-	-	-	-	(25,818)	-	(25,818)
Other liabilities	-	-	-	(3,234)	-	(26,815)	(10,756)	(40,805)
Net other	-	-	-	-	-	-	(215,889)	(215,889)
Total	593,061	755	202,960	(3,234)	-	(71,345)	(178,893)	543,304

*The comparative financial statements have been restated as detailed in note 37.

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

Notes to the financial statements

4 Financial risk and capital management (continued)

(b) Fair value hierarchy

The fair value measurement basis used to value those financial assets and financial liabilities held at fair value is categorised into a fair value hierarchy as follows:

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

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

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

Instruments move between fair value hierarchies primarily due to increases or decreases in market activity or changes to the significance of unobservable inputs to valuation, and are recognised at the date of the event or change in circumstances which caused the transfer. During the year there was a transfer from level 1 to level 2 due to a change in the observable inputs.

Analysis of fair value measurement bases	**Fair value measurement at the end of the reporting period based on**			
Group	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
At 31 December 2023				
Financial assets at fair value through profit or loss				
Financial investments				
Equity securities	**250,106**	**-**	**76,898**	**327,004**
Debt securities	**516,844**	**2,079**	**-**	**518,923**
Structured notes	**-**	**94,970**	**-**	**94,970**
Derivatives	**-**	**824**	**-**	**824**
	766,950	**97,873**	**76,898**	**941,721**
At 31 December 2022 (re-presented*)				
Financial assets at fair value through profit or loss				
Financial investments				
Equity securities	234,035	-	85,726	319,761
Debt securities	492,682	1,299	-	493,981
Structured notes	-	56,138	-	56,138
Derivatives	-	755	-	755
	726,717	58,192	85,726	870,635

* Prior year comparatives have been re-presented to reflect the current year disclosures for composition of OEICs. OEICs previously included in equity securities but relating to bond OEICs have been re-presented in debt securities to better reflect the nature of the assets and requirements of IFRS 7.

4 Financial risk and capital management (continued)

Parent	Fair value measurement at the end of the reporting period based on Level 1 £000	Level 2 £000	Level 3 £000	Total £000
At 31 December 2023				
Financial assets at fair value through profit or loss				
Financial investments				
Equity securities	**237,033**	**-**	**76,898**	**313,931**
Debt securities	**300,117**	**988**	**-**	**301,105**
Derivatives	**-**	**824**	**-**	**824**
	537,150	**1,812**	**76,898**	**615,860**
At 31 December 2022 (re-presented*)				
Financial assets at fair value through profit or loss				
Financial investments				
Equity securities	222,043	-	85,580	307,623
Debt securities	284,413	1,025	-	285,438
Derivatives	-	755	-	755
	506,456	1,780	85,580	593,816

* Prior year comparatives have been re-presented to reflect the current year disclosures for composition of OEICs. OEICs previously included in equity securities but relating to bond OEICs have been re-presented in debt securities to better reflect the nature of the assets and requirements of IFRS 7.

Gains and losses on derivative liabilities of the Group and Parent were recognised through other comprehensive income if they were hedge accounted, otherwise were recognised at fair value through profit or loss. Derivative liabilities are categorised as level 2 (see note 21).

Fair value measurements based on level 3

Fair value measurements in level 3 for both the Group and Parent consist of financial assets, analysed as follows:

Group	Financial assets at fair value through profit and loss Equity securities £000	Debt securities £000	Total £000
At 31 December 2023			
Opening balance	**85,726**	**-**	**85,726**
Total losses recognised in profit or loss	**(8,780)**	**-**	**(8,780)**
Disposal proceeds	**(48)**	**-**	**(48)**
Closing balance	**76,898**	**-**	**76,898**
Total losses for the period included in profit or loss for assets held at the end of the reporting period	**(8,780)**	**-**	**(8,780)**
At 31 December 2022			
Opening balance	68,947	34	68,981
Total gains/(losses) recognised in profit or loss	16,779	(34)	16,745
Closing balance	85,726	-	85,726
Total gains/(losses) for the period included in profit or loss for assets held at the end of the reporting period	16,780	(34)	16,746

Parent	Financial assets at fair value through profit and loss Equity securities £000	Debt securities £000	Total £000
At 31 December 2023			
Opening balance	**85,580**	**-**	**85,580**
Total losses recognised in profit or loss	**(8,634)**	**-**	**(8,634)**
Disposal proceeds	**(48)**	**-**	**(48)**
Closing balance	**76,898**	**-**	**76,898**
Total losses for the period included in profit or loss for assets held at the end of the reporting period	**(8,634)**	**-**	**(8,634)**
At 31 December 2022			
Opening balance	68,800	33	68,833
Total gains/(losses) recognised in profit or loss	16,780	(33)	16,747
Closing balance	85,580	-	85,580
Total gains/(losses) for the period included in profit or loss for assets held at the end of the reporting period	16,781	(33)	16,748

All the above gains or losses included in profit or loss for the period (for both the Group and Parent) are presented in net investment return within the statement of profit or loss.

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

Listed debt and equity securities not in active market (level 2)
These financial assets are valued using third-party pricing information that is regularly reviewed and internally calibrated based on management's knowledge of the markets.

Non-exchange-traded derivative contracts (level 2)
The Group's derivative contracts are not traded in active markets. Foreign currency forward contracts are valued using observable forward exchange rates corresponding to the maturity of the contract and the contract forward rate. Over-the-counter equity or index options and futures are valued by reference to observable index prices.

Structured notes (level 2)
These financial assets are not traded on active markets. Their fair value is linked to an index that reflects the performance of an underlying basket of observable securities, including derivatives, provided by an independent calculation agent.

Unlisted equity securities (level 3)
These financial assets are valued using observable net asset data, adjusted for unobservable inputs including comparable price-to-book ratios based on similar listed companies, normalised for performance measures where appropriate, and management's consideration of constituents as to what exit price might be obtainable.

The valuation is sensitive to the level of underlying net assets, the Euro exchange rate, the price-to-tangible book ratio, an illiquidity discount and a credit rating discount applied to the valuation to account for the risks associated with holding the asset. If the illiquidity discount or credit rating discount applied changes by +/-10%, the value of unlisted equity securities could move by +/-£8m (2022: +/-£9m).

Unlisted debt (level 3)
Unlisted debt is valued using an adjusted net asset method whereby management uses a look-through approach to the underlying assets supporting the loan, discounted using observable market interest rates of similar loans with similar risk, and allowing for unobservable future transaction costs.

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

(c) Interest rate risk

The Group's exposure to interest rate risk arises primarily from movements on financial investments that are measured at fair value and have fixed interest rates, which represent a significant proportion of the Group's assets, subordinated debt which has a fixed interest rate until 2030, and from insurance liabilities discounted at a market interest rate. The Group's investment strategy is set in order to control the impact of interest rate risk on anticipated cash flows and asset and liability values. The fair value of the Group's investment portfolio of fixed income securities reduces as market interest rates rise as does the present value of discounted insurance liabilities, and vice versa.

Interest rate risk concentration is reduced by adopting asset-liability duration matching principles where appropriate. Excluding assets held to back the life business, the average duration of the Group's fixed income portfolio is three years (2022: three years), reflecting the relatively short-term average duration of its general insurance liabilities. The mean term of discounted general insurance liabilities is disclosed in note 26(a)(viii).

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

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

	Maturity			
Group life business	**Within 1 year £000**	**Between 1 and 5 years £000**	**After 5 years £000**	**Total £000**
At 31 December 2023				
Assets				
Debt securities	**14,004**	**21,312**	**49,879**	**85,195**
Cash and cash equivalents	**8,727**	**-**	**-**	**8,727**
	22,731	**21,312**	**49,879**	**93,922**
Liabilities (discounted)				
Life insurance contract liabilities for remaining coverage	**5,870**	**18,408**	**31,751**	**56,029**
At 31 December 2022 (re-presented*)				
Assets				
Debt securities	14,827	22,815	45,678	83,320
Cash and cash equivalents	11,854	-	-	11,854
	26,681	22,815	45,678	95,174
Liabilities (discounted)				
Life insurance contract liabilities for remaining coverage	5,339	17,322	36,602	59,263

* Prior year comparatives have been re-presented to reflect the current year disclosures for composition of OEICs. OEICs previously included in equity securities but relating to bond OEICs have been re-presented in debt securities to better reflect the nature of the assets and requirements of IFRS 7.

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

(d) Credit risk

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

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

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

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

The following table provides information regarding the credit risk exposure of financial assets with external credit ratings from Standard & Poors or an equivalent rating from a similar agency. This includes financial assets that meet the definition of 'solely payments of principal and interest' (SPPI), as detailed in note 4(a)(ii).

Group	**SPPI**			**Non-SPPI**
	Cash and cash equivalents[1] £000	**Reinsurance debtors £000**	**Total SPPI £000**	**Debt securities £000**
At 31 December 2023				
AAA	**-**	**-**	**-**	**207,068**
AA	**72,191**	**5,902**	**78,093**	**152,744**
A	**25,423**	**17,435**	**42,858**	**88,810**
BBB	**14,464**	**-**	**14,464**	**52,646**
Below BBB	**-**	**-**	**-**	**8,567**
Not rated	**4**	**3,500**	**3,504**	**9,088**
	112,082	**26,837**	**138,919**	**518,923**
At 31 December 2022 (re-presented*)				
AAA	-	-	-	189,721
AA	42,616	3,608	46,224	124,057
A	18,114	10,653	28,767	102,779
BBB	43,930	-	43,930	62,049
Below BBB	-	-	-	6,878
Not rated	4	3,866	3,870	8,497
	104,664	18,127	122,791	493,981

[1] Cash includes amounts held on deposit classified within financial investments and disclosed in note 20. Cash balances which are not rated relate to cash amounts in hand.

* Prior year comparatives have been re-presented to reflect the current year disclosures for composition of OEICs. OEICs previously included in equity securities but relating to bond OEICs have been re-presented in debt securities to better reflect the nature of the assets and requirements of IFRS 7.

Parent	SPPI			Non-SPPI
	Cash and cash equivalents[1] £000	Reinsurance debtors £000	Total SPPI £000	Debt securities £000
At 31 December 2023				
AAA	**-**	**-**	**-**	**120,520**
AA	**52,605**	**3,244**	**55,849**	**65,633**
A	**18,247**	**6,728**	**24,975**	**70,736**
BBB	**12,580**	**-**	**12,580**	**31,467**
Below BBB	**-**	**-**	**-**	**5,117**
Not rated	**4**	**3,801**	**3,805**	**7,632**
	83,436	**13,773**	**97,209**	**301,105**
At 31 December 2022 (re-presented*)				
AAA	-	-	-	102,552
AA	16,605	2,961	19,566	49,080
A	7,328	5,710	13,038	83,694
BBB	42,632	-	42,632	38,866
Below BBB	-	-	-	4,171
Not rated	4	3,615	3,619	7,075
	66,569	12,286	78,855	285,438

[1] Cash includes amounts held on deposit classified within financial investments and disclosed in note 20. Cash balances which are not rated relate to cash amounts in hand.

* Prior year comparatives have been re-presented to reflect the current year disclosures for composition of OEICs. OEICs previously included in equity securities but relating to bond OEICs have been re-presented in debt securities to better reflect the nature of the assets and requirements of IFRS 7.

For financial assets meeting the SPPI test that do not have low credit risk, the carrying amount disclosed above is an approximation of their fair value.

Group cash balances are regularly reviewed to identify the quality of the counterparty bank and to monitor and limit concentrations of risk.

The debt securities portfolio consists of a range of mainly fixed interest instruments including government securities, local authority issues, corporate loans and bonds, overseas bonds, preference shares and other interest-bearing securities. Limits are imposed on the credit ratings of the corporate bond portfolio and exposures regularly monitored. Group investments in unlisted securities represent 0% of this category in the current year and less than 1% prior year.

The Group's exposure to counterparty default on debt securities is spread across a variety of geographical and economic territories, as follows:

	2023			2022 (re-presented*)	
	Group £000	**Parent £000**		Group £000	Parent £000
UK	**209,369**	**124,173**	UK	211,011	127,693
Canada	**147,364**	**147,364**	Canada	131,232	131,232
Australia	**132,622**	**-**	Australia	125,225	-
Europe	**29,568**	**29,568**	Europe	26,513	26,513
Total	**518,923**	**301,105**	Total	493,981	285,438

* Prior year comparatives have been re-presented to reflect the current year disclosures for composition of OEICs. OEICs previously included in equity securities but relating to bond OEICs have been re-presented in debt securities to better reflect the nature of the assets and requirements of IFRS 7.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on a regular basis through the year by reviewing their financial strength. The Group Reinsurance Security Committee assesses, monitors and approves the creditworthiness of all reinsurers, reviewing relevant credit ratings provided by the recognised credit rating agencies, as well as other publicly available data and market information. The Group Reinsurance Security Committee also monitors the balances outstanding from reinsurers and maintains an approved list of reinsurers.

The Group's credit risk policy details prescriptive methods for the collection of premiums and control of intermediary and policyholder debtor balances. The level and age of debtor balances are regularly assessed via monthly credit management reports. These reports are scrutinised to assess exposure by geographical region and counterparty of aged or outstanding balances. Any such balances are likely to be major international brokers that are in turn monitored via credit reference agencies and considered to pose minimal risk of default. The Group has no material concentration of credit risk in respect of amounts due from insurance intermediaries and policyholders.

The table below provides an analysis of the gross carrying amounts of groups of insurance debtors and groups of reinsurance debtors by past due status:

	2023 £000	**2022 £000**
Insurance debtors		
Current	**134,790**	125,532
0 to 30 days	**17,262**	12,860
30 days to 90 days	**6,629**	9,068
More than 90 days	**10,068**	1,980
	168,749	149,440
Reinsurance debtors		
Current	**20,845**	7,721
0 to 30 days	**1,271**	1,388
30 days to 90 days	**1,637**	6,824
More than 90 days	**3,084**	2,194
	26,837	18,127

Amounts arising from expected credit losses on financial assets are as follows:

	2023		2022	
	Group £000	**Parent £000**	Group £000	Parent £000
Balance at 1 January	**1,899**	**1,057**	-	-
Movement in the year	**(1,607)**	**(904)**	-	-
Balance at 31 December	**292**	**153**	-	-

(e) Equity price risk

The Group is exposed to equity price risk because of financial investments held by the Group which are stated at fair value through profit or loss. The Group mitigates this risk by holding a diversified portfolio across geographical regions and market sectors, and through the use of derivative contracts from time to time which would limit losses in the event of a fall in equity markets.

The concentration of equity price risk by geographical listing, before the mitigating effect of derivatives, to which the Group and Parent are exposed is as follows:

	2023			2022 (re-presented*)	
	Group £000	**Parent £000**		Group £000	Parent £000
UK	**236,335**	**223,262**	UK	234,361	222,223
Europe	**76,898**	**76,898**	Europe	85,400	85,400
US	**13,771**	**13,771**	US	-	-
Total	**327,004**	**313,931**	Total	319,761	307,623

* Prior year comparatives have been re-presented to reflect the current year disclosures for composition of OEICs. OEICs previously included in equity securities but relating to bond OEICs have been re-presented in debt securities to better reflect the nature of the assets and requirements of IFRS 7.

(f) Currency risk

The Group operates internationally and its main exposures to foreign exchange risk are noted below. The Group's foreign operations generally invest in assets and purchase reinsurance denominated in the same currencies as their insurance liabilities, which mitigates the foreign currency exchange rate risk for these operations. As a result, foreign exchange risk arises from recognised assets and liabilities denominated in other currencies and net investments in foreign operations. The Group mitigates this risk through the use of derivatives when considered necessary.

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

The Group's foreign operations create two sources of foreign currency risk:

- The operating results of the Group's foreign branches and subsidiaries in the Group financial statements are translated at the average exchange rates prevailing during the period; and

- The equity investment in foreign branches and subsidiaries is translated into sterling using the exchange rate at the year-end date.

The forward foreign currency risk arising on translation of these foreign operations is hedged by the derivatives which are detailed in note 21. The Group has designated certain derivatives as a hedge of its net investments in Canada and Australia, which have Canadian and Australian dollars respectively as their functional currency.

The largest currency exposures, before the mitigating effect of derivatives, with reference to net assets/liabilities are shown below, representing effective diversification of resources.

	2023			2022	
	Group £000	**Parent £000**		Group £000	Parent £000
Can $	**67,554**	**67,554**	Can $	57,710	57,710
Aus $	**61,784**	**4,988**	Aus $	61,768	4,091
Euro	**39,752**	**39,752**	Euro	25,287	25,287
USD $	**11,189**	**11,189**	USD $	2,653	2,653
HKD $	**185**	**185**	HKD $	15	15

The figures in the table above, for the current and prior years, do not include currency risk that the Group and Parent are exposed to on a 'look through' basis in respect of collective investment schemes denominated in sterling. The Group and Parent enter into derivatives to hedge currency exposure, including exposures on a 'look through' basis. The open derivatives held by the Group and Parent at the year end to hedge currency exposure are detailed in note 21.

(g) Liquidity risk

Liquidity risk is the risk that funds may not be available to pay obligations when due. The Group is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts. An estimate of the timing of the net cash outflows resulting from insurance contracts is provided in note 26. The Group has robust processes in place to manage liquidity risk and has available cash balances, other readily marketable assets and access to funding in case of exceptional need. This is not considered to be a significant risk to the Group.

Non-derivative financial liabilities consist of lease liabilities, for which a maturity analysis is included in note 32, and other liabilities for which a maturity analysis is included in note 29, and subordinated debt for which a maturity analysis is included in note 30.

(h) Market risk sensitivity analysis

The sensitivity of profit and other equity reserves to movements on market risk variables (comprising interest rate, currency and equity price risk), each considered in isolation and before the mitigating effect of derivatives, is shown in the table below. This table does not include the impact of variables on retirement benefit schemes. Financial risk sensitivities for retirement benefit schemes are disclosed separately in note 17.

Group		**Potential increase/ (decrease) in profit**		**Potential increase/ (decrease) in other equity reserves**	
			*Re-presented**		
Variable	**Change in variable**	**2023 £000**	2022 £000	**2023 £000**	2022 £000
Interest rate risk	-100 basis points	**814**	(3,618)	**(4)**	(8)
	+100 basis points	**906**	4,786	**3**	7
Currency risk	-10%	**2,956**	2,154	**16,070**	13,123
	+10%	**(2,418)**	(1,763)	**(13,148)**	(10,737)
Equity price risk	+/-10%	**24,525**	25,901	**-**	-

Parent		**Potential increase/ (decrease) in profit**		**Potential increase/ (decrease) in other equity reserves**	
			*Re-presented**		
Variable	**Change in variable**	**2023 £000**	2022 £000	**2023 £000**	2022 £000
Interest rate risk	-100 basis points	**(3,079)**	(2,936)	**(5)**	4
	+100 basis points	**4,303**	4,218	**5**	(4)
Currency risk	-10%	**2,956**	2,154	**9,759**	6,715
	+10%	**(2,418)**	(1,763)	**(7,985)**	(5,494)
Equity price risk	+/-10%	**23,545**	24,917	**-**	-

* Prior year comparatives have been re-presented to reflect the current year disclosures for composition of OEICs. OEICs previously included in equity securities but relating to bond OEICs have been re-presented in debt securities to better reflect the nature of the assets and requirements of IFRS 7.

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

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

(i) Capital management
The Group's primary objectives when managing capital are to:

- Comply with the regulators' capital requirements of the markets in which the Group operates; and
- Safeguard the Group's ability to continue to meet stakeholders' expectations in accordance with its corporate mission, vision and values.

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

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

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

EIO's Solvency II Own Funds will be subject to a separate independent audit, as part of the Group's process for Solvency II reporting to the PRA. The Group's regulated entities, EIO and ELL, expect to meet the deadline for submission to the PRA of 6 April 2023 and their respective SFCRs will be made available on the Group's website shortly thereafter. Benefact Group is also expected to meet its deadline for submission to the PRA of 20 May 2023, with its SFCR also being made available on the Group's website shortly after.

	2023		2022	
	Ecclesiastical Insurance Office plc Parent £000	**Ecclesiastical Life Limited £000**	Ecclesiastical Insurance Office plc Parent £000	Ecclesiastical Life Limited £000
Solvency II Own Funds (unaudited)	**639,158**	**59,813**	630,058	54,172

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

5 Segment information

(a) Operating segments

The Group's primary operating segments are based on geography and are engaged in providing general insurance and life insurance services. The Group also considers investments a separate reporting segment, also based on geography. Expenses relating to Group management activities are included within 'Corporate costs'. The Group's life insurance business is carried out within the United Kingdom.

The Group's chief operating decision maker is considered to be the Group Management Board whose members include the company's executive directors.

The activities of each operating segment are described below.

- General business

United Kingdom and Ireland

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

Australia

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

Canada

The Group operates a general insurance Ecclesiastical branch in Canada.

Other insurance operations

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

- Life business

Ecclesiastical Life Limited provides long-term policies to support funeral planning products. The business reopened to new investment business in 2021 but it is closed to new insurance business.

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

(b) Segment performance

The Group uses the following key measures to assess the performance of its operating segments:
- Gross written premium
- Underwriting result
- Investment return

Gross written premium is the measure used in internal reporting for turnover of the general and life insurance business segments. The underwriting result is used as a measure of profitability of the insurance business segments. The investment return is used as a profitability measure of the Group's investments. Gross written premium and underwriting result are attributed to the geographical region in which the customer is based.

The Group also uses the industry standard net combined operating ratio (COR) as a measure of underwriting efficiency. The COR expresses the total of net claims costs, commission and underwriting expenses as a percentage of net earned premiums. Further details on the gross written premiums, underwriting profit or loss and COR, which are alternative performance measures, are detailed in note 36.

The life business segment result comprises the profit or loss on insurance contracts (including return on assets backing liabilities in the long-term fund), investment return comprising profit or loss on funeral plan investment business and shareholder investment return, and other expenses.

All other segment results consist of the profit or loss before tax measured in accordance with IFRS.

5 Segment information (continued)

Segment gross written premiums

	2023	2022
	£000	£000
General business		
United Kingdom and Ireland	**399,716**	344,788
Australia	**102,668**	99,698
Canada	**106,937**	108,761
Other insurance operations	**5,686**	5,297
Total	**615,007**	558,544
Life business	**(24)**	7
Group revenue	**614,983**	558,551

Group revenues are not materially concentrated on any single external customer.

Segment results

2023	***Combined operating ratio***	**Insurance £000**	**Investments £000**	**Other £000**	**Total £000**
General business					
United Kingdom and Ireland	***92.1%***	**16,371**	**30,751**	**(2,640)**	**44,482**
Australia	***113.4%***	**(5,120)**	**6,031**	**(377)**	**534**
Canada	***80.4%***	**14,924**	**6,500**	**(134)**	**21,290**
Other insurance operations		**(1,655)**	**(1,027)**	**87**	**(2,595)**
	92.6%	**24,520**	**42,255**	**(3,064)**	**63,711**
Life business		**1,240**	**3,881**	**-**	**5,121**
Corporate costs		**-**	**-**	**(24,079)**	**(24,079)**
Profit/(loss) before tax		**25,760**	**46,136**	**(27,143)**	**44,753**

2022 (as restated)*	***Combined operating ratio***	**Insurance £000**	**Investments £000**	**Other £000**	**Total £000**
General business					
United Kingdom and Ireland	*87.1%*	23,618	(13,301)	(1,962)	8,355
Australia	*99.0%*	409	1,441	(131)	1,719
Canada	*88.1%*	8,886	(764)	(146)	7,976
Other insurance operations		(1,395)	648	-	(747)
	89.6%	31,518	(11,976)	(2,239)	17,303
Life business		49	(7,191)	-	(7,142)
Corporate costs		-	-	(25,743)	(25,743)
Profit/(loss) before tax		31,567	(19,167)	(27,982)	(15,582)

*The comparative financial statements have been restated as detailed in note 37.

5 Segment information (continued)

(c) Geographical information

Gross written premiums from external customers and non-current assets, as attributed to individual countries in which the Group operates, are as follows:

	2023		2022	
	Gross written premiums £000	Non-current assets £000	Gross written premiums £000	Non-current assets £000
United Kingdom and Ireland	**405,378**	**320,026**	350,092	317,338
Australia	**102,668**	**5,869**	99,698	3,052
Canada	**106,937**	**5,401**	108,761	5,601
	614,983	**331,296**	558,551	325,991

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

6 Insurance revenue

	General business £000	Life business £000	Total £000
For the year ended 31 December 2023			
Contracts not measured under PAA			
Amounts relating to the changes in the LRC			
Expected incurred claims and other expenses after loss component allocation	**-**	**5,772**	**5,772**
Change in the risk adjustment for non-financial risk for the risk expired after loss component	**-**	**20**	**20**
CSM recognised in profit or loss for the services provided	**-**	**717**	**717**
	-	**6,509**	**6,509**
Contracts measured under PAA	**579,975**	**-**	**579,975**
Total insurance revenue	**579,975**	**6,509**	**586,484**
For the year ended 31 December 2022			
Contracts not measured under PAA			
Amounts relating to the changes in the LRC			
Expected incurred claims and other expenses after loss component allocation	-	5,646	5,646
Change in the risk adjustment for non-financial risk for the risk expired after loss component	25	123	148
CSM recognised in profit or loss for the services provided	-	542	542
	25	6,311	6,336
Contracts measured under PAA	528,558	-	528,558
Total insurance revenue	528,583	6,311	534,894

7 Insurance service expenses

A breakdown of Insurance service expenses is included below:

	General business £000	Life business £000	Total £000
For the year ended 31 December 2023			
Incurred claims and benefits excluding investment components	**308,069**	**-**	**308,069**
Insurance acquisition cash flows amortisation	**119,205**	**-**	**119,205**
Changes that relate to past service	**(24,547)**	**-**	**(24,547)**
Losses on onerous contracts and reversal of those losses	**155**	**-**	**155**
Changes that relate to current service	**-**	**5,702**	**5,702**
Total insurance service expenses	**402,882**	**5,702**	**408,584**
For the year ended 31 December 2022			
Incurred claims and benefits excluding investment components	347,499	-	347,499
Insurance acquisition cash flows amortisation	109,256	-	109,256
Changes that relate to past service	(18,331)	-	(18,331)
Losses on onerous contracts and reversal of those losses	781	-	781
Changes that relate to current service	-	5,267	5,267
Total insurance service expenses	439,205	5,267	444,472

8 Net insurance financial result

	2023 £000	2022 £000
Insurance finance income/(expense) from insurance contracts issued		
Interest accreted	**(20,203)**	(4,865)
Effect of changes in interest rates and other financial assumptions	**(5,630)**	59,429
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition	**(897)**	2
Total	**(26,730)**	54,566
Insurance finance income/(expenses) from reinsurance contracts held		
Interest accreted	**6,249**	1,147
Effect of changes in interest rates and other financial assumptions	**590**	(7,620)
Effect of changes in non-performance risk of reinsurers	**351**	(231)
Total	**7,190**	(6,704)
Net insurance financial result	**(19,540)**	47,862

9 Net investment result

	2023 £000	*Restated** 2022 £000
Income from financial assets at fair value through profit or loss		
- equity income	**10,032**	6,780
- debt income	**14,942**	11,074
- structured note income	**731**	346
Income from financial assets calculated using the effective interest rate method		
- cash and cash equivalents income	**2,488**	3,502
- other income received	**6,879**	1,583
Other income/(expense)		
- rental income	**8,647**	8,837
- exchange movements	**(820)**	(1,416)
Investment income	**42,899**	30,706
Fair value movements on financial instruments at fair value through profit or loss	**19,579**	(72,912)
Fair value movements on investment property	**(6,651)**	(21,209)
Fair value movements on property, plant and equipment	**35**	-
Movement in expected credit loss allowance	**1,607**	-
Net investment return/(loss)	**57,469**	(63,415)
Less: discontinued operations	**-**	(24)
Net investment return/(loss) of continuing operations	**57,469**	(63,439)

*The comparative financial statements have been restated as detailed in note 37.

Included within fair value movements on financial instruments at fair value through profit or loss are gains of £4,262,000 (2022: £3,733,000 gains) in respect of derivative instruments.

10 Profit for the year

	2023 £000	*Restated* 2022 £000
Profit for the year has been arrived at after charging/(crediting)		
Net foreign exchange losses	**820**	1,374
Depreciation of property, plant and equipment	**5,879**	6,261
Loss/(profit) on disposal of property, plant and equipment	**2**	(9)
Amortisation of intangible assets	**4,155**	3,558
Decrease in fair value of investment property	**6,651**	21,209
Employee benefits expense including termination benefits, net of recharges	**101,834**	92,503

11 Auditor's remuneration

	2023 £000	2022 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	**2,080**	709
Fees payable to the Company's auditor and its associates for other services:		
- The audit of the Company's subsidiaries	**414**	323
Total audit fees	**2,494**	1,032
- Audit-related assurance services	**156**	183
- Other assurance services	**-**	87
Total non-audit fees	**156**	270
Total auditor's remuneration	**2,650**	1,302

Amounts disclosed are net of services taxes, where applicable. Audit-related assurance services include Prudential Regulatory Authority (PRA) and other regulatory audit work.

Audit fees for 2023 include amounts related to the implementation of IFRS 17 *Insurance Contracts* in the year, the impacts of which are disclosed in note 37.

In 2023, auditor's remuneration of £nil (2022: £143,000) related to discontinued operations.

12 Employee information

The average monthly number of full-time equivalent employees of the Group and Parent, including executive directors, during the year by geographical location was:

Group	2023			2022		
	General business No.	**Life business No.**	**Other No.**	General business No.	Life business No.	Other No.
United Kingdom and Ireland	**956**	**2**	**151**	901	1	131
Australia	**166**	**-**	**-**	137	-	-
Canada	**78**	**-**	**-**	79	-	-
	1,200	**2**	**151**	1,117	1	131

Parent	2023			2022		
	General business No.	**Life business No.**	**Other No.**	General business No.	Life business No.	Other No.
United Kingdom and Ireland	**956**	**2**	**118**	901	1	112
Canada	**78**	**-**	**-**	79	-	-
	1,034	**2**	**118**	980	1	112

Average numbers of full-time equivalent employees have been quoted rather than average numbers of employees to give a better reflection of the split between business areas, as some employees' work is divided between more than one business area.

	2023		2022	
	Group £000	**Parent £000**	Group £000	Parent £000
Wages and salaries	**100,586**	**86,565**	90,908	79,033
Social security costs	**9,038**	**9,038**	8,562	8,562
Pension costs - defined contribution plans	**8,118**	**7,021**	7,046	6,134
Pension costs - defined benefit plans	**533**	**533**	695	695
Other post-employment benefits	**230**	**230**	132	132
Total staff costs	**118,505**	**103,387**	107,343	94,556
Staff costs recharged to related undertakings of the Group	**(17,027)**	**(17,027)**	(14,509)	(14,671)
Capitalised staff costs	**(37)**	**(37)**	(502)	(502)
	101,441	**86,323**	92,332	79,383

The above Group and Parent figures do not include termination benefits of £850,000 (2022: £248,000) of which £457,000 (2022: £77,000) was recharged to related undertakings of the Group and Parent.

13 Tax expense/(credit)

(a) Tax charged/(credited) to the statement of profit or loss

		2023 £000	*Restated** 2022 £000
Current tax	- current year	**8,756**	6,770
	- prior year adjustments	**(897)**	(293)
Deferred tax	- temporary differences	**(805)**	(10,710)
	- prior year adjustments	**1,067**	(21)
	- Impact of change in deferred tax rate	**(103)**	-
Total tax expense/(credit)		**8,018**	(4,254)
Less: tax expense of discontinued operations		**-**	(419)
Total tax expense/(credit) of continuing operations		**8,018**	(4,673)

Tax on the Group's result before tax differs from the United Kingdom standard rate of corporation tax for the reasons set out in the following reconciliation:

	2023 £000	*Restated** 2022 £000
Profit/(loss) before tax	**44,753**	(15,582)
Profit before tax (discontinued operations)	**719**	14,115
Total pre-tax profit/(loss)	**45,472**	(1,467)
Tax calculated at the UK standard rate of tax of 23.5% (2022: 19%)	**10,695**	(279)
Factors affecting charge/(credit) for the year:		
Expenses not deductible for tax purposes	**306**	805
Non-taxable income	**(3,205)**	(4,415)
Overseas taxes in excess of UK headline rate	**163**	(46)
Impact of change in deferred tax rate	**(103)**	(460)
Reduction in deferred tax asset not provided	**(8)**	-
Adjustments to tax charge in respect of prior periods	**170**	141
Total tax expense/(credit)	**8,018**	(4,254)

Deferred tax has been provided at an average rate of 25% (2022: 24%).

*The comparative financial statements have been restated as detailed in note 37.

(b) Tax charged/(credited) to other comprehensive income

	2023 £000	2022 £000
Current tax charged/(credited) on:		
Fair value movements on hedge derivatives	**350**	(340)
Deferred tax charged/(credited) on:		
Fair value movements on property	**203**	-
Actuarial movements on retirement benefit plans	**1,200**	(2,543)
Fair value movements on hedge derivatives	**318**	(485)
Impact of change in deferred tax rate	**109**	-
Total tax charged/(credited) to other comprehensive income	**2,180**	(3,368)

Tax relief on charitable grants of £3,837,000 (2022: £3,800,000) has been taken directly to equity.

14 Appropriations

	2023 £000	2022 £000
Amounts paid directly from equity in the period:		
Dividends		
Ordinary share dividend	**5,223**	-
Non-Cumulative Irredeemable Preference share dividend (8.625 pence per share)	**9,181**	9,181
Charitable grants		
Gross charitable grants to the ultimate parent company, Benefact Trust Limited	**13,000**	20,000
Tax relief	**(3,837)**	(3,800)
Net appropriation for the year	**9,163**	16,200

15 Disposal of subsidiaries and discontinued operations

On 3 January 2023 the Company approved a dividend in specie and distributed its entire holdings in EdenTree Investment Management Limited and Ecclesiastical Financial Advisory Services Limited to the Group's immediate parent company, Benefact Group plc. The results of these subsidiaries are reported in the prior year as discontinued operations and the associated assets and liabilities are presented as held for distribution in the prior year statement of financial position.

On 30 December 2022 the Group disposed of South Essex Insurance Holdings Limited and its wholly owned subsidiary, SEIB Insurance Brokers Limited, to a related party. The related party was an associate of the Company's immediate parent company, Benefact Group plc. The results of the disposed subsidiaries are reported in the prior year as discontinued operations.

Discontinued operations includes both the subsidiaries sold in the current and prior year and the assets held for distribution at the prior year balance sheet date.

(a) Disposal of subsidiaries

	2023 £000	2022 £000
Consideration received or receivable	**5,223**	45,197
Carrying amount of net assets sold	**(4,504)**	(30,904)
Gain on disposal before and after tax	**719**	14,293

The gain on disposal has been presented within net profit attributable to discontinued operations in the consolidated statement of profit or loss.

The carrying amounts of assets and liabilities as at the date of disposal were:

	2023 £000	2022 £000
Goodwill and other intangible assets	**-**	22,707
Property, plant and equipment	**-**	1,666
Other assets	**9,822**	7,466
Cash and cash equivalents	**5,177**	8,842
Total assets	**14,999**	40,681
Lease obligations	**-**	(1,215)
Provisions for other liabilities	**-**	(263)
Current tax liabilities	**-**	(1,010)
Deferred income	**(261)**	(512)
Other liabilities	**(10,234)**	(6,777)
Total liabilities	**(10,495)**	(9,777)
Net assets	**4,504**	30,904

15 Disposal of subsidiaries and discontinued operations (continued)

(b) Assets and liabilities of disposal group classified as held for distribution

The following assets and liabilities were classified as held for distribution in relation to the discontinued operation at 31 December:

	2023 £000	2022 £000
Other assets	-	9,822
Cash and cash equivalents	-	5,177
Total assets of disposal groups held for distribution	-	14,999
Deferred income	-	261
Other liabilities	-	10,234
Total liabilities of disposal groups held for distribution	-	10,495

(c) Financial performance of discontinued operations

	2023 £000	2022 £000
Revenue	-	23,695
Expenses	-	(23,801)
Finance costs	-	(72)
Loss before tax of discontinued operations	-	(178)
Tax expense	-	(419)
Loss after tax of discontinued operations	-	(597)
Gain on disposal of subsidiaries after tax	**719**	14,293
Profit from discontinued operations	**719**	13,696

(d) Cash flow information for discontinued operations

	2023 £000	2022 £000
Net cash outflow from operating activities	-	(397)
Net cash outflow from investing activities	**(5,177)**	(8,987)
Net cash outflow from financing activities	-	(239)
Net decrease in cash generated by discontinued operations	**(5,177)**	(9,623)

Net cash outflow from investing activities includes an outflow of £5,177,000 from the disposal of EdenTree Investment Management Limited and Ecclesiastical Financial Advisory Services Limited (2022: outflow of £8,842,000 from the disposal of South Essex Insurance Holdings Limited.)

16 Goodwill and other intangible assets

Group

	Goodwill £000	Computer software £000	Other intangible assets £000	Total £000
Cost				
At 1 January 2023	**2,097**	**49,490**	**196**	**51,783**
Additions	**-**	**1,245**	**-**	**1,245**
Disposals	**-**	**(434)**	**-**	**(434)**
Transfers	**-**	**(1,234)**	**-**	**(1,234)**
Exchange differences	**-**	**(169)**	**(5)**	**(174)**
At 31 December 2023	**2,097**	**48,898**	**191**	**51,186**
Accumulated impairment losses and amortisation				
At 1 January 2023	**-**	**21,385**	**143**	**21,528**
Amortisation charge for the year	**-**	**4,107**	**48**	**4,155**
Impairment loss for the year	**-**	**1,428**	**-**	**1,428**
Disposals	**-**	**(434)**	**-**	**(434)**
Transfers	**-**	**(1,234)**	**-**	**(1,234)**
Exchange differences	**-**	**(120)**	**(3)**	**(123)**
At 31 December 2023	**-**	**25,132**	**188**	**25,320**
Net book value at 31 December 2023	**2,097**	**23,766**	**3**	**25,866**
Cost				
At 1 January 2022 (as reported)	24,697	45,335	5,975	76,007
Additions	-	3,900	-	3,900
Disposals	(22,600)	-	(5,789)	(28,389)
Exchange differences	-	255	10	265
At 31 December 2022	2,097	49,490	196	51,783
Accumulated impairment losses and amortisation				
At 1 January 2022 (as reported)	406	17,931	5,158	23,495
Amortisation charge for the year	-	3,304	254	3,558
Impairment losses for the year	-	-	-	-
Disposals	(406)	-	(5,276)	(5,682)
Exchange differences	-	150	7	157
At 31 December 2022	-	21,385	143	21,528
Net book value at 31 December 2022	2,097	28,105	53	30,255

During the prior year the Group disposed of its interest in South Essex Insurance Holdings Limited resulting in the disposal of goodwill of £22,195,000 and intangible assets of £512,000. See note 15 for further information.

Notes to the financial statements

16 Goodwill and other intangible assets (continued)

Other intangible assets consist of acquired brand, customer and distribution relationships, which have an overall remaining useful life of less than one year on a weighted average basis (2022: three years).

Parent	**2023**			2022		
	Computer software £000	**Other intangible assets £000**	**Total £000**	Computer software £000	Other intangible assets £000	Total £000
Cost						
At 1 January (as reported)	**47,527**	**195**	**47,722**	43,372	185	43,557
Additions	**1,245**	**-**	**1,245**	3,900	-	3,900
Disposals	**(434)**	**-**	**(434)**	-	-	-
Exchange differences	**(169)**	**(5)**	**(174)**	255	10	265
At 31 December	**48,169**	**190**	**48,359**	47,527	195	47,722
Accumulated impairment losses and amortisation						
At 1 January (as reported)	**19,426**	**138**	**19,564**	15,972	84	16,056
Amortisation charge for the year	**4,107**	**48**	**4,155**	3,304	47	3,351
Impairment loss for the year	**1,428**	**-**	**1,428**	-	-	-
Disposals	**(434)**	**-**	**(434)**	-	-	-
Exchange differences	**(120)**	**(3)**	**(123)**	150	7	157
At 31 December	**24,407**	**183**	**24,590**	19,426	138	19,564
Net book value at 31 December	**23,762**	**7**	**23,769**	28,101	57	28,158

17 Retirement benefit schemes

Defined contribution pension plans

The Group operates a number of defined contribution pension plans, for which contributions by the Group are disclosed in note 12.

Defined benefit pension plans

The Group's defined benefit plan is operated by the Parent in the UK. The plan closed to new entrants on 5 April 2006. The terms of the plan for future service changed in August 2011 from a non-contributory final salary scheme to a contributory scheme in which benefits are based on career average revalued earnings. The scheme closed to future accrual on 30 June 2019. Active members in employment at this date retained certain enhanced benefits after the plan closed to future accrual, including benefits in relation to death in service and ill health retirement. They also retain the link to final salary whilst they remain employed by the Parent. From 1 July 2019, active members in employment joined one of the Group's defined contribution plans. The scheme previously had two discrete sections: the EIO Section and the Ansvar Section. With effect from 1 January 2021, the two discrete sections of the scheme have been combined.

The assets of the defined benefit plan are held separately from those of the Group by the Trustee of the Ecclesiastical Insurance Office plc Staff Retirement Benefit Fund (the 'Fund'). The Fund is subject to the Statutory Funding Objective under the Pensions Act 2004. An independent qualified actuary appointed by the Trustee is responsible for undertaking triennial valuations to determine whether the Statutory Funding Objective is met. Pension costs for the plan are determined by the Trustee, having considered the advice of the actuary and having consulted with the employer. The most recent triennial valuation was at 31 December 2019. The triennial valuation at 31 December 2022 is in progress and is expected to be completed by the regulatory deadline of 31 March 2024. No contribution is expected to be paid by the Group in 2024.

Actuarial valuations were reviewed and updated by an actuary at 31 December 2023 for IAS 19 purposes. The surplus in the scheme attributable to the former EIO Section has been assessed against the economic benefit available to the Parent as a reduction in future contributions in accordance with IFRIC 14. This has resulted in the recognisable surplus being restricted by £50.3m. The Parent has an unconditional right to a refund of the surplus attributable to the former Ansvar Section of the Fund, which has been recognised in full in accordance with IFRIC 14.

In the current year, actuarial losses arising from changes in financial assumptions of £8.0m (2022: gains of £153.2m) have been recognised in the statement of other comprehensive income. This includes a £9.0m loss arising from a 0.27% decrease in the discount rate, partially offset by a £0.9m gain due to inflation linked pension increases. In the prior year, £148.6m of the actuarial gains arising from changes in financial assumptions resulted from a 2.87% increase in the discount rate.

The experience loss on the defined benefit obligation of £2.3m (2022: £11.8m) resulted from updating for actual member experience and from actual inflation exceeding the inflation assumptions. In the prior year, the experience loss was the result of actual inflation exceeding the inflation assumptions. A review and update to certain demographic assumptions resulted in an actuarial gain of £5.5m (2022: £3.4m) being recognised in the current year.

The defined benefit plan typically exposes the Group to risks such as:

- Investment risk: The Fund holds some of its investments in asset classes, such as equities, which have volatile market values and, while these assets are expected to provide the best returns over the long term, any short-term volatility could cause funding to be required if a deficit emerges. Derivative contracts are used from time to time, which would limit losses in the event of a fall in equity markets;

- Interest rate risk: Scheme liabilities are assessed using market rates of interest to discount the liabilities and are therefore subject to any volatility in the movement of the market rate of interest. The net interest income or expense recognised in profit or loss is also calculated using the market rate of interest. The Group's defined benefit plan holds Liability Driven Investments (LDIs) to hedge part of the exposure of the scheme's liabilities to movements in interest rates;

- Inflation risk: A significant proportion of scheme benefits are linked to inflation. Although scheme assets are expected to provide a good hedge against inflation over the long term, movements over the short term could lead to a deficit emerging. The Group's defined benefit plan holds LDIs to hedge part of the exposure of the scheme's liabilities to movements in inflation expectations;

- Mortality risk: In the event that members live longer than assumed the liabilities may be understated originally, and a deficit may emerge if funding has not adequately provided for the increased life expectancy; and

Notes to the financial statements

17 Retirement benefit schemes (continued)

- Currency risk: The Fund holds some of its investments in foreign denominated assets. As scheme liabilities are denominated in sterling, short-term fluctuations in exchange rates could cause funding to be required if a deficit emerges. Currency derivative contracts are used from time to time, which would limit losses in the event of adverse movements in exchange rates.

The Trustees set the investment objectives and strategy for the Fund based on independent advice and in consultation with the employer. Key factors addressed in setting strategy include the Fund's liability profile, funding level and strength of employer covenant. Their key objectives are to ensure the Fund can meet members' guaranteed benefits as they fall due, reduce the risk of assets failing to meet its liabilities over the long term and manage the volatility of returns and overall funding level.

A blend of diversified growth assets comprising equities, listed infrastructure and property and protection assets - bonds, gilts and cash - are deployed to balance the level of risk to that required to provide, with confidence, a sufficient return and liquidity to continue to meet members' obligations as they fall due. The Trustees have identified the key risks faced by the Fund in meeting this objective to be equity price risk, falls in bond yields and rising inflation.

A liability-driven investment (LDI) allocation is maintained as a risk management tool to preserve some future protection for the Fund against falling yields and rising inflation, designed to hedge 75% of the interest rate and inflation rate risk of the guaranteed benefits of the Fund. Exposure of the Fund's assets to interest rates and inflation counter-balances exposure of the Fund's liabilities to these factors and has suppressed, but not eliminated, volatility in the funding position.

The Trustees regularly monitor investment performance and strategy to ensure the structure adopted continues to meet their objectives and to highlight opportunities to reduce investment risk and volatility where practical and affordable. Their aim is to achieve a long-term funding target in line with guidance from the Pensions Regulator. The Trustees intend that this long-term target will be reached through investment performance only and without requiring further contributions from the employer. During 2023, the Trustees have maintained their strategy to incrementally reduce the Fund's exposure to market volatility and better protect the funding position including some modest property disposals in the year.

The Trustees adopt a Responsible and Sustainable Investment Policy in relation to the Fund's equities. This includes an 'absence of harm' exclusion policy, as well as an aspiration to reduce the portfolio's carbon intensity over time.

Group and Parent	**2023** **£000**	2022 £000
The amounts recognised in the statement of financial position are determined as follows:		
Present value of funded obligations	**(235,583)**	(229,343)
Fair value of plan assets	**305,644**	301,773
	70,061	72,430
Restrictions on asset recognised	**(50,273)**	(57,092)
Net defined benefit pension scheme surplus in the statement of financial position	**19,788**	15,338
Movements in the net defined benefit pension scheme asset recognised in the statement of financial position are as follows:		
At 1 January	**15,338**	28,304
Expense charged to profit or loss	**(533)**	(695)
Amounts recognised in other comprehensive income	**4,983**	(12,271)
At 31 December	**19,788**	15,338
The amounts recognised through profit or loss are as follows:		
Current service cost	**(257)**	(573)
Administration cost	**(809)**	(654)
Interest expense on liabilities	**(10,721)**	(7,064)
Interest income on plan assets	**14,144**	7,928
Past service cost	**(167)**	-
Effect of interest on asset ceiling	**(2,723)**	(332)
Total, included in employee benefits expense	**(533)**	(695)
The amounts recognised in the statement of other comprehensive income are as follows:		
Return on plan assets, excluding interest income	**219**	(117,766)
Experience losses on liabilities	**(2,290)**	(11,806)
Gains from changes in demographic assumptions	**5,489**	3,368
(Losses)/gains from changes in financial assumptions	**(7,977)**	153,225
Change in asset ceiling	**9,542**	(39,292)
Total included in other comprehensive income	**4,983**	(12,271)

Notes to the financial statements

17 Retirement benefit schemes (continued)

The following is the analysis of the defined benefit pension balances:

Group and Parent	**2023**	2022
	£000	£000
Pension surplus	**19,788**	15,338

The principal actuarial assumptions (expressed as weighted averages) were as follows*:

	%	%
Discount rate	**4.50**	4.77
Inflation (RPI)	**3.14**	3.31
Inflation (CPI)	**2.65**	2.80
Future salary increases	**3.90**	4.15
Future increase in pensions in deferment	**3.30**	3.40
Future average pension increases (linked to RPI)	**3.01**	3.05
Future average pension increases (linked to CPI)	**2.07**	2.10

*Single-equivalent rates are disclosed for the current year.

Mortality rate

The average life expectancy in years of a pensioner retiring at age 65, at the year-end date, is as follows:

Male	**22.2**	22.8
Female	**23.7**	24.1

The average life expectancy in years of a pensioner retiring at age 65, 20 years after the year-end date, is as follows:

Male	**23.0**	23.5
Female	**24.7**	25.3

Plan assets are weighted as follows:

	£000	£000
Cash and other[1]	**12,887**	36,779
Equity instruments		
UK quoted	**41,541**	44,797
Overseas quoted	**49,307**	42,200
	90,848	86,997
Liability driven investments - unquoted	**54,095**	46,988
Debt instruments		
UK public sector quoted - fixed interest	**9,768**	-
UK non-public sector quoted - fixed interest	**79,699**	68,372
UK quoted - index-linked	**20,559**	21,241
	110,026	89,613
Derivative financial instruments - unquoted	**(144)**	(588)
Property	**37,932**	41,984
	305,644	301,773

[1] Includes accrued income, prepayments and other debtors and creditors.

The actual return on plan assets was a gain of £14,363,000 (2022: a loss of £109,838,000).

The underlying assets of the LDIs are primarily UK government bonds and interest rate repurchase agreements at various rates and terms.

The fair value of unquoted securities is measured using inputs for the asset that are not based on observable market data. The fair value is estimated and approved by the Trustee based on the advice of investment managers. Property is valued annually by independent qualified surveyors using standard industry methodology to determine a fair market value. All other investments either have a quoted price in active markets or are valued based on observable market data.

17 Retirement benefit schemes (continued)

The movements in the fair value of plan assets and the present value of the defined benefit obligation over the year are as follows:

	2023 £000	'e-presented* 2022 £000
Plan assets		
At 1 January	**301,773**	422,885
Interest income	**14,144**	7,928
Actual return on plan assets, excluding interest income	**219**	(117,766)
Pension benefits paid and payable	**(9,683)**	(10,620)
Administration cost	**(809)**	(654)
At 31 December	**305,644**	301,773
Defined benefit obligation		
At 1 January	**229,343**	377,113
Current service cost	**257**	573
Past service cost	**167**	-
Interest cost	**10,721**	7,064
Pension benefits paid and payable	**(9,683)**	(10,620)
Experience losses on liabilities	**2,290**	11,806
Gains from changes in demographic assumptions	**(5,489)**	(3,368)
Losses/(gains) from changes in financial assumptions	**7,977**	(153,225)
At 31 December	**235,583**	229,343
Asset ceiling		
At 1 January	**57,092**	17,468
Effect of interest on the asset ceiling	**2,723**	332
Change in asset ceiling	**(9,542)**	39,292
At 31 December	**50,273**	57,092

* Prior year comparatives have been re-presented to reflect the current year disclosures for presentation of administration costs.

History of plan assets and liabilities	**2023 £000**	2022 £000	2021 £000	2020 £000	2019 £000
Present value of defined benefit obligations	**(235,583)**	(229,343)	(377,113)	(403,709)	(371,179)
Fair value of plan assets	**305,644**	301,773	422,885	394,356	379,684
	70,061	72,430	45,772	(9,353)	8,505
Restrictions on asset recognised	**(50,273)**	(57,092)	(17,468)	-	-
Surplus/(deficit)	**19,788**	15,338	28,304	(9,353)	8,505

The weighted average duration of the defined benefit obligation at the end of the reporting period is 15.2 years (2022: 15.9 years).

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, inflation, expected salary increases and mortality. The sensitivity analysis below has been determined based on reasonably possible changes in the assumptions occurring at the end of the reporting period assuming that all other assumptions are held constant.

Assumption	**Change in assumption**	**Increase/(decrease) in plan liabilities** 2023 £000	2022 £000
Discount rate	Increase by 0.5%	**(15,923)**	(16,133)
	Decrease by 0.5%	**17,857**	18,176
Inflation	Increase by 0.5%	**10,456**	12,552
	Decrease by 0.5%	**(10,302)**	(12,101)
Salary increase	Increase by 0.5%	**1,193**	2,285
	Decrease by 0.5%	**(1,128)**	(2,136)
Life expectancy	Increase by 1 year	**6,608**	7,215
	Decrease by 1 year	**(6,617)**	(7,479)

Post-employment medical benefits

The Parent operates a post-employment medical benefit plan, for which it chooses to self-insure. The method of accounting, assumptions and the frequency of valuation are similar to those used for the defined benefit pension plans.

17 Retirement benefit schemes (continued)

The provision of the plan leads to a number of risks as follows:

- Interest rate risk: The reserves are assessed using market rates of interest to discount the liabilities and are therefore subject to volatility in the movement of the market rates of interest. A reduction in the market rate of interest would lead to an increase in the reserves required to be held;

- Medical expense inflation risk: Future medical costs are influenced by a number of factors including economic trends and advances in medical technology and sciences. An increase in medical expense inflation would lead to an increase in the reserves required to be held;

- Medical claims experience: Claims experience can be volatile, exposing the Company to the risk of being required to pay over and above the assumed reserve. If future claims experience differs significantly from that experienced in previous years, this will increase the risk to the Company;

- Spouse and widows' contributions: The self-insured benefit includes a potential liability for members who pay contributions in respect of their spouse and for widows who pay contributions. There is the possibility that the contributions charged may not be sufficient to cover the medical costs that fall due; and

- Mortality risk: If members live longer than expected, the Company is exposed to the expense of medical claims for a longer period, with increased likelihood of needing to pay claims.

The amounts recognised in the statement of financial position are determined as follows:

Group and Parent	**2023 £000**	2022 £000
Present value of unfunded obligations and net obligations in the statement of financial position	**4,801**	4,960
Movements in the net obligations recognised in the statement of financial position are as follows:		
At 1 January	**4,960**	7,058
Total expense charged to profit or loss	**230**	132
Net actuarial gains during the year, recognised in other comprehensive income	**(120)**	(2,100)
Benefits paid	**(269)**	(130)
At 31 December	**4,801**	4,960
The amounts recognised through profit or loss are as follows:		
Interest cost	**230**	132
Total, included in employee benefits expense	**230**	132

The weighted average duration of the net obligations at the end of the reporting period is 10.0 years (2022: 10.5 years).

The main actuarial assumptions for the plan are a long-term increase in medical costs of 7.14% (2022: 7.31%) and a discount rate of 4.50% (2022: 4.77%). An actuarial loss of £172,000 has been recognised in the current year due to the decrease in the discount rate. This has been offset by an actuarial gain of £183,000 arising from changes in mortality assumptions, and a £109,000 gain due to changes in inflation. In the prior year, an actuarial gain of £2,012,000 was recognised as a result of an increase in the discount rate. The sensitivity analysis below has been determined based on reasonably possible changes in the assumptions occurring at the end of the accounting period assuming that all other assumptions are held constant.

Assumption	**Change in assumption**	**Increase/(decrease) in plan liabilities**	
		2023 £000	2022 £000
Discount rate	Increase by 0.5%	**(286)**	(239)
	Decrease by 0.5%	**315**	260
Medical expense inflation	Increase by 1.0%	**595**	497
	Decrease by 1.0%	**(506)**	(433)
Life expectancy	Increase by 1 year	**360**	372
	Decrease by 1 year	**(336)**	(340)

18 Property, plant and equipment

Group	Land and buildings £000	Motor vehicles £000	Furniture, fittings and equipment £000	Computer equipment £000	Right-of-use asset £000	Total £000
Cost or valuation						
At 1 January 2023	**1,465**	**17**	**14,397**	**11,091**	**27,063**	**54,033**
Additions	**-**	**-**	**1,780**	**577**	**5,933**	**8,290**
Disposals	**-**	**-**	**(237)**	**(12)**	**(706)**	**(955)**
Revaluation	**885**	**-**	**-**	**-**	**-**	**885**
Exchange differences	**-**	**-**	**(89)**	**(55)**	**(150)**	**(294)**
At 31 December 2023	**2,350**	**17**	**15,851**	**11,601**	**32,140**	**61,959**
Depreciation						
At 1 January 2023	**-**	**15**	**6,736**	**7,843**	**8,034**	**22,628**
Charge for the year	**-**	**-**	**1,251**	**1,623**	**3,005**	**5,879**
Disposals	**-**	**-**	**(226)**	**(9)**	**(348)**	**(583)**
Exchange differences	**-**	**-**	**(42)**	**(43)**	**(63)**	**(148)**
At 31 December 2023	**-**	**15**	**7,719**	**9,414**	**10,628**	**27,776**
Net book value at 31 December 2023	**2,350**	**2**	**8,132**	**2,187**	**21,512**	**34,183**
Cost or valuation						
At 1 January 2022 (as reported)	1,465	112	15,336	8,622	30,194	55,729
Additions	-	45	123	3,067	771	4,006
Disposals	-	(140)	(1,212)	(654)	(4,188)	(6,194)
Exchange differences	-	-	150	56	286	492
At 31 December 2022	1,465	17	14,397	11,091	27,063	54,033
Depreciation						
At 1 January 2022 (as reported)	-	74	6,532	6,444	7,434	20,484
Charge for the year	-	19	1,220	1,829	3,193	6,261
Disposals	-	(78)	(1,075)	(473)	(2,712)	(4,338)
Exchange differences	-	-	59	43	119	221
At 31 December 2022	-	15	6,736	7,843	8,034	22,628
Net book value at 31 December 2022	1,465	2	7,661	3,248	19,029	31,405

18 Property, plant and equipment (continued)

Parent	Land and buildings £000	Motor vehicles £000	Furniture, fittings and equipment £000	Computer equipment £000	Right of use asset £000	Total £000
Cost or valuation						
At 1 January 2023	**1,465**	**14**	**14,375**	**10,380**	**26,390**	**52,624**
Additions	**-**	**-**	**888**	**443**	**3,941**	**5,272**
Disposals	**-**	**-**	**(223)**	**(12)**	**(197)**	**(432)**
Revaluation	**885**	**-**	**-**	**-**	**-**	**885**
Exchange differences	**-**	**-**	**(91)**	**(20)**	**(120)**	**(231)**
At 31 December 2023	**2,350**	**14**	**14,949**	**10,791**	**30,014**	**58,118**
Depreciation						
At 1 January 2023	**-**	**14**	**6,714**	**7,300**	**7,690**	**21,718**
Charge for the year	**-**	**-**	**1,233**	**1,537**	**2,518**	**5,288**
Disposals	**-**	**-**	**(223)**	**(9)**	**(125)**	**(357)**
Exchange differences	**-**	**-**	**(41)**	**(15)**	**(45)**	**(101)**
At 31 December 2023	**-**	**14**	**7,683**	**8,813**	**10,038**	**26,548**
Net book value at 31 December 2023	**2,350**	**-**	**7,266**	**1,978**	**19,976**	**31,570**
Cost or valuation						
At 1 January 2022 (as reported)	1,465	14	14,841	7,511	26,314	50,145
Additions	-	-	95	2,840	506	3,441
Disposals	-	-	(710)	-	(624)	(1,334)
Exchange differences	-	-	149	29	194	372
At 31 December 2022	1,465	14	14,375	10,380	26,390	52,624
Depreciation						
At 1 January 2022 (as reported)	-	14	6,192	5,635	5,533	17,374
Charge for the year	-	-	1,174	1,644	2,555	5,373
Disposals	-	-	(710)	-	(452)	(1,162)
Exchange differences	-	-	58	21	54	133
At 31 December 2022	-	14	6,714	7,300	7,690	21,718
Net book value at 31 December 2022	1,465	-	7,661	3,080	18,700	30,906

Included within land and buildings is a property held for sale at 31 December 2023 with a value of £1,750,000.

All properties of the Group and Parent, other than those held for sale, were last revalued at 31 December 2023. Valuations were carried out by Cluttons LLP, an independent professional firm of chartered surveyors who have recent experience in the location and type of properties. Valuations were carried out using standard industry methodology to determine a fair value. All properties are classified as level 3 assets.

Movements in fair values are taken to the revaluation reserve within equity, net of deferred tax. When such properties are sold, the accumulated revaluation surpluses are transferred from this reserve to retained earnings. Where the fair value of an individual property is below original cost, any revaluation movement arising during the year is recognised within net investment return in the statement of profit or loss. There have been no transfers between investment categories in the current year.

The value of land and buildings of the Group on a historical cost basis is £1,464,000 (2022: £1,464,000). The value of land and buildings of the Parent on a historical cost basis is £1,464,000 (2022: £1,464,000).

Depreciation expense has been charged in other operating and administrative expenses.

19 Investment property

	2023		2022	
	Group	**Parent**	Group	Parent
	£000	**£000**	£000	£000
Fair value at 1 January	**140,846**	**140,846**	163,355	162,822
Disposals	**(3,382)**	**(3,382)**	(1,300)	(767)
Fair value losses recognised in profit or loss	**(6,651)**	**(6,651)**	(21,209)	(21,209)
Fair value at 31 December	**130,813**	**130,813**	140,846	140,846

The Group's investment properties were last revalued at 31 December 2023 by Cluttons LLP, an independent professional firm of chartered surveyors who have recent experience in the location and type of properties. Valuations were carried out using standard industry methodology to determine a fair value. There has been no change in the valuation technique during the year. All properties are classified as level 3 assets. There have been no transfers between investment categories in the current year.

Investment properties are held for long-term capital appreciation rather than short-term sale. Rental income arising from the investment properties owned by both the Group and Parent amounted to £8,647,000 (2022: £8,837,000) and is included in net investment return.

20 Financial investments

Financial investments summarised by measurement category are as follows:

			*Re-presented**	
	2023		2022	
	Group	**Parent**	Group	Parent
	£000	**£000**	£000	£000
Financial investments at fair value through profit or loss				
Equity securities				
- listed	**250,106**	**237,033**	234,035	222,043
- unlisted	**76,898**	**76,898**	85,726	85,580
Debt securities				
- government bonds	**202,251**	**83,163**	159,659	101,738
- listed	**316,672**	**217,942**	334,322	183,700
- unlisted	**-**	**-**	-	-
Structured notes	**94,970**	**-**	56,138	-
Derivative financial instruments				
- options	**-**	**-**	100	100
- forwards	**824**	**824**	655	655
	941,721	**615,860**	870,635	593,816
Loans and receivables				
Other loans	**34**	**34**	114	114
Parent investments in subsidiary undertakings				
Shares in subsidiary undertakings	**-**	**42,707**	-	42,707
Total financial investments	**941,755**	**658,601**	870,749	636,637
Current	**476,559**	**337,748**	420,626	322,007
Non-current	**465,196**	**320,853**	450,123	314,630

* Prior year comparatives have been re-presented to reflect the current year disclosures for composition of OEICs and debt securities. OEICs previously included in equity securities but relating to bond OEICs and debt securities previously included in government bonds but relating to listed debt have been re-presented to better reflect the nature of the assets and requirements of IFRS 7.

All investments in subsidiary undertakings are unlisted.

The Group's exposure to interest rate risk is detailed in note 4(c).

21 Derivative financial instruments

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

The Group has also formally designated certain derivatives as a hedge of its net investments in Australia and Canada. A gain of £4,860,000 (2022: loss of £4,514,000) in respect of these 'hedge' derivatives has been recognised in the hedging reserve within shareholders' equity, as disclosed in note 25. The Group has formally assessed and documented the effectiveness of derivatives that qualify for hedge accounting in accordance with IFRS 9, *Financial Instruments* .

Group	**2023**			2022		
	Contract/ notional amount £000	**Fair value asset £000**	**Fair value liability £000**	Contract/ notional amount £000	Fair value asset £000	Fair value liability £000
Non-hedge derivatives						
Equity/Index contracts						
Options	**-**	**-**	**-**	100	100	-
Foreign exchange contracts						
Forwards (Euro)	**120,115**	**824**	**-**	93,712	-	2,475
Hedge derivatives						
Foreign exchange contracts						
Forwards (Australian dollar)	**54,584**	**-**	**1,155**	55,742	-	759
Forwards (Canadian dollar)	**52,960**	**-**	**1,225**	48,442	655	-
	227,659	**824**	**2,380**	197,996	755	3,234

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

The derivative financial instruments of the Parent are the same as the Group, with the exception of the Australian dollar foreign exchange contract which is classified as a non-hedge derivative.

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

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

Derivative fair value assets are recognised within financial investments (note 20) and derivative fair value liabilities are recognised within other liabilities (note 29).

22 Other assets

	2023		*Restated** 2022	
	Group	**Parent**	Group	Parent
	£000	**£000**	£000	£000
Accrued interest and rent	**3,957**	**2,696**	4,122	3,007
Other prepayments and accrued income	**9,174**	**6,603**	8,248	5,190
Amounts owed by related parties	**145,441**	**147,330**	125,644	131,368
Other debtors	**6,532**	**4,002**	10,335	1,757
	165,104	**160,631**	148,349	141,322
Current	**24,670**	**17,498**	24,865	9,143
Non-current	**140,434**	**143,133**	123,484	132,179

*The comparative financial statements have been restated as detailed in note 37.

Included within amounts owed by related parties of the Group and Parent is a loan of £135,108,000 (2022: £121,008,000) due from Benefact Group plc. The expected credit loss provision held on this loan is £270,000. Included within amounts owed by related parties of the Parent is £5,955,000 (2022: £11,110,000) pledged as collateral in respect of an insurance liability.

Included within other debtors of the Group and Parent is a letter of credit for £2,000,000 (2022: £2,000,000).

Included within other debtors of the Group is £978,000 (2022: £1,699,000) classified as contract assets in accordance with IFRS 15.

23 Cash and cash equivalents

	2023		2022	
	Group	**Parent**	Group	Parent
	£000	**£000**	£000	£000
Cash at bank and in hand	**62,900**	**46,811**	58,175	35,020
Short-term bank deposits	**49,182**	**36,625**	46,489	31,549
	112,082	**83,436**	104,664	66,569

Included within short-term bank deposits of the Group and Parent are cash deposits of £3,810,000 (2022: £8,810,000) pledged as collateral by way of cash margins on open derivative contracts to cover derivative liabilities. Included within cash at bank and in hand of the Group and Parent are amounts of £911,000 (2022: £866,000) held in accordance with the third country branch requirements of the European Union.

Included within Group cash at bank and in hand are amounts of £12,557,000 (2022: £15,109,000) pledged as collateral by way of cash calls from reinsurers.

24 Share capital

	Issued, allotted and fully paid	
	2023	2022
	£000	£000
Ordinary shares of 4p each	**14,027**	14,027
8.625% Non-Cumulative Irredeemable Preference shares of £1 each	**106,450**	106,450
	120,477	120,477
The number of shares in issue are as follows:		
Ordinary shares of 4p each		
At 1 January and 31 December	**350,678**	350,678
8.625% Non-Cumulative Irredeemable Preference shares of £1 each		
At 1 January and 31 December	**106,450**	106,450

On winding up, the assets of the Company remaining after payment of its liabilities are to be applied to holders of the Non-Cumulative Irredeemable Preference shares in repaying the nominal capital sum paid up on the shares and an amount equal to all arrears of accrued and unpaid dividends up to the date of the commencement of the winding up. The residual interest in the assets of the Company after deducting all liabilities belongs to the Ordinary shareholders.

Holders of the Non-Cumulative Irredeemable Preference shares are not entitled to receive notice of, or to attend, or vote at any general meeting of the Company unless at the time of the notice convening such meeting, the dividend on such shares which is most recently payable on such shares shall not have been paid in full, or where a resolution is proposed varying any of the rights of such shares, or for the winding up of the Company.

25 Translation and hedging reserve

Group	Translation reserve £000	Hedging reserve £000	Total £000
At 1 January 2023	**18,838**	**718**	**19,556**
Losses on currency translation differences	**(4,024)**	**-**	**(4,024)**
Gains on net investment hedges	**-**	**4,860**	**4,860**
Attributable tax	**-**	**(688)**	**(688)**
At 31 December 2023	**14,814**	**4,890**	**19,704**
At 1 January 2022	13,196	4,407	17,603
Gains on currency translation differences	5,642	-	5,642
Losses on net investment hedges	-	(4,514)	(4,514)
Attributable tax	-	825	825
At 31 December 2022 (as restated*)	18,838	718	19,556
Parent			
At 1 January 2023	**9,618**	**(1,386)**	**8,232**
Losses on currency translation differences	**(912)**	**-**	**(912)**
Gains on net investment hedges	**-**	**1,353**	**1,353**
Attributable tax	**-**	**(338)**	**(338)**
At 31 December 2023	**8,706**	**(371)**	**8,335**
At 1 January 2022	6,969	67	7,036
Gains on currency translation differences	2,649	-	2,649
Losses on net investment hedges	-	(1,938)	(1,938)
Attributable tax	-	485	485
At 31 December 2022 (as restated*)	9,618	(1,386)	8,232

*The comparative financial statements have been restated as detailed in note 37.

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

26 Insurance liabilities and reinsurance assets

	2023 Group £000	2023 Parent £000	*Restated** 2022 Group £000	*Restated** 2022 Parent £000
Gross				
General insurance contract liabilities for incurred claims	**634,819**	**494,445**	636,638	465,508
General insurance contract liabilities for remaining coverage	**90,994**	**75,388**	93,645	73,239
Life insurance contract liabilities for remaining coverage	**56,029**	**-**	59,263	-
Total gross insurance contract liabilities	**781,842**	**569,833**	789,546	538,747
Recoverable from reinsurers				
General reinsurance contract assets for incurred claims	**179,928**	**134,118**	202,474	122,977
General reinsurance contract assets for remaining coverage	**40,180**	**20,652**	37,650	23,446
Total reinsurers' share of insurance liabilities	**220,108**	**154,770**	240,124	146,423
Net				
General insurance contract liabilities for incurred claims	**454,891**	**360,327**	434,164	342,531
General insurance contract liabilities for remaining coverage	**50,814**	**54,736**	55,995	49,793
Life insurance contract liabilities for remaining coverage	**56,029**	**-**	59,263	-
Total net insurance liabilities	**561,734**	**415,063**	549,422	392,324
Gross insurance liabilities				
Current	**312,171**	**239,679**	411,687	302,994
Non-current	**469,671**	**330,154**	377,859	235,753
Reinsurance assets				
Current	**127,365**	**81,218**	161,411	101,941
Non-current	**92,743**	**73,552**	78,713	44,482

*The comparative financial statements have been restated as detailed in note 37.

Notes to the financial statements

26 Insurance liabilities and reinsurance assets (continued)

Group	Insurance contract liabilities			Reinsurance contract assets		
	General liabilities for remaining coverage £000	General liabilities for incurred claims £000	Life liabilities for remaining coverage £000	General assets for remaining coverage £000	General assets for incurred claims £000	Total £000
At 1 January 2022	89,713	604,297	75,718	(39,633)	(163,133)	566,962
Insurance revenue	(528,583)	-	(6,311)	-	-	(534,894)
Incurred claims and other insurance service expenses	-	347,499	-	-	-	347,499
Changes that relate to current service	-	-	5,267	-	-	5,267
Changes that relate to past service	-	(18,331)	-	-	-	(18,331)
Losses on onerous contracts and reversal of those losses	781	-	-	-	-	781
Insurance acquisition cash flows amortisation	109,256	-	-	-	-	109,256
Insurance service expenses	110,037	329,168	5,267	-	-	444,472
Insurance service result before reinsurance contracts held	(418,546)	329,168	(1,044)	-	-	(90,422)
Allocation of reinsurance premiums	-	-	-	130,675	-	130,675
Recoveries of incurred claims and other insurance service expenses	-	-	-	6,800	(117,492)	(110,692)
Changes that relate to past service	-	-	-	-	5,606	5,606
Recoveries of losses on onerous contracts and reversal of those losses	-	-	-	(814)	-	(814)
Net expense/(income) from reinsurance contracts	-	-	-	136,661	(111,886)	24,775
Finance income from insurance contracts issued	-	(44,370)	(10,196)	-	-	(54,566)
Finance expense from reinsurance contracts held	-	-	-	-	6,704	6,704
Net insurance financial result	-	(44,370)	(10,196)	-	6,704	(47,862)
Total amounts recognised in statement of profit or loss	(418,546)	284,798	(11,240)	136,661	(105,182)	(113,509)
Exchange differences	2,129	14,185	-	(1,043)	(4,497)	10,774
Premiums received	537,656	-	-	-	-	537,656
Insurance acquisition cash flows	(117,307)	-	-	-	-	(117,307)
Claims and other directly attributable expenses paid	-	(266,642)	(5,215)	-	-	(271,857)
Premiums paid	-	-	-	(133,635)	-	(133,635)
Amounts received	-	-	-	-	70,338	70,338
Total cash flows	420,349	(266,642)	(5,215)	(133,635)	70,338	85,195
At 31 December 2022	93,645	636,638	59,263	(37,650)	(202,474)	549,422

26 Insurance liabilities and reinsurance assets (continued)

Group	Insurance contract liabilities: General liabilities for remaining coverage £000	Insurance contract liabilities: General liabilities for incurred claims £000	Insurance contract liabilities: Life liabilities for remaining coverage £000	Reinsurance contract assets: General assets for remaining coverage £000	Reinsurance contract assets: General assets for incurred claims £000	Total £000
At 31 December 2022	93,645	636,638	59,263	(37,650)	(202,474)	549,422
Adjustment on initial application of IFRS 9	*(505)*	-	-	-	-	*(505)*
At 1 January 2023	93,140	636,638	59,263	(37,650)	(202,474)	548,917
Insurance revenue	(579,975)	-	(6,509)	-	-	(586,484)
Incurred claims and other insurance service expenses	-	308,069	-	-	-	308,069
Changes that relate to current service	-	-	5,702	-	-	5,702
Changes that relate to past service	-	(24,547)	-	-	-	(24,547)
Losses on onerous contracts and reversal of those losses	155	-	-	-	-	155
Insurance acquisition cash flows amortisation	119,205	-	-	-	-	119,205
Insurance service expenses	119,360	283,522	5,702	-	-	408,584
Insurance service result before reinsurance contracts held	(460,615)	283,522	(807)	-	-	(177,900)
Allocation of reinsurance premiums	-	-	-	148,094	-	148,094
Recoveries of incurred claims and other insurance service expenses	-	-	-	5,013	(77,048)	(72,035)
Changes that relate to past service	-	-	-	-	31,024	31,024
Recoveries of losses on onerous contracts and reversal of those losses	-	-	-	91	-	91
Net expense/(income) from reinsurance contracts	-	-	-	153,198	(46,024)	107,174
Finance expense from insurance contracts issued	-	24,102	2,628	-	-	26,730
Finance income from reinsurance contracts held	-	-	-	-	(7,190)	(7,190)
Net insurance financial result	-	24,102	2,628	-	(7,190)	19,540
Total amounts recognised in statement of profit or loss	(460,615)	307,624	1,821	153,198	(53,214)	(51,186)
Exchange differences	(1,661)	(13,309)	-	929	5,220	(8,821)
Premiums received	596,793	-	-	-	-	596,793
Insurance acquisition cash flows	(136,663)	-	-	-	-	(136,663)
Claims and other directly attributable expenses paid	-	(296,134)	(5,055)	-	-	(301,189)
Premiums paid	-	-	-	(156,657)	-	(156,657)
Amounts received	-	-	-	-	70,540	70,540
Total cash flows	460,130	(296,134)	(5,055)	(156,657)	70,540	72,824
At 31 December 2023	90,994	634,819	56,029	(40,180)	(179,928)	561,734

Notes to the financial statements

26 Insurance liabilities and reinsurance assets (continued)

Parent	Insurance contract liabilities		Reinsurance contract assets		
	General liabilities for remaining coverage £000	General liabilities for incurred claims £000	General assets for remaining coverage £000	General assets for incurred claims £000	Total £000
At 1 January 2022	67,547	461,734	(26,909)	(105,025)	397,347
Insurance revenue	(432,582)	-	-	-	(432,582)
Incurred claims and other insurance service expenses	-	253,916	-	-	253,916
Changes that relate to past service	-	(8,742)	-	-	(8,742)
Losses on onerous contracts and reversal of those losses	(262)	-	-	-	(262)
Insurance acquisition cash flows amortisation	89,634	-	-	-	89,634
Insurance service expenses	89,372	245,174	-	-	334,546
Insurance service result before reinsurance contracts held	(343,210)	245,174	-	-	(98,036)
Allocation of reinsurance premiums	-	-	85,898	-	85,898
Recoveries of incurred claims and other insurance service expenses	-	-	5,904	(49,586)	(43,682)
Changes that relate to past service	-	-	-	(2,985)	(2,985)
Recoveries of losses on onerous contracts and reversal of those losses	-	-	124	-	124
Net expense/(income) from reinsurance contracts	-	-	91,926	(52,571)	39,355
Finance income from insurance contracts issued	-	(31,801)	-	-	(31,801)
Finance expense from reinsurance contracts held	-	-	-	2,612	2,612
Net insurance financial result	-	(31,801)	-	2,612	(29,189)
Total amounts recognised in statement of profit or loss	(343,210)	213,373	91,926	(49,959)	(87,870)
Exchange differences	1,076	6,903	(399)	(1,475)	6,105
Premiums received	439,549	-	-	-	439,549
Insurance acquisition cash flows	(91,723)	-	-	-	(91,723)
Claims and other directly attributable expenses paid	-	(216,502)	-	-	(216,502)
Premiums paid	-	-	(88,064)	-	(88,064)
Amounts received	-	-	-	33,482	33,482
Total cash flows	347,826	(216,502)	(88,064)	33,482	76,742
At 31 December 2022	73,239	465,508	(23,446)	(122,977)	392,324

Notes to the financial statements

26 Insurance liabilities and reinsurance assets (continued)

Parent	Insurance contract liabilities		Reinsurance contract assets		
	General liabilities for remaining coverage £000	General liabilities for incurred claims £000	General assets for remaining coverage £000	General assets for incurred claims £000	Total £000
At 31 December 2022	73,239	465,508	(23,446)	(122,977)	392,324
Adjustment on initial application of IFRS 9	*(505)*	-	-	-	*(505)*
At 1 January 2023	72,734	465,508	(23,446)	(122,977)	391,819
Insurance revenue	(487,431)	-	-	-	(487,431)
Incurred claims and other insurance service expenses	-	261,609	-	-	261,609
Changes that relate to past service	-	(11,126)	-	-	(11,126)
Losses on onerous contracts and reversal of those losses	(89)	-	-	-	(89)
Insurance acquisition cash flows amortisation	97,215	-	-	-	97,215
Insurance service expenses	97,126	250,483	-	-	347,609
Insurance service result before reinsurance contracts held	(390,305)	250,483	-	-	(139,822)
Allocation of reinsurance premiums	-	-	104,627	-	104,627
Recoveries of incurred claims and other insurance service expenses	-	-	5,615	(48,896)	(43,281)
Changes that relate to past service	-	-	-	7,234	7,234
Recoveries of losses on onerous contracts and reversal of those losses	-	-	42	-	42
Net expense/(income) from reinsurance contracts	-	-	110,284	(41,662)	68,622
Finance expense from insurance contracts issued	-	16,427	-	-	16,427
Finance income from reinsurance contracts held	-	-	-	(3,991)	(3,991)
Net insurance financial result	-	16,427	-	(3,991)	12,436
Total amounts recognised in statement of profit or loss	(390,305)	266,910	110,284	(45,653)	(58,764)
Exchange differences	(651)	(4,612)	225	1,136	(3,902)
Premiums received	497,490	-	-	-	497,490
Insurance acquisition cash flows	(103,880)	-	-	-	(103,880)
Claims and other directly attributable expenses paid	-	(233,361)	-	-	(233,361)
Premiums paid	-	-	(107,715)	-	(107,715)
Amounts received	-	-	-	33,376	33,376
Total cash flows	393,610	(233,361)	(107,715)	33,376	85,910
At 31 December 2023	75,388	494,445	(20,652)	(134,118)	415,063

26 Insurance liabilities and reinsurance assets (continued)

(a) General business insurance contracts
(i) Reconciliation of the liability for remaining coverage

Insurance contracts issued	PAA		GMM	
Group	Excluding loss component £000	Loss component £000	Liability for remaining coverage £000	Total £000
At 1 January 2022	87,181	1,782	750	89,713
Insurance revenue	(528,558)	-	(25)	(528,583)
Losses on onerous contracts and reversal of those losses	-	806	(25)	781
Insurance acquisition cash flows amortisation	109,256	-	-	109,256
Insurance service expenses	109,256	806	(25)	110,037
Total amounts recognised in statement of profit or loss	(419,302)	806	(50)	(418,546)
Exchange differences	2,050	79	-	2,129
Premiums received	537,656	-	-	537,656
Insurance acquisition cash flows	(117,307)	-	-	(117,307)
Total cash flows	420,349	-	-	420,349
At 31 December 2022	90,278	2,667	700	93,645
Adjustment on initial application of IFRS 9	*(505)*	-	-	*(505)*
At 1 January 2023	89,773	2,667	700	93,140
Insurance revenue	**(579,975)**	**-**	**-**	**(579,975)**
Losses on onerous contracts and reversal of those losses	**-**	**155**	**-**	**155**
Insurance acquisition cash flows amortisation	**119,205**	**-**	**-**	**119,205**
Insurance service expenses	**119,205**	**155**	**-**	**119,360**
Total amounts recognised in statement of profit or loss	**(460,770)**	**155**	**-**	**(460,615)**
Exchange differences	**(1,531)**	**(130)**	**-**	**(1,661)**
Premiums received	**596,793**	**-**	**-**	**596,793**
Insurance acquisition cash flows	**(136,663)**	**-**	**-**	**(136,663)**
Total cash flows	**460,130**	**-**	**-**	**460,130**
At 31 December 2023	**87,602**	**2,692**	**700**	**90,994**

Reconciliation of insurance acquisition cash flows asset

Group	2023 £000	2022 £000
At 1 January	**56,435**	50,194
Cash flows recognised as an asset during the year	**35,372**	28,833
Amounts derecognised on initial recognition of groups of insurance contracts	**(24,927)**	(23,753)
Exchange differences	**(963)**	1,161
At 31 December	**65,917**	56,435

26 Insurance liabilities and reinsurance assets (continued)

Parent	PAA Excluding loss component £000	PAA Loss component £000	GMM Liability for remaining coverage £000	Total £000
At 1 January 2022	66,471	326	750	67,547
Insurance revenue	(432,557)	-	(25)	(432,582)
Losses on onerous contracts and reversal of those losses	-	(237)	(25)	(262)
Insurance acquisition cash flows amortisation	89,634	-	-	89,634
Insurance service expenses	89,634	(237)	(25)	89,372
Total amounts recognised in statement of profit or loss	(342,923)	(237)	(50)	(343,210)
Exchange differences	1,076	-	-	1,076
Premiums received	439,549	-	-	439,549
Insurance acquisition cash flows	(91,723)	-	-	(91,723)
Total cash flows	347,826	-	-	347,826
At 31 December 2022	72,450	89	700	73,239
Adjustment on initial application of IFRS 9	*(505)*	-	-	*(505)*
At 1 January 2023	71,945	89	700	72,734
Insurance revenue	**(487,431)**	**-**	**-**	**(487,431)**
Losses on onerous contracts and reversal of those losses	**-**	**(89)**	**-**	**(89)**
Insurance acquisition cash flows amortisation	**97,215**	**-**	**-**	**97,215**
Insurance service expenses	**97,215**	**(89)**	**-**	**97,126**
Total amounts recognised in statement of profit or loss	**(390,216)**	**(89)**	**-**	**(390,305)**
Exchange differences	**(651)**	**-**	**-**	**(651)**
Premiums received	**497,490**	**-**	**-**	**497,490**
Insurance acquisition cash flows	**(103,880)**	**-**	**-**	**(103,880)**
Total cash flows	**393,610**	**-**	**-**	**393,610**
At 31 December 2023	**74,688**	**-**	**700**	**75,388**

Reconciliation of insurance acquisition cash flows asset

Parent	2023 £000	2022 £000
At 1 January	**45,858**	41,156
Cash flows recognised as an asset during the year	**22,517**	20,847
Amounts derecognised on initial recognition of groups of insurance contracts	**(16,117)**	(16,846)
Exchange differences	**(438)**	701
At 31 December	**51,820**	45,858

26 Insurance liabilities and reinsurance assets (continued)

(ii) Reconciliation of the liability for incurred claims

Insurance contracts issued **Group**	**Estimates of present value of future cash flows £000**	**Risk adjustment for non-financial risk £000**	**Total £000**
At 1 January 2022	496,941	107,356	604,297
Incurred claims and other insurance service expenses	329,841	17,658	347,499
Changes that relate to past service	21,054	(39,385)	(18,331)
Insurance service expenses	350,895	(21,727)	329,168
Insurance service result before reinsurance contracts held	350,895	(21,727)	329,168
Finance income from insurance contracts issued	(44,370)	-	(44,370)
Net insurance financial result	(44,370)	-	(44,370)
Total amounts recognised in statement of profit or loss	306,525	(21,727)	284,798
Exchange differences	11,681	2,504	14,185
Claims and other directly attributable expenses paid	(266,642)	-	(266,642)
Total cash flows	(266,642)	-	(266,642)
At 31 December 2022	548,505	88,133	636,638
Incurred claims and other insurance service expenses	**293,641**	**14,542**	**308,183**
Changes that relate to past service	**(3,659)**	**(20,888)**	**(24,547)**
Insurance service expenses	**289,982**	**(6,346)**	**283,636**
Insurance service result before reinsurance contracts held	**289,982**	**(6,346)**	**283,636**
Finance expense from insurance contracts issued	**24,102**	**-**	**24,102**
Net insurance financial result	**24,102**	**-**	**24,102**
Total amounts recognised in statement of profit or loss	**314,084**	**(6,346)**	**307,738**
Exchange differences	**(11,362)**	**(1,947)**	**(13,309)**
Claims and other directly attributable expenses paid	**(296,248)**	**-**	**(296,248)**
Total cash flows	**(296,248)**	**-**	**(296,248)**
At 31 December 2023	**554,979**	**79,840**	**634,819**

26 Insurance liabilities and reinsurance assets (continued)

Parent	Estimates of present value of future cash flows £000	Risk adjustment for non-financial risk £000	Total £000
At 1 January 2022	380,753	80,981	461,734
Incurred claims and other insurance service expenses	242,574	11,342	253,916
Changes that relate to past service	22,803	(31,545)	(8,742)
Insurance service expenses	265,377	(20,203)	245,174
Insurance service result before reinsurance contracts held	265,377	(20,203)	245,174
Finance income from insurance contracts issued	(31,801)	-	(31,801)
Net insurance financial result	(31,801)	-	(31,801)
Total amounts recognised in statement of profit or loss	233,576	(20,203)	213,373
Exchange differences	5,716	1,187	6,903
Claims and other directly attributable expenses paid	(216,502)	-	(216,502)
Total cash flows	(216,502)	-	(216,502)
At 31 December 2022	403,543	61,965	465,508
Incurred claims and other insurance service expenses	**250,501**	**11,108**	**261,609**
Changes that relate to past service	**1,916**	**(13,042)**	**(11,126)**
Insurance service expenses	**252,417**	**(1,934)**	**250,483**
Insurance service result before reinsurance contracts held	**252,417**	**(1,934)**	**250,483**
Finance expense from insurance contracts issued	**16,427**	**-**	**16,427**
Net insurance financial result	**16,427**	**-**	**16,427**
Total amounts recognised in statement of profit or loss	**268,844**	**(1,934)**	**266,910**
Exchange differences	**(3,997)**	**(615)**	**(4,612)**
Claims and other directly attributable expenses paid	**(233,361)**	**-**	**(233,361)**
Total cash flows	**(233,361)**	**-**	**(233,361)**
At 31 December 2023	**435,029**	**59,416**	**494,445**

26 Insurance liabilities and reinsurance assets (continued)

(iii) Reconciliation of the asset for remaining coverage

Reinsurance contracts held **Group**	**Excluding loss recovery component £000**	**Loss recovery component £000**	**Total £000**
At 1 January 2022	38,157	1,476	39,633
Allocation of reinsurance premiums	(130,675)	-	(130,675)
Recoveries of incurred claims and other insurance service expenses	(6,800)	-	(6,800)
Recoveries of losses on onerous contracts and reversal of those losses	-	814	814
Net (expense)/income from reinsurance contracts	(137,475)	814	(136,661)
Total amounts recognised in statement of profit or loss	(137,475)	814	(136,661)
Exchange differences	972	71	1,043
Premiums paid	133,635	-	133,635
Total cash flows	133,635	-	133,635
At 31 December 2022	35,289	2,361	37,650
Allocation of reinsurance premiums	**(148,094)**	**-**	**(148,094)**
Recoveries of incurred claims and other insurance service expenses	**(5,013)**	**-**	**(5,013)**
Recoveries of losses on onerous contracts and reversal of those losses	**-**	**(91)**	**(91)**
Net expense from reinsurance contracts	**(153,107)**	**(91)**	**(153,198)**
Total amounts recognised in statement of profit or loss	**(153,107)**	**(91)**	**(153,198)**
Exchange differences	**(812)**	**(117)**	**(929)**
Premiums paid	**156,657**	**-**	**156,657**
Total cash flows	**156,657**	**-**	**156,657**
At 31 December 2023	**38,027**	**2,153**	**40,180**

26 Insurance liabilities and reinsurance assets (continued)

Parent	Excluding loss recovery component £000	Loss recovery component £000	Total £000
At 1 January 2022	26,743	166	26,909
Allocation of reinsurance premiums	(85,898)	-	(85,898)
Recoveries of incurred claims and other insurance service expenses	(5,904)	-	(5,904)
Recoveries of losses on onerous contracts and reversal of those losses	-	(124)	(124)
Net expense from reinsurance contracts	(91,802)	(124)	(91,926)
Total amounts recognised in statement of profit or loss	(91,802)	(124)	(91,926)
Exchange differences	399	-	399
Premiums paid	88,064	-	88,064
Total cash flows	88,064	-	88,064
At 31 December 2022	23,404	42	23,446
Allocation of reinsurance premiums	**(104,627)**	**-**	**(104,627)**
Recoveries of incurred claims and other insurance service expenses	**(5,615)**	**-**	**(5,615)**
Recoveries of losses on onerous contracts and reversal of those losses	**-**	**(42)**	**(42)**
Net expense from reinsurance contracts	**(110,242)**	**(42)**	**(110,284)**
Total amounts recognised in statement of profit or loss	**(110,242)**	**(42)**	**(110,284)**
Exchange differences	**(225)**	**-**	**(225)**
Premiums paid	**107,715**	**-**	**107,715**
Total cash flows	**107,715**	**-**	**107,715**
At 31 December 2023	**20,652**	**-**	**20,652**

26 Insurance liabilities and reinsurance assets (continued)

(iv) Reconciliation of the asset for incurred claims

Reinsurance contracts held **Group**	**Estimates of present value of future cash flows £000**	**Risk adjustment for non-financial risk £000**	**Total £000**
At 1 January 2022	135,229	27,904	163,133
Recoveries of incurred claims and other insurance service expenses	108,571	8,921	117,492
Changes that relate to past service	6,404	(12,010)	(5,606)
Net income/(expense) from reinsurance contracts	114,975	(3,089)	111,886
Finance expense from reinsurance contracts held	(6,704)	-	(6,704)
Net insurance financial result	(6,704)	-	(6,704)
Total amounts recognised in statement of profit or loss	108,271	(3,089)	105,182
Exchange differences	3,558	939	4,497
Amounts received	(70,338)	-	(70,338)
Total cash flows	(70,338)	-	(70,338)
At 31 December 2022	176,720	25,754	202,474
Recoveries of incurred claims and other insurance service expenses	**71,621**	**5,427**	**77,048**
Changes that relate to past service	**(19,275)**	**(11,749)**	**(31,024)**
Net income/(expense) from reinsurance contracts	**52,346**	**(6,322)**	**46,024**
Finance income from reinsurance contracts held	**7,190**	**-**	**7,190**
Net insurance financial result	**7,190**	**-**	**7,190**
Total amounts recognised in statement of profit or loss	**59,536**	**(6,322)**	**53,214**
Exchange differences	**(4,385)**	**(835)**	**(5,220)**
Amounts received	**(70,540)**	**-**	**(70,540)**
Total cash flows	**(70,540)**	**-**	**(70,540)**
At 31 December 2023	**161,331**	**18,597**	**179,928**

26 Insurance liabilities and reinsurance assets (continued)

Parent	Estimates of present value of future cash flows £000	Risk adjustment for non-financial risk £000	Total £000
At 1 January 2022	89,124	15,901	105,025
Recoveries of incurred claims and other insurance service expenses	45,228	4,358	49,586
Changes that relate to past service	10,377	(7,392)	2,985
Net income/(expense) from reinsurance contracts	55,605	(3,034)	52,571
Finance expense from reinsurance contracts held	(2,612)	-	(2,612)
Net insurance financial result	(2,612)	-	(2,612)
Total amounts recognised in statement of profit or loss	52,993	(3,034)	49,959
Exchange differences	1,138	337	1,475
Amounts received	(33,482)	-	(33,482)
Total cash flows	(33,482)	-	(33,482)
At 31 December 2022	109,773	13,204	122,977
Recoveries of incurred claims and other insurance service expenses	**45,294**	**3,602**	**48,896**
Changes that relate to past service	**(2,242)**	**(4,992)**	**(7,234)**
Net income/(expense) from reinsurance contracts	**43,052**	**(1,390)**	**41,662**
Finance income from reinsurance contracts held	**3,991**	**-**	**3,991**
Net insurance financial result	**3,991**	**-**	**3,991**
Total amounts recognised in statement of profit or loss	**47,043**	**(1,390)**	**45,653**
Exchange differences	**(947)**	**(189)**	**(1,136)**
Amounts received	**(33,376)**	**-**	**(33,376)**
Total cash flows	**(33,376)**	**-**	**(33,376)**
At 31 December 2023	**122,493**	**11,625**	**134,118**

(v) Reserving methodology

Reserving for non-life insurance claims is a complex process and the Group adopts recognised actuarial methods and, where appropriate, other calculations and statistical analysis. Actuarial methods used include the chain ladder, Bornhuetter-Ferguson and average cost methods.

Chain ladder methods extrapolate paid amounts, incurred amounts (paid claims plus case estimates) and the number of claims or average cost of claims, to ultimate claims based on the development of previous years. This method assumes that previous patterns are a reasonable guide to future developments. Where this assumption is felt to be unreasonable, adjustments are made or other methods such as Bornhuetter-Ferguson or average cost are used. The Bornhuetter-Ferguson method places more credibility on expected loss ratios for the most recent loss years. For smaller portfolios the materiality of the business and data available may also shape the methods used in reviewing reserve adequacy.

The selection of results for each accident year and for each portfolio depends on an assessment of the most appropriate method. Sometimes a combination of techniques is used. The average weighted term to payment is calculated separately by class of business and is based on historical settlement patterns.

26 Insurance liabilities and reinsurance assets (continued)

(vi) Risk Adjustment for non-financial risk
The Risk Adjustment for non-financial risk is the compensation the Group requires for bearing the uncertainty about the amount and timing of the cash flows that arise from non-financial risk as it fulfils insurance contracts. Uncertainty is assessed using actuarial methods to quantify the variability in undiscounted net outcomes on an ultimate horizon.

The Group's risk appetite is to hold claims reserves, including a net Risk Adjustment, equating to at least a 75% probability of sufficiency. This approach generally results in a favourable release of provisions in the current financial year, arising from the settlement of claims relating to previous financial years.

Overall, it is estimated that the booked net Risk Adjustment provides for a confidence level of approximately 90% (2022: 90%), which is established by comparing the uplift for the booked net Risk Adjustment to the uncertainty distribution. Percentile estimates for loss distributions are highly uncertain as they contain a large number of judgements on possible future outcomes. This means that the percentile may see some fluctuation year on year due to inherent volatility.

(vii) Calculation of provisions for latent claims
The Group adopts commonly used industry methods including those based on claims frequency and severity and benchmarking.

(viii) Discounting
General insurance outstanding claims provisions have been discounted by applying currency and term specific discount rates in the following territories:

	Discount rate		Mean term of liabilities (years)	
Geographical territory		*Restated**		*Restated**
	2023	2022	**2023**	2022
UK and Ireland	**4.0% to 5.3%**	3.6% to 5.4%	**7.5**	7.5
Canada	**3.5% to 4.7%**	4.5% to 5.2%	**4.3**	4.3
Australia	**3.9%**	3.8%	**3.6**	3.9

*The comparative financial statements have been restated as detailed in note 37.

Parent consists of UK, Ireland and Canada. Group also includes Australia.

The above rates of interest are based on government bond yields of the relevant currency and term at the reporting date. Adjustments are made, where appropriate, to reflect the illiquidity of the liabilities. At the year end the undiscounted gross outstanding claims liability was £738,352,000 for the Group (2022 restated: £734,839,000), and £580,205,000 for the Parent (2022 restated: £547,182,000).

The impact of discount rate changes on the outstanding claims liability is presented within the net insurance financial result (note 8).

The sensitivity of Group profit or loss and other equity reserves to interest rate risk, taking into account the mitigating effect on asset values is provided in note 4(h).

(ix) Assumptions
The Group follows a process of reviewing its reserves for outstanding claims on a regular basis. This involves an appraisal of each reserving class with respect to ultimate claims liability for the recent exposure period as well as for earlier periods, together with a review of the factors that have the most significant impact on the assumptions used to determine the reserving methodology. The work conducted is subject to an internal peer review and management sign-off process.

The most significant assumptions in determining the undiscounted general insurance reserves are the anticipated number and ultimate settlement cost of claims, and the extent to which reinsurers will share in the cost. Factors which influence decisions on assumptions include legal and judicial changes, significant weather events, other catastrophes, subsidence events, exceptional claims or substantial changes in claims experience and developments in older or latent claims. Significant factors influencing assumptions about reinsurance are the terms of the reinsurance treaties, the anticipated time taken to settle a claim and the incidence of large individual and aggregated claims.

(x) Changes in assumptions
There are no significant changes in approach but we continue to evolve estimates in light of underlying experience.

(xi) Sensitivity of results

The sensitivity of profit before tax to reasonably possible final settlement assumptions used to calculate the general insurance liabilities is shown in the following table. No account has been taken of any correlation between the assumptions.

	Change in variable	Potential increase/ (decrease) in the result			
		2023		2022	
		Gross	Net	Gross	Net
Deterioration in loss ratio	+1%	(5,791)	(3,301)	(5,280)	(3,040)
Improvement in loss ratio	-1%	5,791	3,301	5,280	3,040
Increase in net liability for incurred claims excluding risk adjustment	+10%	(55,498)	(39,365)	(54,851)	(37,179)
Decrease in net liability for incurred claims excluding risk adjustment	-10%	55,498	39,365	54,851	37,179
Increase in risk adjustment*	+1%	(6,590)	(4,842)	(6,531)	(4,642)
Decrease in risk adjustment*	-1%	6,590	4,842	6,531	4,642

* Calculated on undiscounted present value of future cash flows

At 31 December 2023, it is estimated that a fall of 1% in the discount rates used would increase the Group's net outstanding claims liabilities and decrease profit before tax and equity by £14,314,000 (2022 restated: £16,444,000).

(xii) Claims development tables

The nature of liability classes of business is that claims may take a number of years to settle and before the final liability is known. The tables below show the development of the undiscounted estimate of ultimate net claims cost for these classes across all territories.

Estimate of ultimate net claims

Group	2014 £000	2015 £000	2016 £000	2017 £000	2018 £000	2019 £000	2020 £000	2021 £000	2022 £000	2023 £000	Total £000
At end of year	59,633	42,739	47,402	45,920	44,053	44,230	45,459	47,289	47,599	52,252	
One year later	47,690	40,397	41,631	41,706	37,456	39,842	37,509	47,102	45,575		
Two years later	47,428	37,740	37,740	37,797	32,867	37,243	36,193	45,079			
Three years later	41,494	32,297	36,337	34,818	31,647	39,164	37,579				
Four years later	35,164	28,506	35,217	36,431	32,884	39,248					
Five years later	33,233	27,418	32,993	36,550	31,722						
Six years later	33,309	30,544	33,896	38,618							
Seven years later	34,245	30,296	34,297								
Eight years later	35,233	29,231									
Nine years later	34,173										
Current estimate of ultimate claims	34,173	29,231	34,297	38,618	31,722	39,248	37,579	45,079	45,575	52,252	387,774
Cumulative payments to date	(28,362)	(22,255)	(24,486)	(25,187)	(17,612)	(19,729)	(13,594)	(8,214)	(4,468)	(1,553)	(165,460)
Outstanding liability	5,811	6,976	9,811	13,431	14,110	19,519	23,985	36,865	41,107	50,699	222,314
Effect of discounting											(53,593)
Present value											168,721
Discounted liability in respect of earlier years											108,849
Total discounted net liability for liability classes											277,570
Total discounted gross liability for non-liability classes and all expenses											177,321
Total discounted net liability included in insurance liabilities in the statement of financial position											454,891

Parent	2014 £000	2015 £000	2016 £000	2017 £000	2018 £000	2019 £000	2020 £000	2021 £000	2022 £000	2023 £000	Total £000
At end of year	50,025	33,122	35,882	33,134	31,981	32,688	33,502	33,792	35,458	39,988	
One year later	38,944	31,041	30,906	30,965	27,208	29,509	26,536	32,436	33,776		
Two years later	38,215	29,494	28,199	28,854	23,787	27,615	24,261	27,999			
Three years later	34,393	26,981	27,493	26,774	22,651	27,572	24,634				
Four years later	30,252	23,229	26,894	27,279	21,947	27,853					
Five years later	28,825	22,806	24,782	26,596	21,269						
Six years later	28,865	25,061	25,440	29,261							
Seven years later	29,268	24,614	25,928								
Eight years later	29,855	24,222									
Nine years later	29,536										
Current estimate of ultimate claims	29,536	24,222	25,928	29,261	21,269	27,853	24,634	27,999	33,776	39,988	284,466
Cumulative payments to date	(25,381)	(19,050)	(18,896)	(18,679)	(12,169)	(13,593)	(9,129)	(4,353)	(2,774)	(824)	(124,848)
Outstanding liability	4,155	5,172	7,032	10,582	9,100	14,260	15,505	23,646	31,002	39,164	159,618
Effect of discounting											(38,918)
Present value											120,700
Discounted liability in respect of earlier years											75,636
Total discounted net liability for liability classes											196,336
Total discounted gross liability for non-liability classes and all expenses											163,991
Total discounted net liability included in insurance liabilities in the statement of financial position											360,327

26 Insurance liabilities and reinsurance assets (continued)

(b) Life business insurance contracts
(i) Reconciliation of the liability for remaining coverage

Insurance contracts issued	**Estimates of present value of future cash flows £000**	**Risk adjustment for non-financial risk £000**	**Contractual service margin £000**	**Total £000**
At 1 January 2022	68,675	1,618	5,425	75,718
Changes that relate to current service				
CSM recognised in profit or loss for the services provided	-	-	(542)	(542)
Change in the risk adjustment for non-financial risk for the risk expired	-	1,101	-	1,101
Experience adjustments	(1,603)	-	-	(1,603)
	(1,603)	1,101	(542)	(1,044)
Changes that relate to future service				
Changes in estimates that adjust the CSM	380	(1,224)	844	-
Changes in estimates that result in onerous contract losses or reversal of	-	-	-	-
Contracts initially recognised in the period	-	-	-	-
	380	(1,224)	844	-
Insurance service result	(1,223)	(123)	302	(1,044)
Finance income from insurance contracts issued	(10,219)	-	23	(10,196)
Net insurance financial result	(10,219)	-	23	(10,196)
Total amounts recognised in statement of profit or loss	(11,442)	(123)	325	(11,240)
Claims and other directly attributable expenses paid	(3,991)	(1,224)	-	(5,215)
Total cash flows	(3,991)	(1,224)	-	(5,215)
At 31 December 2022	53,242	271	5,750	59,263
Changes that relate to current service				
CSM recognised in profit or loss for the services provided	**-**	**-**	**(717)**	**(717)**
Experience adjustments	**(90)**	**-**	**-**	**(90)**
	(90)	**-**	**(717)**	**(807)**
Changes that relate to future service				
Changes in estimates that adjust the CSM	**(1,700)**	**(20)**	**1,720**	**-**
Changes in estimates that result in onerous contract losses or reversal of	**-**	**-**	**-**	**-**
Contracts initially recognised in the period	**-**	**-**	**-**	**-**
	(1,700)	**(20)**	**1,720**	**-**
Insurance service result	**(1,790)**	**(20)**	**1,003**	**(807)**
Finance expense from insurance contracts issued	**2,581**	**-**	**47**	**2,628**
Net insurance financial result	**2,581**	**-**	**47**	**2,628**
Total amounts recognised in statement of profit or loss	**791**	**(20)**	**1,050**	**1,821**
Claims and other directly attributable expenses paid	**(5,035)**	**(20)**	**-**	**(5,055)**
Total cash flows	**(5,035)**	**(20)**	**-**	**(5,055)**
At 31 December 2023	**48,998**	**231**	**6,800**	**56,029**

(ii) Assumptions
The most significant assumptions in determining life reserves are as follows:

Mortality
An appropriate base table of standard mortality is chosen depending on the type of contract. Where prudent, an allowance is made for future mortality improvements based on trends identified in population data. For both 2023 and 2022 the base tables used were ELF16F and ELT16M with a 1% improvement applied each year.

Discounting
The nominal discount rate curve is calculated on a bottom up basis. The risk free curve is based on the UK government bond yield curve. A liquidity premium based on the return on a notional index of fixed interest assets, including gilts and corporate bonds, is added to the risk free curve. The liquidity premium is adjusted for credit risk and differences in liquidity between the notional assets and the liabilities.

		*Restated**
	2023	2022
Non-Profit Life Business	**3.2% to 5.1%**	2.8% to 4.8%

*The comparative financial statements have been restated as detailed in note 37.

Funeral plans renewal expense level and inflation
Numbers of policies in force and both projected and actual expenses have been considered when setting the base renewal expense level. The unit renewal expense assumption for in-force business is £14.27 per annum (2022: £17.94 per annum).

Expense and benefit inflation curves are set with reference to GBP inflation swaps of various terms, and using linear interpolation between available swap terms.

Tax
It has been assumed that current tax legislation and rates enacted at 1 January 2024 will continue to apply. All in-force business is classed as protection business and is expected to be taxed on a profits basis.

(iii) Changes in assumptions
Projected investment returns have been revised in line with the changes in the actual yields of the underlying assets. As a result, liabilities have increased by £0.4m (2022: £15.0m decrease).

The assumed future expenses of running the business have been revised based on expenses that are expected to be incurred by the company. The effect on insurance liabilities of the changes to renewal expense assumptions (described above) was a £0.5m decrease (2022: £0.3m decrease).

(iv) Sensitivity analysis
The sensitivity of profit before tax to changes in the key assumptions used to calculate the life insurance liabilities is shown in the following table. No account has been taken of any correlation between the assumptions.

	Change in variable	**Potential increase/ (decrease) in the result**	
			*Restated**
		2023	2022
Variable		**£000**	£000
Deterioration in mortality	+10%	**(820)**	(890)
Improvement in mortality	-10%	**960**	1,040
Increase in fixed interest/cash yields	+1% pa	**(340)**	(260)
Decrease in fixed interest/cash yields	-1% pa	**360**	230
Worsening of base renewal expense level	+10%	**20**	30
Improvement in base renewal expense level	-10%	**(20)**	(30)
Increase in expense inflation	+1% pa	**50**	80
Decrease in expense inflation	-1% pa	**(40)**	(60)

*The comparative financial statements have been restated as detailed in note 37.

26 Insurance liabilities and reinsurance assets (continued)

(v) Maturity analysis

The table below shows the maturity profile of the CSM release.

	Within 1 year £000	Between 1 and 5 years £000	After 5 years £000	Total £000
At 31 December 2023				
CSM release after accretion	**591**	**1,947**	**4,263**	**6,801**
At 31 December 2022 (restated*)				
CSM release after accretion	475	1,614	3,662	5,751

*The comparative financial statements have been restated as detailed in note 37.

27 Provisions for other liabilities and contingent liabilities

Group	Regulatory and legal provisions £000	Other provisions £000	Total £000
At 1 January 2023	**2,420**	**3,541**	**5,961**
Additional provisions	**3,615**	**578**	**4,193**
Used during year	**(3,637)**	**(183)**	**(3,820)**
Exchange differences	**-**	**(4)**	**(4)**
At 31 December 2023	**2,398**	**3,932**	**6,330**
Current	**2,398**	**1,933**	**4,331**
Non-current	**-**	**1,999**	**1,999**

Parent	Regulatory and legal provisions £000	Other provisions £000	Total £000
At 1 January 2023	**2,420**	**3,450**	**5,870**
Additional provisions	**3,615**	**513**	**4,128**
Used during year	**(3,637)**	**(183)**	**(3,820)**
Not utilised	**-**	**-**	**-**
Exchange differences	**-**	**(1)**	**(1)**
At 31 December 2023	**2,398**	**3,779**	**6,177**
Current	**2,398**	**1,866**	**4,264**
Non-current	**-**	**1,913**	**1,913**

Regulatory and legal provisions

The Group operates in the financial services industry and is subject to regulatory requirements in the normal course of business, including contributing towards any levies raised on UK general and life business. The provisions reflect an assessment by the Group of its share of the total potential levies.

In addition, from time to time, the Group receives complaints from customers and, while the majority relate to cases where there has been no customer detriment, we recognise that we have provided, and continue to provide, advice and services across a wide spectrum of regulated activities. We therefore believe that it is prudent to hold a provision for the estimated costs of customer complaints relating to services provided. The Group continues to reassess the ultimate level of complaints expected and the appropriateness of the provision, which reflects the expected redress and associated administration costs that would be payable in relation to any complaints we may uphold.

Dilapidations provisions

The provision for other costs relates to costs in respect of dilapidations. Dilapidations provisions are based on the Group's best estimate of future expense required to restoring a leased property to its original state on completion of the lease.

28 Deferred tax

An analysis and reconciliation of the movement of the key components of the net deferred tax liability during the current and prior reporting period is as follows:

Group	Unrealised gains on investments £000	Net retirement benefit assets £000	IFRS 17 transition adjustment £000	Other differences £000	Total £000
At 1 January 2022 (as restated*)	44,169	5,309	589	(8,900)	41,167
(Credited)/charged to profit or loss	(12,081)	(174)	(1,658)	3,150	(10,763)
Credited to other comprehensive income	-	(2,543)	-	(485)	(3,028)
Exchange differences	(23)	-	-	(264)	(287)
At 31 December 2022 (as restated*)	32,065	2,592	(1,069)	(6,499)	27,089
(Credited)/charged to profit or loss	**(638)**	**(116)**	**22**	**994**	**262**
(Credited)/charged to profit or loss - Impact of change in deferred tax rate	**(119)**	**(7)**	**-**	**23**	**(103)**
Charged to other comprehensive income	**-**	**1,200**	**-**	**535**	**1,735**
Charged to other comprehensive income - Impact of change in deferred tax rate	**-**	**75**	**-**	**20**	**95**
Exchange differences	**115**	**-**	**(21)**	**183**	**277**
At 31 December 2023	**31,423**	**3,744**	**(1,068)**	**(4,744)**	**29,355**
Parent					
At 1 January 2022 (as restated*)	42,300	5,312	966	(879)	47,699
(Credited)/charged to profit or loss	(8,072)	(174)	(1,151)	406	(8,991)
Credited to other comprehensive income	-	(2,543)	-	(485)	(3,028)
Exchange differences	-	-	-	9	9
At 31 December 2022 (as restated*)	34,228	2,595	(185)	(949)	35,689
(Credited)/charged to profit or loss	**(2,164)**	**(116)**	**171**	**1,184**	**(925)**
Credited to profit or loss - Impact of change in deferred tax rate	**(140)**	**(7)**	**-**	**(19)**	**(166)**
Charged to other comprehensive income	**-**	**1,200**	**-**	**535**	**1,735**
Charged to other comprehensive income - Impact of change in deferred tax rate	**-**	**75**	**-**	**20**	**95**
Exchange differences	**-**	**-**	**14**	**-**	**14**
At 31 December 2023	**31,924**	**3,747**	**-**	**771**	**36,442**

*The comparative financial statements have been restated as detailed in note 37.

Certain deferred tax assets and liabilities have been offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2023		2022	
	Group £000	**Parent £000**	Group £000	Parent £000
Deferred tax liabilities	**37,838**	**36,671**	37,027	36,209
Deferred tax assets	**(8,483)**	**(229)**	(9,938)	(520)
	29,355	**36,442**	27,089	35,689

Included in the above are unused tax losses of £10,114,000 (2022: £10,565,000) arising from life business, which are available for offset against future tax profits and can be carried forward indefinitely.

29 Other liabilities

	2023 Group £000	2023 Parent £000	*Restated** 2022 Group £000	*Restated** 2022 Parent £000
Derivative liabilities	**2,380**	**2,380**	3,234	3,234
Other creditors	**27,644**	**16,343**	17,783	14,578
Amounts owed to related parties	**1,485**	**1,460**	251	235
Accruals	**25,770**	**22,737**	26,077	22,758
	57,279	**42,920**	47,345	40,805
Current	**56,723**	**42,920**	46,733	40,805
Non-current	**556**	**-**	612	-

*The comparative financial statements have been restated as detailed in note 37.

Derivative liabilities are in respect of equity futures contracts and are detailed in note 21.

30 Subordinated liabilities

Group and Parent	**2023 £000**	2022 £000
6.3144% EUR 30m subordinated debt	**25,853**	25,818
	25,853	25,818

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

Subordinated debt is stated at amortised cost.

31 Investment contract liabilities

Group	**2023 £000**	2022 £000
Investment contract liabilities	**95,886**	58,479
	95,886	58,479

Investment contract liabilities represents amounts due to policyholders and, if applicable, the cost of the minimum repayment guarantee. Investment contract liabilities are repayable on demand or at short notice and therefore classified as current. These liabilities are matched with highly liquid investments.

32 Leases

Group as a lessee

The Group has lease contracts for various items of property, motor vehicles and other equipment used in its operations. Leases of property generally have terms of up to 15 years, while motor vehicles and other equipment generally have lease terms between 2 and 6 years. Lease terms are negotiated on an individual basis and contain different terms and conditions, but do not impose any covenants other than security interests. The Group's obligations under its leases are secured by the lessor's title to the leased assets, and leased assets may not be used as security for borrowing purposes.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period.

Group	Land and buildings £000	Motor vehicles £000	Other equipment £000	Total £000
At 1 January 2023	**17,944**	**973**	**112**	**19,029**
Additions	**5,787**	**143**	**3**	**5,933**
Disposals	**(284)**	**(74)**	**-**	**(358)**
Depreciation expense	**(2,731)**	**(199)**	**(75)**	**(3,005)**
Exchange differences	**(86)**	**-**	**(1)**	**(87)**
At 31 December 2023	**20,630**	**843**	**39**	**21,512**
At 1 January 2022	21,588	1,010	162	22,760
Additions	359	330	82	771
Disposals	(1,286)	(172)	(18)	(1,476)
Depreciation expense	(2,879)	(196)	(118)	(3,193)
Exchange differences	162	1	4	167
At 31 December 2022	17,944	973	112	19,029

Parent	Land and buildings £000	Motor vehicles £000	Other equipment £000	Total £000
At 1 January 2023	**17,623**	**965**	**112**	**18,700**
Additions	**3,795**	**143**	**3**	**3,941**
Disposals	**-**	**(72)**	**-**	**(72)**
Depreciation expense	**(2,250)**	**(194)**	**(74)**	**(2,518)**
Exchange differences	**(74)**	**-**	**(1)**	**(75)**
At 31 December 2023	**19,094**	**842**	**40**	**19,976**
At 1 January 2022	19,669	987	125	20,781
Additions	96	330	80	506
Disposals	-	(172)	-	(172)
Depreciation expense	(2,278)	(180)	(97)	(2,555)
Exchange differences	136	-	4	140
At 31 December 2022	17,623	965	112	18,700

Set out below are the carrying amounts of lease obligations:

	2023		2022	
	Group £000	**Parent £000**	Group £000	Parent £000
Current	**4,833**	**4,833**	2,446	2,438
Non-current	**16,854**	**14,718**	16,616	16,274
	21,687	**19,551**	19,062	18,712

Notes to the financial statements

32 Leases (continued)

Group profit for the year has been arrived at after charging the following amounts in respect of lease contracts:

	2023	2022
	£000	£000
Depreciation expense of right-of-use assets	**3,005**	3,193
Interest expense on lease liabilities	**745**	884
Expenses relating to short-term leases	**4**	16
Expenses relating to low value leases	**4**	-
	3,758	4,093

The Group had total cash outflows for leases, including interest paid, of £3,881,000 (2022: £3,991,000). The Parent had total cash outflows for leases, including interest paid, of £3,680,000 (2022: £3,399,000). The future cash outflows relating to leases that have not yet commenced are disclosed in note 33.

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised, as disclosed in note 2.

Group as a lessor

The Group has entered into operating leases on its investment property portfolio. These leases have terms of up to 50 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. The lessee is also required to provide a residual value guarantee on the properties. Rental income on these properties recognised by the Group during the year is disclosed in note 19.

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	2023		2022	
	Group	**Parent**	Group	Parent
	£000	**£000**	£000	£000
Year 1	**8,245**	**8,245**	8,110	8,110
Year 2	**6,973**	**6,973**	7,734	7,734
Year 3	**5,584**	**5,584**	6,532	6,532
Year 4	**5,005**	**5,005**	5,244	5,244
Year 5	**3,941**	**3,941**	4,748	4,748
After 5 years	**13,397**	**13,397**	16,554	16,554
Total undiscounted cashflows	**43,145**	**43,145**	48,922	48,922

33 Commitments

At the year end, the Group had capital commitments of £2,358,000 (2022: £76,000) relating to development costs.

The Group has lease contracts for right-of-use assets that had not commenced at 31 December 2023. These leases will commence in 2024. Leases for other equipment have a term of 4 years with expected cash outflow of £28,000 per annum.

34 Related undertakings

Ultimate parent company and controlling party

The Company is a wholly-owned subsidiary of Benefact Group plc. Its ultimate parent and controlling company is Benefact Trust Limited. Both companies are incorporated in England and Wales and copies of their financial statements are available from the registered office as shown in the Directors and Company Information section of this Annual Report and Accounts. The parent companies of the smallest and largest groups for which group financial statements are drawn up are Ecclesiastical Insurance Office plc and Benefact Trust Limited, respectively.

Related undertakings

The Company's interest in related undertakings at 31 December 2023 is as follows:

Company	Company Registration Number	Share Capital	2023 Holding of shares by Company	2023 Holding of shares by Group	2022 Holding of shares by Company	2022 Holding of shares by Group	Activity
Subsidiary undertakings							
Incorporated in the United Kingdom							
Ecclesiastical Financial Advisory Services Limited [1,3,6]	2046087	Ordinary	-	-	100%	-	Independent financial advisory
Ecclesiastical Group Healthcare Trustees Limited [1,3]	10988127	Ordinary	100%	-	100%	-	Trustee company
Ecclesiastical Life Limited [1]	0243111	Ordinary	100%	-	100%	-	Life insurance
EdenTree Investment Management Limited [1,6]	2519319	Ordinary	-	-	100%	-	Investment management
E.I.O. Trustees Limited [1,4]	0941199	Ordinary	100%	-	100%	-	Trustee company
Incorporated in Australia							
Ansvar Insurance Limited [2]	007216506	Ordinary	100%	-	100%	-	Insurance
Ansvar Insurance Services Pty Limited [2,5]	162612286	Ordinary	-	100%	-	100%	Dormant company
Ansvar Risk Management Services Pty Limited [2]	623695054	Ordinary	-	100%	-	100%	Risk management services

1 Registered office: Benefact House, 2000 Pioneer Avenue, Gloucester Business Park, Brockworth, Gloucester, GL3 4AW, United Kingdom

2 Registered office: Level 5, 1 Southbank Boulevard, Melbourne, VIC 3006, Australia

3 Exempt from audit under s479 of the Companies Act 2006

4 Exempt from audit under s480 of the Companies Act 2006

5 Exempt from audit

6 On 3 January 2023, the shares of EdenTree Investment Management Limited and Ecclesiastical Financial Advisory Services Limited were distributed to the Group's immediate parent company, Benefact Group plc and then to EdenTree Holdings Limited and Benefact Broking & Advisory Holdings Limited respectively.

35 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not included in the Group analysis, but are included within the Parent analysis below.

Benefact Group plc is the Group and Parent's immediate parent company. Other related parties, of both Group and Parent, include subsidiary undertakings of Benefact Group plc, the ultimate parent undertaking and the Group's pension plans.

	Benefact Group plc £000	Subsidiaries £000	Other related parties £000
2023			
Group			
Trading, investment and other income, including recharges, and amounts received	**7,175**	**-**	**56,970**
Trading, investment and other expenditure, including recharges, and amounts paid	**14,500**	**-**	**14,877**
Amounts owed by related parties*	**142,085**	**-**	**4,117**
Amounts owed to related parties	**-**	**-**	**135,094**
Parent			
Trading, investment and other income, including recharges, and amounts received	**7,175**	**12,113**	**23,537**
Trading, investment and other expenditure, including recharges, and amounts paid	**14,500**	**12,766**	**7,791**
Amounts owed by related parties	**142,085**	**2,052**	**4,117**
Amounts owed to related parties	**-**	**-**	**688**
2022			
Group			
Trading, investment and other income, including recharges, and amounts received	1,749	-	64,916
Trading, investment and other expenditure, including recharges, and amounts paid	55,300	-	11,342
Amounts owed by related parties	121,670	-	4,385
Amounts owed to related parties	-	-	101,661
Parent			
Trading, investment and other income, including recharges, and amounts received	1,749	26,341	9,259
Trading, investment and other expenditure, including recharges, and amounts paid	55,300	16,310	3,177
Amounts owed by related parties	121,670	6,129	3,563
Amounts owed to related parties	-	234	-

* Included within amounts owed by related parties of the Group and Parent is a loan of £135.1m (2022: £121.0m) due from Benefact Group plc.

On 3 January 2023 two wholly-owned subsidiaries of Ecclesiastical Insurance Office plc, EdenTree Investment Management Limited and Ecclesiastical Financial Advisory Services Limited, were transferred to direct ownership of the Benefact Group for £5.2m, recognising a gain after tax of £0.7m, as detailed in note 15.

Amounts owed by other related parties to the Group and Parent in the prior year include £1.2m due from an associate for the Benefact Group, relating to the disposal of SEIB.

During the year, the Company received premiums, commission and reinsurance recoveries via a related party insurance agency amounting to £325,000 (2022: £11,000) and paid reinsurance protection, commission and claims amounting to £811,000 (2022: £16,000).

Trading, investment and other expenditure, including recharges, and amounts paid in the current year includes loans totalling £14.1m (2022: £54.9m), general business claims of £12.4m (2022: £7.7m) and acquisition of shares totalling £nil (2022: £13.0m).

Trading, investment and other income, including recharges, and amounts received in the current year includes general business premiums totalling £5.2m (2022: £4.9m) and deposits received for life business totalling £30.2m (2022: £35.0m).

Amounts owed to related parties by the Group and by the Parent include insurance liabilities which are included in note 26. Amounts owed to related parties by the Group also includes investment contract liabilities which are included in note 31.

Notes to the financial statements

35 Related party transactions (continued)

Transactions and services within the Group are made on commercial terms. With the exception of some insurance liabilities, amounts outstanding between Group companies are unsecured, are not subject to guarantees, and will be settled in cash. No provisions have been made in respect of these balances.

The total aggregate remuneration of the directors of the Company in respect of qualifying services during 2023 was £2,832,000 (2022: £2,838,000). After inclusion of amounts receivable under long-term incentive schemes and pension benefits, the total aggregate emoluments of the directors was £3,722,000 (2022: £3,496,000).

The key management personnel is defined as the Group Management Board (Ecclesiastical's leadership team), Executive and Non-executive directors. The remuneration is shown below.

	2023		2022	
	Group	**Parent**	Group	Parent
	£000	**£000**	£000	£000
Key management personnel				
Wages and salaries	**6,126**	**6,126**	5,411	5,411
Social security costs	**677**	**677**	750	750
Pension costs - defined contribution plans	**340**	**340**	308	308
Fees and benefits for non-executive directors	**648**	**648**	625	625
	7,791	**7,791**	7,094	7,094

Charitable grants paid to the Group's ultimate Parent undertaking are disclosed in note 14. Contributions paid to and amounts received from the Group's defined benefits schemes are disclosed in note 17.

36 Reconciliation of Alternative Performance Measures

The Group uses alternative performance measures (APMs) in addition to the figures which are prepared in accordance with IFRS. The financial measures in our key financial performance data include gross written premiums and the combined operating ratio (COR). These measures are commonly used in the industries we operate in and we believe they provide useful information and enhance the understanding of our results.

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

The tables below provide a reconciliation of the gross written premiums, net written premiums and the combined operating ratio to their most directly reconcilable line items in the financial statements.

Group

		2023
General insurance		**£000**
Gross written premiums		**615,007**
Change in the gross unearned premium provision		**(35,861)**
Insurance revenue	[1]	**579,146**
Net written premiums		**351,340**
Outward reinsurance premiums written		**263,667**
Change in the gross unearned premium provision		**(35,861)**
Insurance revenue	[1]	**579,146**

		2023					
		Insurance		**Inv'mnt return**	**Corporate costs**	**Other income and charges**	**Total**
		General	**Life**				
		£000	**£000**	**£000**	**£000**	**£000**	**£000**
Insurance revenue	[1]	**579,146**	**6,509**	**832**	**-**	**(3)**	**586,484**
Insurance service expenses		**(415,686)**	**(5,702)**	**12,801**	**-**	**3**	**(408,584)**
Insurance service result before reinsurance contracts held		**163,460**	**807**	**13,633**	**-**	**-**	**177,900**
Net expense from reinsurance contracts		**(107,174)**	**-**	**-**	**-**	**-**	**(107,174)**
Insurance service result		**56,286**	**807**	**13,633**	**-**	**-**	**70,726**
Net insurance financial result		**-**	**(2,628)**	**(16,912)**	**-**	**-**	**(19,540)**
Net investment result		**-**	**4,274**	**53,195**	**-**	**-**	**57,469**
Other operating expenses		**(31,766)**	**(1,213)**	**(3,780)**	**(24,079)**	**87**	**(60,751)**
Other finance costs		**-**	**-**	**-**	**-**	**(3,151)**	**(3,151)**
Profit/(loss) before tax	[2]	**24,520**	**1,240**	**46,136**	**(24,079)**	**(3,064)**	**44,753**

Reconciliation to net earned premiums

Insurance revenue	[1]	**579,146**
Outward reinsurance premiums earned		**(249,091)**
Net earned premiums	[3]	**330,055**
Combined operating ratio = ([3] - [2]) / [3]		**92.6%**

The underwriting profit of the Group is defined as the profit/(loss) before tax of the general insurance business.

The Group uses the industry standard net combined operating ratio as a measure of underwriting efficiency. The COR expresses the total of net claims costs, commission and underwriting expenses as a percentage of net earned premiums. It is calculated as ([3] - [2]) / [3].

Notes to the financial statements

36 Reconciliation of Alternative Performance Measures (continued)

Group

General insurance		**2022 £000**
Gross written premiums		558,544
Change in the gross unearned premium provision		(30,619)
General Measurement Model insurance revenue		25
Insurance revenue	[1]	527,950
Net written premiums		320,475
Outward reinsurance premiums written		238,069
Change in the gross unearned premium provision		(30,619)
General Measurement Model insurance revenue		25
Insurance revenue	[1]	527,950

		*Restated** 2022					
		Insurance		Inv'mnt return	Corporate costs	Other income and charges	Total
		General £000	Life £000	£000	£000	£000	£000
Insurance revenue	[1]	527,950	6,311	642	-	(9)	534,894
Insurance service expenses		(437,738)	(5,267)	(1,693)	-	226	(444,472)
Insurance service result before reinsurance contracts held		90,212	1,044	(1,051)	-	217	90,422
Net expense from reinsurance contracts		(24,775)	-	-	-	-	(24,775)
Insurance service result		65,437	1,044	(1,051)	-	217	65,647
Net insurance financial result		-	10,196	37,666	-	-	47,862
Net investment result		-	(10,737)	(52,702)	-	-	(63,439)
Other operating expenses		(33,919)	(454)	(3,080)	(25,743)	-	(63,196)
Other finance costs		-	-	-	-	(2,456)	(2,456)
Profit/(loss) before tax	[2]	31,518	49	(19,167)	(25,743)	(2,239)	(15,582)

Reconciliation to net earned premiums

Insurance revenue	[1]	527,950
Outward reinsurance premiums earned		(223,955)
General Measurement Model insurance revenue		(25)
Net earned premiums	[3]	303,970
Combined operating ratio = ([3] - [2]) / [3]		89.6%

*The comparatives have been restated as a result of adoption to IFRS 17 *Insurance Contracts* , as detailed in note 37.

37 Prior year restatement

IFRS 17 *Insurance Contracts*

IFRS 17 *Insurance Contracts* replaces IFRS 4 *Insurance Contracts* . The Group adopted IFRS 17 from 1 January 2023 and has restated 2022 comparatives. The transitional provisions within IFRS 17 have been applied. The effect of changes to accounting policies as a result of adopting IFRS 17 are set out below.

(i) Transition

For general insurance (non-life) business in scope of the PAA the Group and Parent have used the fully retrospective approach (FRA). On 1 January 2022, the transition date to IFRS 17, the Group identified, recognised and measured each group of non-life insurance contracts as if IFRS 17 had always applied, derecognised any existing balances that would not exist had IFRS 17 always applied and recognised any resulting net difference in equity.

For the Group's life business, the Group has applied judgement when determining whether the FRA is practicable and whether reasonable and supportable information exists. The Group concluded the FRA was impracticable primarily due to the lack of certain data and certain assumptions and calculations would not be possible without the use of hindsight. Therefore, the Group has applied the fair value approach (FVA).

Where the Group has applied the FVA, fair value has been determined in accordance with IFRS 13 *Fair Value Measurement* , except for applying the provisions of paragraph 47 of IFRS 13 relating to demand features. The methodology used by the Group to calculate the fair value was based on market consistent embedded value principles. The existing 31/12/2021 Solvency II technical provision calculations were leveraged to calculate the fair value at transition to IFRS 17. The assumptions used in the 31/12/2021 best estimate liabilities were concluded to be appropriate for use by a typical market participant in assessing fair value.

As such this fair value calculation is sensitive to the targeted level of the capital requirement coverage assumed and level of diversification allowed for in the capital requirement calculation. Another material assumption was the cost of capital rate assumed in the cost of the capital element of the fair value calculation. These assumptions were all set to be consistent with an average market participant's expectations.

On transition to IFRS 17 on 1 January 2022, the Group's equity was positively impacted by £5.2m after tax, primarily due to changes that apply IFRS 17 principles to reserving for general insurance liabilities and the application of revised expense allocation models, offset by the establishment of a contractual service margin (CSM) in the life business. The Parent's equity was positively impacted by £6.3m after tax. IFRS 17 also results in presentation changes as described below.

The following shows the impact of IFRS 17 on the Group's and Parent's consolidated balance sheet on transition:

37 Prior year restatement (continued)

	Group		
	As reported 31 December 2022 £000	Impact of IFRS 17 £000	As restated 31 December 2022 £000
Assets			
Goodwill and other intangible assets	30,255	-	30,255
Deferred acquisition costs	52,526	(52,526)	-
Deferred tax assets	8,565	1,373	9,938
Pension surplus	15,338	-	15,338
Property, plant and equipment	31,405	-	31,405
Investment property	140,846	-	140,846
Financial investments	870,749	-	870,749
Reinsurers' share of contract liabilities	306,962	(66,838)	240,124
Current tax recoverable	4,212	-	4,212
Other assets	310,788	(162,439)	148,349
Cash and cash equivalents	104,664	-	104,664
Assets classified as held for distribution	14,999	-	14,999
Total assets	1,891,309	(280,430)	1,610,879
Equity			
Share capital	120,477	-	120,477
Share premium account	4,632	-	4,632
Retained earnings and other reserves	490,484	(3,715)	486,769
Total shareholders' equity	615,593	(3,715)	611,878
Liabilities			
Insurance contract liabilities	979,300	(189,754)	789,546
Investment contract liabilities	58,479	-	58,479
Lease obligations	19,062	-	19,062
Provisions for other liabilities	5,961	-	5,961
Retirement benefit obligations	4,960	-	4,960
Deferred tax liabilities	36,723	304	37,027
Current tax liabilities	308	-	308
Deferred income	33,167	(33,167)	-
Subordinated liabilities	25,818	-	25,818
Other liabilities	101,443	(54,098)	47,345
Liabilities classified as held for distribution	10,495	-	10,495
Total liabilities	1,275,716	(276,715)	999,001
Total shareholders' equity and liabilities	1,891,309	(280,430)	1,610,879

Notes to the financial statements

37 Prior year restatement (continued)

	Group			
	As reported 1 January 2022 £000	Held for distribution reclassification £000	Impact of IFRS 17 £000	As restated 1 January 2022 £000
Assets				
Goodwill and other intangible assets	52,512	(22,914)	-	29,598
Deferred acquisition costs	46,027	-	(46,027)	-
Deferred tax assets	8,480	-	377	8,857
Pension surplus	28,304	-	-	28,304
Property, plant and equipment	35,245	(1,768)	-	33,477
Investment property	163,355	-	-	163,355
Financial investments	883,770	-	-	883,770
Reinsurers' share of contract liabilities	253,436	-	(50,669)	202,767
Current tax recoverable	5	-	-	5
Other assets	240,910	(18,501)	(132,621)	89,788
Cash and cash equivalents	114,036	(19,300)	-	94,736
Assets classified as held for distribution	-	62,483	-	62,483
Total assets	1,826,080	-	(228,940)	1,597,140
Equity				
Share capital	120,477	-	-	120,477
Share premium account	4,632	-	-	4,632
Retained earnings and other reserves	509,852	-	5,186	515,038
Total shareholders' equity	634,961	-	5,186	640,147
Liabilities				
Insurance contract liabilities	939,069	-	(169,342)	769,727
Investment contract liabilities	15,519	-	-	15,519
Lease obligations	22,738	(1,298)	-	21,440
Provisions for other liabilities	6,373	(230)	-	6,143
Retirement benefit obligations	7,058	-	-	7,058
Deferred tax liabilities	48,965	93	966	50,024
Current tax liabilities	1,232	(413)	-	819
Deferred income	28,385	-	(28,385)	-
Subordinated liabilities	24,433	-	-	24,433
Other liabilities	97,347	(20,232)	(37,365)	39,750
Liabilities classified as held for distribution	-	22,080	-	22,080
Total liabilities	1,191,119	-	(234,126)	956,993
Total shareholders' equity and liabilities	1,826,080	-	(228,940)	1,597,140

Notes to the financial statements

37 Prior year restatement (continued)

	Parent		
	As reported 31 December 2022 £000	Impact of IFRS 17 £000	As restated 31 December 2022 £000
Assets			
Goodwill and other intangible assets	28,158	-	28,158
Deferred acquisition costs	42,130	(42,130)	-
Deferred tax assets	31	489	520
Pension surplus	15,338	-	15,338
Property, plant and equipment	30,906	-	30,906
Investment property	140,846	-	140,846
Financial investments	636,637	-	636,637
Reinsurers' share of contract liabilities	201,246	(54,823)	146,423
Current tax recoverable	4,212	-	4,212
Other assets	269,017	(127,695)	141,322
Cash and cash equivalents	66,569	-	66,569
Assets classified as held for distribution	3,722	-	3,722
Total assets	1,438,812	(224,159)	1,214,653
Equity			
Share capital	120,477	-	120,477
Share premium account	4,632	-	4,632
Retained earnings and other reserves	418,868	(673)	418,195
Total shareholders' equity	543,977	(673)	543,304
Liabilities			
Insurance contract liabilities	696,024	(157,277)	538,747
Lease obligations	18,712	-	18,712
Provisions for other liabilities	5,870	-	5,870
Retirement benefit obligations	4,960	-	4,960
Deferred tax liabilities	35,905	304	36,209
Current tax liabilities	228	-	228
Deferred income	26,929	(26,929)	-
Subordinated liabilities	25,818	-	25,818
Other liabilities	80,389	(39,584)	40,805
Liabilities classified as held for distribution	-	-	-
Total liabilities	894,835	(223,486)	671,349
Total shareholders' equity and liabilities	1,438,812	(224,159)	1,214,653

	Parent			
	As reported 1 January 2022 £000	Held for distribution reclassification £000	Impact of IFRS 17 £000	As restated 1 January 2022 £000
Assets				
Goodwill and other intangible assets	27,501	-	-	27,501
Deferred acquisition costs	36,740	-	(36,740)	-
Pension surplus	28,304	-	-	28,304
Property, plant and equipment	32,771	-	-	32,771
Investment property	162,822	-	-	162,822
Financial investments	707,106	(28,612)	-	678,494
Reinsurers' share of contract liabilities	170,909	-	(38,974)	131,935
Current tax recoverable	5	-	-	5
Other assets	194,808	-	(104,340)	90,468
Cash and cash equivalents	48,437	-	-	48,437
Assets classified as held for distribution	-	28,612	-	28,612
Total assets	1,409,403	-	(180,054)	1,229,349
Equity				
Share capital	120,477	-	-	120,477
Share premium account	4,632	-	-	4,632
Retained earnings and other reserves	427,393	-	6,340	433,733
Total shareholders' equity	552,502	-	6,340	558,842
Liabilities				
Insurance contract liabilities	669,375	-	(140,094)	529,281
Investment contract liabilities	-	-	-	-
Lease obligations	20,806	-	-	20,806
Provisions for other liabilities	6,068	-	-	6,068
Retirement benefit obligations	7,058	-	-	7,058
Deferred tax liabilities	46,733	-	966	47,699
Current tax liabilities	819	-	-	819
Deferred income	21,951	-	(21,951)	-
Subordinated liabilities	24,433	-	-	24,433
Other liabilities	59,658	-	(25,315)	34,343
Total liabilities	856,901	-	(186,394)	670,507
Total shareholders' equity and liabilities	1,409,403	-	(180,054)	1,229,349

Notes to the financial statements

37 Prior year restatement (continued)

(ii) Changes to classification and measurement

The adoption of IFRS 17 did not change the classification of the Group and Parent's insurance contracts. However, IFRS 17 establishes specific principles for the recognition and measurement of insurance and reinsurance contracts. IFRS 17 introduces a GMM that bases the measurement of a group of contracts on the present value of future cash flows with a risk adjustment for non-financial risk and a CSM representing unearned profit recognised in profit or loss over the period insurance service is provided (the coverage period). Entities have the option to use a simplified measurement model, the PAA, for short-duration contracts; this model is applicable to all the Group's general insurance and reinsurance contracts except in limited circumstances where the GMM is required.

IFRS 17 accounting under the PAA is similar to IFRS 4, but differs as follows:

- The identification of groups of onerous contracts is done at a more granular level than liability adequacy tests performed under IFRS 4. Under IFRS 17, the loss component of onerous contracts measured based on projected profitability is recognised immediately in profit or loss, potentially resulting in earlier recognition compared to IFRS 4.
- The liability for incurred claims includes an explicit risk adjustment. The Group's approach to IFRS 4 risk margins reflected reserving risk appetite considering the inherent uncertainty in the net discounted claim liabilities estimates, whereas the IFRS 17 risk adjustment more explicitly requires consideration of the compensation required for bearing the uncertainty that arises from non-financial risk. As with risk margins, the risk adjustment includes any benefit of diversification considered by the entity.

(iii) Changes to presentation and disclosure

IFRS 17 provides specific guidance for the presentation and disclosures of insurance and reinsurance contracts. Groups of insurance contracts issued that are either asset or liabilities, and groups of reinsurance contracts held that are either assets or liabilities are presented separately in the statement of financial position. The presentation of insurance revenue and expenses within the consolidated statement of profit of loss is based on the concepts of insurance services being provided during the period.

Consolidated statements of profit or loss

Changes introduced by IFRS 17 require separate presentation of insurance revenue, insurance service expenses and net insurance financial result. Gross written premiums, outward reinsurance premiums, net change in provision for unearned premium, net earned premiums, claims and change in insurance liabilities and reinsurance recoveries are no longer disclosed.

Consolidated statement of financial position

IFRS 17 introduces changes to the statement of financial position. Previous line items insurance contract liabilities, deferred acquisition costs and insurance debtors and creditors included within other assets and liabilities are now presented together within insurance contract liabilities. Previously reported reinsurers' share of contract liabilities and reinsurance debtors and creditors within other assets and liabilities are presented together within reinsurance contract assets.

IFRS 9 *Financial instruments*

The Group and Parent adopted IFRS 9 *Financial instruments* on 1 January 2023. The comparative information was not restated and continues to be reported under IAS 39 Financial instruments. The reclassifications and adjustments arising from the new expected credit loss provisions are therefore not reflected in the restated balance sheet as at 31 December 2022, but are recognised in the opening balance sheet on 1 January 2023. The net impact to retained earnings as a result of the adoption of IFRS 9 at 1 January 2023 was a reduction of £1.4m on amortised cost loans and receivables resulting from the replacement of credit loss provisions measured under IAS 39 to expected credit loss provisions in accordance with the IFRS 9 credit loss model.

37 Prior year restatement (continued)

The following table summarises the classification and measurement impacts of IFRS 9 on transition:

	Measurement category		Carrying amount		
Financial assets	**Original (IAS 39)**	**New (IFRS 9)**	**As previously reported (IAS 39) £000**	**Impact of IFRS 9 [2] £000**	**IFRS 9 £000**
Equity securities	FVTPL	FVTPL	354,023	-	354,023
Debt securities	FVTPL	FVTPL	459,719	-	459,719
Structured notes	FVTPL	FVTPL	56,138	-	56,138
Derivatives [1]	Hedge accounted derivatives	FVOCI	655	-	655
	FVTPL	FVTPL	100	-	100
Other loans	Loans and receivables	Amortised cost	114	-	114
Other assets	Loans and receivables	Amortised cost	140,246	(1,395)	138,851
Cash and cash equivalents	Loans and receivables	Amortised cost	104,664	-	104,664

[1] Derivatives accounted for as a hedge of a net investment in a foreign operation (net investment hedge) were, and continue to be measured at FVOCI. Derivatives not accounted for as a net investment hedge or acquired principally for the purpose of selling in the near term are measured at FVTPL.

[2] The impact on adoption of IFRS 9 is from the application of the Group's IFRS 9 expected credit loss model accounting policy. The reclassifications of the financial instruments on adoption of IFRS 9 did not result in any changes to measurements. No changes have arisen from the more principles-based hedge accounting requirements.