# The Baptist Insurance Company PLC Solvency and Financial Condition Report

**For the year ended 2025**

The Baptist Insurance Company Plc
Company Registration Number 00083597

# Contents

# Executive Summary

## Introduction

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

## Our business

The Company is an independent, specialist financial services company that provides insurance and risk management advice for churches, as well as offering home insurance for Baptist Ministers, church volunteers and church members.

The vision of the Company is to be the first-choice insurer within the Baptist family. The mission is to run a successful business with the highest standards of integrity and help to create safe environments for worship, witness and service.

Success includes being able to generate distributable profits that may be used to strengthen the Company's capital position and to reinvest in the Baptist community through payment of charitable grants.

## Business performance

The operating performance for 2025 was a profit of £1,128k, partly driven by the investment performance which experienced significant unrealised gains reflecting the market conditions experienced in the year, although volatile movements continued to be seen in certain periods. The underwriting performance was also positive and saw a profit of £140k which was favourable to both budget and the prior year’s result (2024: £344K loss).

The investment return reported a net gain of £988k (2024: £864k gain) primarily driven by unrealised gains of £638k (2024: £490k gain). The positive performance saw most funds held by the Company deliver unrealised gains reflecting performance of the global stock markets despite continued economic and political volatility. Gains of £72k (2024: £95k) were also realised in the year following selective disinvestments of parts of the portfolio, with the balance of investment income mainly reflecting holding distributions, as detailed in section A.3, which were broadly in line for both years.

The underwriting performance was a profit in the year of £140k, mainly driven by the high profit commission receivable in the year resulting from a favourable claims performance on both the property and liability accounts. This is compared to nil profit commission in 2024 where significant large claims were experienced.

As a result of the overall operating performance, combined with the strong solvency coverage, the Company was able to approve charitable grants to the Baptist Community of £690k, significantly higher than the planned level following the strong result generated in the year. This included an additional sum of £324k to a “Stewardship” fund which will be utilised for future support of Baptist projects

The Company continued to operate a Joint Administration Agreement (JAA) with the Administrator, as a result the governance of the Company remained stable and in line with the previous year. Following a review of the Reinsurance Treaty Agreement (RTA) and the Joint Administration Agreement (JAA) between the Company and EIO, updated versions of both agreements were approved by the Board in December 2025 and will take effect from 1 January 2026.

## Solvency and financial condition

The Company uses the Standard Formula to calculate its Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR).

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

| Summary solvency position | 2025 £'000 | 2024 £'000 | Change £'000 |
|---|---|---|---|
| **Own Funds** | **9,263** | **8,404** | 859 |
| Market risk | 3,305 | 2,865 | 440 |
| Counterparty default risk | 674 | 737 | (63) |
| Non-life underwriting risk | 65 | 73 | (8) |
| Diversification | (487) | (517) | 30 |
| Basic SCR | 3,557 | 3,158 | 399 |
| Operational risk | 130 | 126 | 4 |
| Loss absorbing capacity of deferred tax | (160) | - | (160) |
| **Standard Formula SCR** | **3,527** | **3,284** | 243 |
| **MCR** | 3,500 | 3,500 | - |
| **Coverage ratio (SCR)** | **263%** | **256%** | 7% |
| **Coverage ratio (MCR)** | **264%** | **231%** | 33% |

The Company's regulatory solvency position has improved within the year, remaining incredibly strong at 263%. This year the SCR has overtaken the MCR, and becomes the primary solvency measure. The movement in Own Funds is explained in more detail in section E.1.

The Company's SCR increased in the year by £243k driven by an increase in equity risk, reflecting the increase in equity markets and subsequent increase in equity values in the period as well as an increase in the symmetric adjustment. Also, due to the deferred tax asset moving to a liability in the year due to the divergence in valuation of technical provisions between IFRS and SUK, there is the recognition of the loss absorbing capacity for deferred tax.

The MCR remains at the absolute floor and is now valued as per PRA prescribed Sterling value in the period.

More detail on the changes in SCR during the year is given in section E.2.

## Outlook for 2026

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

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

The Company's capital position remains very strong and is well placed to withstand continuing market volatility, currency instability and industry pressures. The Company regularly monitors solvency levels and no instances of a breach of its MCR or its SCR have occurred nor have there been any breaches in the Board's risk appetite up to the date of this report being published.

# Directors' Statement of Responsibilities

## The Baptist Insurance Company PLC

### Financial year ended 31 December 2025

### Statement required by the Solvency UK section of the PRA Rulebook

We acknowledge our responsibility for preparing the Solvency and Financial Condition Report in all material respects in accordance with the Prudential Regulation Authority (PRA) Rulebook.

We are satisfied that:

a) Throughout the financial year in question, the insurer has complied in all material respects with the requirements of the PRA Rulebook as applicable to the insurer; and

b) It is reasonable to believe that the insurer has continued so to comply subsequently and will continue so to comply in future.

D. Lane
Chief Executive Officer
Date: 25th March 2026

# A. Business and performance

## A.1 Business details and group structure

### A.1.1 Name and legal form of the Company

The Baptist Insurance Company PLC is a public limited company incorporated and domiciled in the United Kingdom. The address of the registered office is:

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

### A.1.2 Supervisory authority

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

### A.1.3 External auditor

Ernst & Young LLP
The Paragon
32 Counterslip
Redcliffe
Bristol
BS1 6BX

### A.1.4 Qualifying holdings

The Company has in issue 28,284 five percent cumulative ordinary shares of £5 each. These are held by a number of Baptist related organisations and private individuals. Qualifying holdings are as follows:

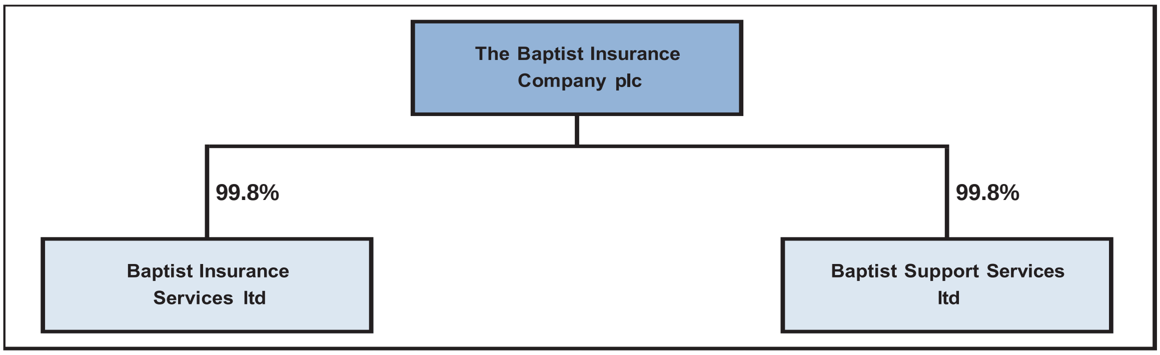
- The Central Baptist Association which holds 3,205 shares equating to 11.331% of the voting rights of the share class.
- Eastern Baptist Association which holds 3,204 shares equating to 11.328% of the voting rights of the share class.

In addition, 1,286 four percent cumulative preference shares of £5 each have been issued. Qualifying holdings are as follows:

- London Baptist Property Board Limited which holds 130 Shares equating to 10.109% of the Share class.
- Gordon Harvey Price holds 238 Shares equating to 18.507% of the Share class.

### A.1.5 **Group structure**

Below is a graphical representation of the group structure and the Company's position within the group:




The Company as well as both of its subsidiaries are incorporated in England and Wales. The subsidiaries are dormant, having not traded since incorporation. The Company holds 998 of the 1,000 ordinary shares of each subsidiary. The remaining shares are held by the directors of the subsidiary as nominees, who are also directors of the Company.

### A.1.6 **Lines of business**

The principal lines of business of the Company are:

- Fire and other damage to property; and
- General liability.

The Company provides insurance and risk management advice for churches, as well as offering home insurance for Baptist Ministers, church volunteers and church members within the United Kingdom.

### A.1.7 **Significant events**

Significant developments in the UK insurance market in 2025 included the beginning of a softening within the market, as well as continued regulatory transformation, and operational pressures that required focus on how companies are managing risk. These included increased Consumer Duty requirements, the continuing evolution of the Solvency UK regulatory framework, and an enhanced focus on considerations such as operational resilience and solvent-exit planning. Additionally, the market continues to see developments in technology and data transformation that businesses are continuing to monitor and respond to.

The volatility seen from geopolitical tensions and the impact of these on equity markets, monetary policy expectations and interest rates continued, impacting investment performance locally and across the globe. The Company benefitted from significant increases in the value of our investment holdings over the period.

Climate change and sustainability remain a key focal point, with a record breaking rainstorm event experienced in January 2025 (Storm Eowyn), while overall frequency of storms during the 2024-25 season had reduced compared to the inflated levels seen in the prior period. The Company saw lower than expected claims experience during these events in the year.

These and other risks are being continually monitored, and the Company is managing the ongoing impact of these, utilising business continuity and risk management processes where appropriate.

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

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

## A.2 Performance from underwriting activities

### A.2.1 **Overall underwriting performance**

The underwriting performance for the year was a profit of £140k (2024: £344k loss). This follows a strong reinsurance profit commission received in the year resulting from favourable claims performance on both the property and liability accounts. The property account did however see several large claims in the year but at a lower volume and cost to 2024.

The pre-1998 run-off account saw an expense for the year of £291k gross/£74k net following a £363k gross/£20k net increase in the Company run-off incurred but not reported (IBNR) for 1971-1998 claims, as claim development over the year has been slow, resulting in the need to hold an increased reserve while this continues to be monitored. One new pre 1998 run-off claim has been experienced for the year, reflecting lower than average activity, and marginal movements were experienced in relation to existing claims, including three claims that are now closed as final payments were made on these.

Gross Written Premium (GWP) increased by 2.2% compared to the prior year (2024: 3.0% increase). This increase can mainly be attributed to the impact of the indexation related increases which continued to remain at a higher level, as well as new business growth and strong retention.

### A.2.2 **Performance by material class of business and by geographical region**

**Underwriting Performance by Material Class of Business**

| Description | Property 2025 £'000 | Property 2024 £'000 | Liability 2025 £'000 | Liability 2024 £'000 |
|---|---|---|---|---|
| Gross Written Premium | 3,928 | 3,854 | 363 | 343 |
| Gross Earned Premium | 3,890 | 3,834 | 360 | 307 |
| Gross Incurred Claims | (1,322) | (2,590) | (231) | 63 |
| *Reinsured* | *(1,322)* | *(2,590)* | *60* | *(104)* |
| *Run-off* | - | - | *(291)* | *167* |
| Commission | (17) | (15) | (2) | (1) |
| Expenses | (261) | (246) | (24) | (22) |
| Gross Underwriting result | 2,290 | 983 | 104 | 347 |
| Reinsurance Earned Premium | (3,890) | (3,834) | (360) | (307) |
| Reinsurance Claims | 1,331 | 2,573 | 156 | (126) |
| Reinsurance Commission | 341 | 24 | 151 | 1 |
| Net Underwriting result | 72 | (254) | 50 | (85) |

Other business is not considered material and consists of personal accident and pecuniary loss. The net underwriting result was £18k (2024: £7k loss).

*Property*

The property account reported an underwriting profit of £72k (2024: £254k loss), with 2025 experiencing fewer large claims than the prior year. This was reinforced by favourable weather and attritional experience. As a result of the overall favourable claims experience, the reinsurance commission seen has been significantly higher than the previous year. Expenses have seen marginal increases from last year.

*Liability*

The liability account reported a profit of £50k, a favourable movement on the previous year. This was attributable to the reinsurance commission on post-1998 liability claims experience, which has been light with no new large claims registered in the year.

Run-off claims are historic liability claims including Physical Sexual and Abuse (PSA) claims. One new Pre 1998 run off claim has been reported during the year and minor movements have been experienced in relation to existing claims which have now closed. The Pre 1998 Company run-off IBNR experienced an increase of £363k gross/£20k net as claim development over the year has been slower than indicated by benchmark modelling, resulting in the need to hold an increased reserve while this continues to be monitored. Discounting has also been recognised in the year, with a decrease on run-off IBNR of £165k gross/£13k net. At the end of the year, the resulting run-off claims and IBNR movements stood at an increase of £291k gross/£74k net.

*Performance by geographical region*

The Company only underwrites business in the UK and therefore an analysis by geographical region has not been provided.

## A.3 Performance from investment activities

### A.3.1 **Investment performance by asset class**

| Investment performance | 2025 | 2024 | Inc/(Dec) |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| OEIC Income | 227 | 226 | 0 |
| Bank Interest | 5 | 9 | (4) |
| Total Income | 232 | 235 | (3) |
| Realised Gains / (Losses) on Investments | 72 | 95 | (23) |
| Unrealised Gains / (Losses) on Investments | 638 | 490 | 148 |
| Total Investment Return | 941 | 820 | 121 |
| | - | - | |
| Instalment Handling Fees | 37 | 41 | (3) |
| Discounting | 14 | 7 | 7 |
| Investment Expenses & Charges | (4) | (4) | 0 |
| Net Investment Return | 988 | 864 | 118 |

Total income consisted primarily of Open-Ended Investment Company (OEIC) income received during the year by the Company. For the year, this amounted to £227k, approximately in line with the prior year. Bank interest was a small amount of £5k in the year, a decrease on the prior year.

The total investment return to December 2025 was a profit of £941k (2024: £820k). The continued positive performance was seen across most funds held by the Company which delivered unrealised gains of £638k (2024: £490k), reflecting the positive performance of the global stock markets showing recovery after recent economic and political volatility, although volatility has still been seen throughout the year. Gains of £72k (2024: £95k) were also realised in the year following a £350k disinvestment of part of the portfolio.

Instalment handling fees, which relate to policies that are settled in instalments rather than in full, have remained at a similar level to 2024.

The Company's investments consist wholly of OEICs and the mix of underlying investments were as follows, with the net change driven by part disposals in the year offset by unrealised gains on the remaining investments:

| Investment Mix | 2025 | 2024 | Inc/(Dec) |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| Fixed Interest | 3,701 | 3,556 | 145 |
| UK Equities | 1,171 | 1,126 | 45 |
| Overseas Equities | 4,111 | 3,885 | 225 |
| Cash | 43 | 99 | (56) |
| Fair Value | 9,026 | 8,666 | 359 |

### A.3.2 **Gains and losses recognised directly in equity**

The Company has not recognised any gains or losses directly in equity in either the current or the previous reporting period.

### A.3.3 **Investments in securitisation**

The Company does not hold any investments in securitisation.

## A.4 Performance from other activities

### A.4.1 **Other Activities**

| Other Activities | 2025 | 2024 | Inc/(Dec) |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| Charitable Grants (paid/accrued) | (690) | (360) | (330) |
| Financing Costs | (7) | (7) | - |
| Tax | (107) | 17 | (124) |
| | (804) | (350) | (454) |

*Charitable Grants*

The Company approved £690k in charitable grants in support of the Baptist Community. This was significantly higher than the amount allocated in 2024 of £360k and higher than the budget of £300k, following an additional distribution of £324k to a "Stewardship" fund made at the end of the year in response to the strong returns generated during the period.

*Financing Costs*

Financing costs comprise fixed interest preference shares at 4% and ordinary preference shares at 5%. There have been no changes in the year.

*Tax*

The Company’s tax charge for the year was £107k made up of a corporation tax charge of £88k and a deferred tax charge of £19k, largely driven by the investment gains seen in the year (2024: £17k tax credit).

## A.5 Any other information

There is no other material information regarding the Company and or its performance as an insurance undertaking to disclose outside of what has been disclosed in earlier sections.

# B. System of governance

## B.1 General information on the system of governance

### B.1.1 **Governing Body – Roles and segregation of responsibilities**

*Composition*

The Company is governed by a Board of Directors (the Board) comprising eight Non-Executive directors (NEDs) (including the Chair) and an Administrator Director.

*The Role of the Administrator – outsourcing arrangements*

The arrangements for the provision of management and administration services to the Company by an outsourced provider, the Administrator, are set out in the JAA. In accordance with the Company's Articles of Association, an Administrator Director, who is an employee of the Administrator, has been appointed to the Board. Authority is delegated by the Board to the Administrator for the sound management of the Company's day to day business.

*Appointment of Non-executive Directors*

The NEDs of the Company are appointed as either Ordinary Directors or Baptist Union Directors, as permitted in the Company's Articles of Association. The Company believes the size and composition of the Board gives it sufficient independence, balance and depth of professional experience to consider the issues of strategy, performance, resources and standards of conduct.

The Board regularly reviews the appropriateness of the Directors through the use of Board and Committee effectiveness reviews and review of Directors' training and development needs.

*Key roles and responsibilities*

The Board retains ultimate responsibility for the governance and sound prudent management of the Company and is responsible for ensuring compliance of the outsourcing services and reinsurance agreement and all of its regulatory requirements and obligations.

The Board is responsible to the Company's shareholders for the long-term success of the Company, its strategy, values 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.

A Board Charter has been developed which establishes a framework for the conduct of the Board and its committees with clear guidelines as to its responsibilities, the expected standard of behaviour, and best practice in fulfilling its obligations to the Company. The Board is responsible for:

- culture and values;
- strategy and direction;
- leadership and organisation;
- governance;
- risk management and controls;
- financial expectations and performance; and
- communication.

*Segregation of Responsibilities*

The approach to segregation and delegation of responsibilities is set out in the Company's Governance Framework (the Framework), which demonstrates the high standards of compliance and corporate governance adopted and followed. The Framework establishes appropriate procedures, systems and controls to allow Directors to discharge their duties and obligations effectively. It sets clear expectations for all operations in terms of their strategy, governance, performance, risk parameters and controls to protect the interest of the Company's stakeholders.

Segregation of responsibilities is an important internal control, which helps ensure that no one individual has unfettered powers of decision. By selectively delegating authority and certain functions to various individuals and committees, the Board does not absolve itself of its own responsibilities.

*Chair*

The Chair is responsible for:

- the active leadership of the Board, ensuring its effectiveness in all aspects of its role;
- maintaining an appropriate balance on the Board regarding skills, knowledge, experience and diversity;
- ensuring that all relevant issues are on the Board agenda that directors receive all appropriate documentation in a timely manner, are enabled and encouraged to play their full part in relevant discussions and debate, and that the management team are both supported and challenged;
- demonstrating the highest standard of integrity and probity, setting clear expectations concerning the Company's culture, values and behaviours, and the style and tone of Board discussions;
- through Board committees, seeking assurance that the management team is adequately resourced and that there are succession plans in place for all directors;
- ensuring that the Chief Executive Officer (CEO)/General Manager is working to clear objectives and that their performance and the Board's performance is effectively monitored; and
- appraising the performance of individual directors in conjunction with the Senior Independent Director (SID).

*Deputy Chair*

In addition to their other duties as a NED, the Deputy Chair is responsible for:

- supporting the Chair in the active leadership of the Board regarding skills, knowledge, experience and diversity;
- deputising for the Chair as and when required;
- demonstrating the highest standard of integrity and probity, setting clear expectations concerning the Company's culture, values and behaviours, and the style and tone of Board discussions;
- in support of the Chair, and via the Board committees, seeking assurance that the Administrator is adequately resourced and that there are succession plans in place for all directors; and
- alongside the Chair, ensuring that the CEO is working to clear objectives and the Board's performance is effectively monitored.

*Senior Independent Director*

In addition to their other duties as a NEDs, the SID is responsible for:

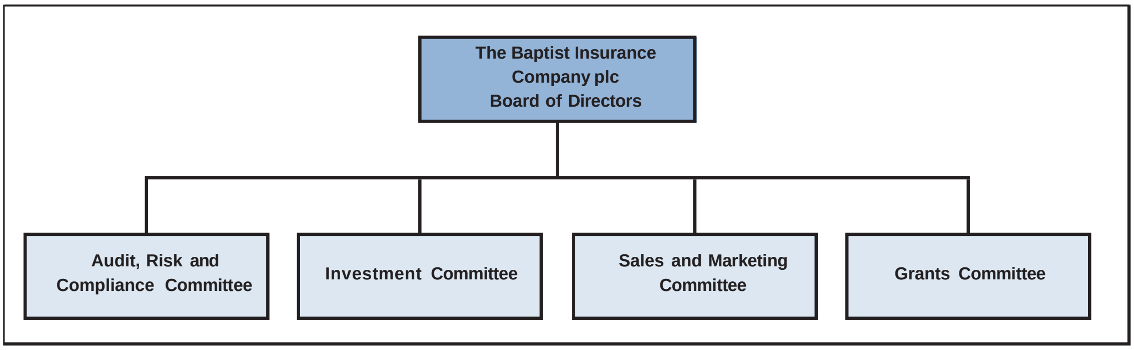
- acting as a sounding board for the Chair, as appropriate;
- leading the evaluation of the Chair and working with the Chair to appraise the performance of individual Directors;
- acting as an intermediary for the other Directors where necessary;
- meeting with the other Directors without the Chair present if required; and
- being available to the shareholders if they have any concerns about the running of the Company that have not been resolved.

*Non-Executive Directors*

NEDs have a responsibility to uphold high standards of integrity and probity. They should constructively challenge and help develop proposals on strategy and have the same responsibilities and liabilities under legislation and case law as Executive Directors.

### B.1.2 **Delegation to committees**

The Board has established four committees which support the discharge of its duties. Each committee has agreed terms of reference which set out requirements for membership, meeting administration, committee responsibilities and reporting.




The Board has delegated certain responsibilities to the Board committees. Each committee has individual responsibilities, as detailed in their Terms of Reference, which provide delegations of authority and effective reporting structures to the Board. All committees are required to formally report back to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

A high-level overview of each committee's delegated responsibilities are summarised below:

*Audit, Risk and Compliance Committee (AR&CC)*

The role of the AR&CC is to assist the Board in fulfilling its oversight responsibilities by reviewing and monitoring:

- the integrity of the financial, narrative and regulatory statements and other financial information;
- the Company's system of internal controls and risk management (including whistleblowing arrangements, operational resilience, business continuity and climate change considerations);

- the internal and external audit process and auditors;
- oversight and challenge of the Administrator as the Company's material outsource provider in accordance with Supervisory Statement 2/21, Outsourcing and Third-Party Risk Management; and
- the processes for compliance with laws, regulations and ethical codes of practice.

The committee members have been selected with the aim of providing the relevant financial, insurance, actuarial and commercial expertise necessary to fulfil the committee's duties.

*Investment Committee (IC)*

The overall management of the Company's investments is delegated to the IC. On recommendation from the IC, the Board sets the overall investment strategy with regard to risk appetite, geopolitical factors, ethical investments, mix of investments, solvency and cash flow requirements and then instructs the fund managers accordingly.

The IC discharges its duties having regard to the Company as a whole and climate change considerations.

*Sales and Marketing Committee*

The role of the Sales and Marketing Committee is to assist the Board in fulfilling independent oversight responsibilities by reviewing and monitoring the development of the Sales and Marketing strategy, activities and operations.

*Grants Committee*

The role of the Grants Committee is to:

- recommend to the Board, in conjunction with the AR&CC, the level of grants to be made each year out of the Company's distributable profits;
- recommend to the Board, the apportionment of the total grant sum agreed;
- assess grant applications and make recommendations to the Board ensuring that the grant making criteria and application process is followed correctly;
- ensure that all agreed grants are made promptly;
- monitor the effectiveness of grants made;
- assess ways in which the grant-making can be improved and recommend any changes in grant giving to the Board;
- liaise with the appropriate departments of the Baptist Union of Great Britain (BUGB) as to any specific grants to be made; and
- decide on specific evangelistic, mission or other projects and report recommendations to the next Board meeting.

### B.1.3 **Roles and responsibilities of key functions**

The following key functions are outsourced to the Administrator, as part of the JAA;

*CEO/General Manager*

The CEO/General Manager, who is the Administrator Director and fulfils the Senior Managers and Certification Regime (SM&CR) function of Chief Executive, is an employee of the Administrator and their responsibilities include:

- the delivery of, and reporting to the Board on, the implementation and execution of the Company's strategy;
- developing and managing the relationship with key stakeholders including regulators, customers and shareholders;
- establishing a framework and ensuring the maintenance of a sound system of internal control and risk management and regularly reporting to the Board on its effectiveness;
- establishing a clear set of key performance indicators and key risk indicators within which to monitor progress and where necessary take remedial action; and
- maintaining effective open communication with senior managers and NEDs.

*Chief Financial Officer (CFO)*

The CFO is an employee of the Administrator and fulfils the SM&CR function of CFO and their responsibilities include:

- management of the financial resources of the Company and reporting to the AR&CC and the Board in relation to its financial affairs;
- formulating and evaluating the short and long-term financial objectives and strategy of the Company;
- providing oversight of supply chain management;
- minimising and managing financial risk exposure through the implementation of suitable internal controls; and
- ensuring compliance with applicable regulatory, financial and tax obligations.

*Internal Audit Function*

The Administrator's internal audit function (AIA) provides objective assurance to the AR&CC and 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 Company. The AIA provides regular reports to the AR&CC. Further information is provided in section B.5.

*Risk and Compliance Function*

The Administrator's risk function facilitates the prudent management of risk including conduct risk and climate change risk for the Company. The Administrator's Chief Risk and Compliance Officer (CRO) is accountable to the AR&CC.

The Administrator's compliance function provides assurance to the AR&CC and Board that the Company remains compliant with its obligations under the regulatory system and for countering the risk that the Company might be used to further financial crime. It ensures that appropriate mechanisms exist to identify, assess and act upon new and emerging regulatory obligations and compliance risks that may impact the Company. Further information on the risk and compliance functions are provided in sections B.3 and B.4.

*Actuarial Function*

The Administrator's actuarial function supports all aspects of capital modelling, pricing and reserving for the Company and the independent actuarial function is responsible for providing opinions on the effectiveness of technical provision (TP) calculations, underwriting and pricing and reinsurance purchase. Further information is provided in section B.6.

The key functions outsourced to the Administrator ensure the consistent implementation of systems and procedures across the Company. All individuals are required to report regularly to the Board or the relevant committee of the Board.

### B.1.4 **Material changes in the system of governance**

Following the resignation of Malcolm Hayes as Chair of the Board in June 2025, the Board approved the creation of an additional role of Deputy Chair, alongside the existing Senior Independent Director position. This enhancement was intended to support the Chair in effectively discharging responsibilities to the Board. Consequently, Hugh Francis was appointed as Chair of the Board and James Entwisle was appointed as Deputy Chair to the Board with effect from June 2025.

In addition, after a comprehensive review, the JAA and Reinsurance Treaty Agreement (RTA) between the Company and Ecclesiastical Insurance Office public limited company, acting as Administrator to the Company, have been updated to reflect recent regulatory and statutory developments. These refreshed agreements, having received Board approval, will take effect from 1 January 2026.

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

The Board is ultimately responsible for the system of governance and believes that the affairs of the Company should be conducted in accordance with best business practice. Accordingly, the Board maintains a governance framework which it formally reviews and approves. The Framework has been developed to ensure that the Company operates to high ethical values. The Framework adopted by the Company ensures that the Board maintains oversight of all risk and governance operations and upholds its responsibility for delivering long-term value for the Company's shareholders. The Framework enables the Board to maintain its focus on setting an appropriate culture, aimed at delivering the right outcomes for its customers, whilst discharging its duties effectively.

The Framework is formally reviewed and approved by the Board following recommendation from the AR&CC.

The JAA ensures that all operational and management services are provided by the Administrator, and the RTA ensures that all risks underwritten by the Company are 100% reinsured by the Administrator, with the exception of eligible terrorism above a minimum retention and flood risks, which are reinsured by Pool Re and Flood Re respectively. The Board, cognizant of its regulatory obligations under the Supervisory Statement 2/21, Outsourcing and Third-Party Risk Management regularly reviews the adequacy and effectiveness of the outsourced arrangement with the Administrator including through its Board Evaluation and by reviewing associated agreements. The Chair of the Board meets regularly with the CEO of the Administrator.

The Board, mainly through the AR&CC, regularly reviews the adequacy of the system of governance on a general basis and has concluded that it is appropriate and effective based on the nature, scale and complexity of the risks inherent in the business. The effectiveness of the system of governance is considered through the receipt of the following:

- the Own Risk and Solvency Assessment (ORSA);
- management accounts with full underwriting, claims and investment analyses;
- internal audit report findings;
- compliance report findings;
- compliance with the schedule of services outlined in the JAA;
- compliance with the governance framework and associated governance documentation;

- monthly business reports; and
- reports from the Administrator's nominated key function holders.

The Board requests that the Administrator periodically undertakes a formal self-assessment of the services and reporting outlined in the JAA and supporting schedules. The review process includes discussions with each of the key function holders responsible for the outsourced areas of the JAA and the review of materials submitted to the Board. In 2026, the JAA review for 2025 was conducted and findings will be escalated to the Board where appropriate.

#### B.1.6 **Remuneration policy**

The Company has no staff. NED's remuneration is set by the Board typically every two years, taking into account the responsibilities of the directors and receiving advice on levels of remuneration in comparable organisations.

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

The Company has no staff and the Directors have no entitlement to share options, shares or variable components of remuneration in respect of the Company.

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

The Company has no staff and the Directors and other key function holders have no entitlement to supplementary pension or early retirement schemes in respect of the Company.

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

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

## B.2 Fit and proper requirements

#### B.2.1 **Skills, knowledge and expertise requirements**

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

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

- honesty, integrity and reputation;
- competence and capability; and
- financial soundness

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

#### B.2.2 **Ensuring ongoing fitness and propriety**

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

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

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

## B.3 Risk management system including the ORSA

#### B.3.1 **Overview of the risk management system**

The Company has established a risk management system designed to identify, assess, manage and monitor the risks to which it is exposed, in a manner that is proportionate to the nature, scale and complexity of its business.

Under the Joint Administration Agreement (JAA), the day-to-day operation of risk management activities is outsourced to the Administrator. These activities are carried out within the Administrator’s risk management framework, while reflecting the Company’s Board-approved risk appetite, risk register and governance requirements.

The Administrator’s risk management framework comprises strategies, policies, standards and processes designed to support effective risk identification, monitoring and control. The JAA sets out the Company’s expectations and requirements in respect of risk management, governance and reporting.

Although certain operational activities are outsourced, the Board retains ultimate responsibility for the governance, oversight and effectiveness of the Company’s risk management system.

#### B.3.2 **Effectiveness of identifying and managing risks**

The Board is responsible for ensuring the effectiveness of the Company’s risk management system. This oversight is supported by the Audit Risk and Compliance Committee (AR&CC), which has delegated authority to review the identification, assessment and management of risks on behalf of the Board.

The AR&CC receives regular risk reporting from the Administrator, covering the Company’s risk profile, key risk exposures and the operation of controls. This enables the Committee to assess whether risks are being managed in line with the Board approved risk appetite and to provide appropriate challenge where necessary.

The Board receives regular updates from the AR&CC and considers the effectiveness of the overall governance arrangements, including the operation of the JAA, as part of its ongoing assessment of the risk management system.

The Company's risk management framework is structured around a Three Lines of Defence model. The first line is responsible for the management of risks within day to day operations, the second line provides independent oversight and challenge, and the third line provides independent assurance over the effectiveness of risk management and internal controls. While much of the first line activity is performed by the Administrator, accountability for sound and prudent risk management remains with the Board.

There are a number of key roles and responsibilities concerning the effective implementation and operation of the overall risk management framework:

*The Company Board*

The Board is responsible for:

- determining strategy and direction in line with its appetite for risk;
- gaining satisfaction over the integrity of financial information and that financial controls and systems of risk management are robust and defensible; and
- ensuring that the ORSA process has been followed and managed effectively.

*Audit Risk and Compliance Committee*

The AR&CC has been delegated responsibility for risk management and internal control from the board. Responsibilities of the AR&CC include:

- reviewing the effectiveness of the Company's financial reporting and internal control policies and procedures for the identification, assessment, reporting and management of risks;
- assessing the scope and effectiveness of the systems established by management to identify, assess, manage and monitor financial and non-financial risks; and
- recommending the risk appetite to the Board.

*Investment Committee*

The Board has delegated responsibility for oversight of the Company's investments and associated markets risks to the IC. They are responsible for ensuring that the Company operates an investment strategy that is appropriate to the Company's ethics, performance objectives, risk appetite and capital management strategy, as defined in its statement of investment principles and as articulated in the Company's investment policy.

*CEO and the Administrator's Operational Areas (1st Line of Defence)*

These areas are responsible for ensuring that there is an ongoing process for the identification, assessment, management and reporting of the significant risks during the course of business operations.

*The Administrator's Risk Function (2nd line of defence)*

The Risk Function bears responsibility for facilitation of:

- the management and ongoing effectiveness of the risk management framework by providing tools, training and support so stakeholders can effectively discharge their responsibilities; and
- the Board's risk identification and assessment process and providing guidance to the Board when determining the risk appetite.

*The Administrator's Internal Audit Function (3rd line of defence)*

The AIA provides an independent opinion over the adequacy and effectiveness of the risk management framework.

A key component of the governance of the Company is a policy framework covering all important elements of managing the Company's business. This contains a set of policies that provide high level guidance around the following areas, with specific policies covering each area in more detail:

- board policies;
- insurance policies;
- capital policies; and
- risk and governance policies.

The policy framework is communicated to the relevant persons within the Administrator who administer the Company's business under the JAA and provides clarity around the risk management expectations of the Board in all aspects of the operations. The policy framework supports adherence to the Company's risk appetite and risk management principles.

### B.3.3 **Own risk and solvency assessment process**

The Company undertakes an Own Risk and Solvency Assessment (ORSA) as an integral part of its risk management and capital management framework. The ORSA provides a forward looking assessment of the Company's risks, solvency position and capital needs over the business planning horizon.

The ORSA considers the Company's current and prospective risk profile, business strategy and capital resources, and incorporates stress testing and scenario analysis to assess the resilience of the solvency position under adverse conditions.

The production of the ORSA is delegated to the Administrator under the terms of the JAA. The Board retains ultimate ownership of the ORSA and is involved throughout the process, providing challenge and approving the final ORSA report.

The AR&CC reviews the ORSA in detail prior to making a recommendation to the Board. The ORSA process is designed to ensure that business planning, risk appetite setting and capital management decisions are informed by a comprehensive and forward looking view of the risks faced by the Company.

### B.3.4 **Frequency of review**

The ORSA is an ongoing process that is formally undertaken at least annually, with the ORSA report reviewed and approved by the Board each year.

The ORSA is also updated as appropriate during the year to reflect material changes in the Company's risk profile, business strategy or external environment. In addition, the ORSA process is performed following the occurrence of significant trigger events that could have a material impact on the Company's solvency position.

### B.3.5 **Determination of own solvency needs**

The Company's own solvency needs are assessed through the ORSA process, which considers the nature, scale and complexity of the risks to which the Company is exposed, both currently and over the business planning horizon.

The Board, supported by the AR&CC, is responsible for assessing whether the Company holds sufficient capital resources to remain solvent under base and stressed conditions. This assessment is informed by analysis performed by the Administrator under the Joint Administration Agreement and draws on risk, actuarial and financial inputs.

The assessment of own solvency needs is undertaken in the context of the Company's Board approved risk appetite and Capital Management Policy. These set out the Company's approach to maintaining adequate Own Funds to meet regulatory capital requirements and its own internal solvency objectives.

As part of the ORSA, solvency needs are evaluated under a range of forward looking scenarios to ensure that the Company remains adequately capitalised over the business planning period. The outcomes of this assessment are used to inform business planning, risk appetite calibration and capital management decisions.

It is the policy of the Board to maintain an appropriate capital buffer above the minimum regulatory capital requirement in line with its risk appetite, in order to address potential adverse developments and unforeseen events.

## B.4 Internal control system

### B.4.1 **Internal control system**

The Internal control system is implemented by the Board and CEO, to ensure that the Company is managed efficiently and effectively.

The Board has established appropriate Board level policies and a risk appetite to ensure that business objectives are achieved. As day-to-day operations of the business have been outsourced to the Administrator, the business is managed within the Administrator's own internal control system in accordance with the Board's requirements which are detailed within the JAA. The Board monitors the performance of the Administrator and the internal control system on an ongoing basis.

The Control Framework of the business managed by the Administrator comprises the following elements:

- control environment: a business culture that recognises the importance of systems of control and management to ensure the resources and environment is adequate to operate the control framework to required standards;
- objective setting: a process to set objectives that support the mission of the Company and are consistent with the risk appetite;
- risk assessment: identification and analysis of risks is undertaken and appropriate risk responses are implemented;
- control standards: a policy framework that establishes the Board's minimum standards for the mitigation of risk within the stated appetite;
- control activities: business processes that include control activities designed to mitigate risks to the level required to meet the control objectives;
- monitoring activities: regular monitoring of controls according to their materiality;
- training and communication: effective communication of required control standards and adequate training to ensure those operating or monitoring controls can do so effectively;
- recording: clear documentation of controls to enable the ongoing operation and oversight; and
- reporting: reporting of material control effectiveness to allow relevant management or the Board to determine whether objectives are being met or whether action is required to strengthen the control environment.

### B.4.2 **Compliance function**

The Company outsources the provision of compliance services under the terms of the JAA to the Administrator, whilst recognising that responsibility for managing compliance risks remains with the Company.

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

It does this by:

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

In order to ensure adequate risk control for the Company within their outsourcing arrangements, Group Compliance will:

- Provide assurance, advice and guidance to the Company Board and Senior Management Functions (SMFs), including those within Ecclesiastical Insurance Office public limited company (EIO) who provide services to the Company, on meeting the expectations of the FCA, PRA and other applicable rules and legislation;
- Provide regular assessments of the adequacy and effectiveness of the Company's compliance risk management, internal compliance controls and regulatory governance processes and systems;
- Identify and escalate significant compliance related issues to the Company AR&CC and highlight potential improvements to address concerns identified;
- Periodically provide information on the status and results of Compliance Monitoring activity and the sufficiency of Group Compliance resources; and
- Evaluate whether Group Compliance has sufficient and appropriately trained staff and/or external resource to deliver its plan and discharge its responsibilities in respect of the services it provides to the Company.

## B.5 Internal audit function

### B.5.1 **Implementation of the internal audit function**

The AIA is authorised by the Administrator's Audit Committee to evaluate and report on the adequacy and effectiveness of all controls, including financial, operating, compliance, and risk management.

Adequate and effective risk management, internal control, and governance processes reduce but cannot eliminate the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances. Adequate and effective risk management, internal control, and governance processes within the scope of the JAA will therefore provide reasonable, but not absolute, assurance that the Company will not be hindered in achieving its business objectives, or in the orderly and legitimate conduct of its business.

The AIA maintains a professional audit team with sufficient knowledge, skills, experience and professional qualifications. Where specialist, technical support is necessary to supplement AIA resource, this is available through a co-sourcing contract with an external specialist provider, ensuring that AIA has immediate access to specialist skills where required. The AIA confirms to the AR&CC that the International Standards for the Professional Practice of Internal Auditing of the Chartered Institute of Internal Auditors are complied with.

The AIA operates within the Administrator's three lines model which has been adopted by the Company. In order to operate an effective framework, the AIA maintains regular and ongoing dialogue with the first and second line to maintain a current and timely perspective of business direction and issues.

Demarcation between the third line and the first two lines must be preserved to enable the AIA to provide an independent overview of the effectiveness of all risk management and assurance processes in the organisation.

### B.5.2 **Independence of the internal audit function**

To provide for the independence of the AIA, the Administrator's Group Chief Internal Auditor will report functionally to the BG Audit and Risk Committee Chair and administratively (for example, day-to-day operations) to the Group CEO and has access to the Chair of the AR&CC.

Financial independence, essential to the effectiveness of internal auditing, is provided by the Administrator approving a budget to enable the AIA to meet the requirements of its charter.

The AIA is functionally independent of the activities audited and the day-to-day internal control processes of the Company and shall be able to conduct an assignment on its own initiative, with free and unfettered access to people and information, in respect of any relevant department, establishment or function of the Company covered by the JAA.

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

## B.6 Actuarial function

### B.6.1 **Implementation of actuarial function**

The Company outsources the provision of actuarial services to the Administrator’s Actuarial Function under the terms of the JAA. The Company’s Chief Actuary duties are carried out by the Administrator’s Actuarial Function Director, who is an experienced qualified actuary, holding an Institute of Actuaries Chief Actuary certificate, accountable for the delivery of the Actuarial Function’s objectives. The Actuarial Function Director uses other actuarial and appropriately experienced resources to discharge his responsibilities, ensuring an appropriate level of independence between those carrying out activities and those reviewing work.

The Actuarial Function’s key areas of responsibility are:

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

## B.7 Outsourcing

### B.7.1 **Outsourcing policy**

The Company has a procurement, purchasing and outsourcing policy that has been agreed by the Board and forms part of the policy framework. The policy covers all procurement activities and material outsourcing arrangements.

The Company’s policy is to operate an effective framework for awarding contracts to achieve a quality provision giving consideration to the expected impact on customers. Elements of the policy implementation are outsourced to the Administrator under the terms of the JAA with EIO. The Board remain ultimately responsible for the policy ownership and implementation.

Outsourced contracts are subject to stringent controls. The Board is responsible for making all strategic decisions regarding outsourcing in the context of various key objectives and the various parameters contained within the Company’s policy on outsourcing, including:

- ensure compliance with all regulatory obligations and good market practice in the selection, management and termination of suppliers;
- optimise the choice, loyalty and performance of suppliers and business partners to deliver cost effective goods and services and service enhancing solutions across the business;
- ensure that suppliers uphold the corporate values and high standards of compliance with the Company’s corporate policies and regulatory obligations;
- provide for the mitigation of operational and financial risks related to outsourcing and procurement

activities; and

- ensure effective identification, authorisation and management of material outsourced contracts as defined and in accordance with regulatory requirements.

A defined framework and detailed processes are in place for the appointment of new contracting parties that involves:

- the preparation of a detailed specification and risk assessment before inviting tenders;
- a critical assessment of the capacity and ability of shortlisted suppliers that is appropriate and proportionate to the services and risks;
- completion of a business continuity/exit plans and information security practices questionnaire by all potential providers; and
- an assessment of these against risk appetite.

Comprehensive written contracts are entered into with accountability for managing the delivery against the contract being clearly assigned to an individual manager within the Administrator. Exit and contingency plans are documented and reviewed on a frequent basis to ensure they remain appropriate.

### B.7.2 **Outsourcing of critical or important functions or activities**

There are three contracting parties appointed to deliver critical outsourced services:

- one for the management and administration of insurance activities;
- one for corporate tax compliance services; and
- one for specialist service provisions for specific cover provided in some general insurance products.

All outsourced providers operate from within the United Kingdom. In turn, the Administrator contracts with third parties to deliver services which benefit the Company and all outsourced arrangements entered into by the Administrator are in line with its company policy.

Included within the insurance management and investment outsourcing contracts are provisions for the regular review of the performance of these contracts.

## B.8 Any other information

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

# C. Risk profile

## C.1 Underwriting risk

The most material elements of the Company's underwriting risk are:

- ***Reserving Risk*** – the risk of adverse change in the value of insurance liabilities relating to outstanding claims from prior accident years, arising from differences in the timing and amount of claims settlements and related expenses from those assumed in the best estimate reserves; and
- ***Premium Risk*** – the risk that premiums relating to future accident years will be insufficient to cover all liabilities arising from that business including net of reinsurance non-catastrophe claims and expenses as a result of fluctuations in frequency and severity of claims, timing of claim settlements or adverse levels of expenses.

### C.1.1 **Underwriting risk exposure**

The Company is exposed to risk at a gross level through the direct writing of mainly property exposures with associated liability exposures for predominantly church, commercial and household business.

Reserves are held in respect of long-tail liability claims and as with claims of this nature, there is a high level of uncertainty associated with these reserves. The AR&CC receives regular reports on the financial performance of the business including details of adverse developments.

### C.1.2 **Underwriting risk concentration**

As a niche insurer set up to support the Baptist community, the Company supports a large number of Baptist churches. Whilst a key concentration for the business is the number of churches written and the impact on the Company should they be lost, given the nature of churches, this does not present a significant geographical concentration.

### C.1.3 **Underwriting risk mitigation**

The key mitigation to underwriting risk is the use of reinsurance, with the business 100% reinsured since 1998. The vast majority of reinsurance is provided by the Administrator, with the exception of specific arrangements in place for eligible terrorism and flood risks with Pool Re and Flood Re respectively. The Company receives a profit commission based on the results of the business reinsured to the Administrator. The AR&CC is responsible for monitoring the performance and making recommendations to the Board based on the profit commission figures.

The AR&CC and Sales and Marketing committee receive audit reports prepared by the Administrator in relation to underwriting matters and require regular updates on the progress of actions to rectify any issues arising. These are covered within the schedule of the JAA.

The adequacy of the IBNR provisions held is reviewed by the Administrator's Actuarial Reserving team quarterly following which a report is provided to the Board. This provides information relating to the review of reserve adequacy. An Actuarial Function Opinion report is also produced annually for the Board which provides an opinion on the reserves.

### C.1.4 **Underwriting risk sensitivity**

Relevant stress tests are carried out annually to simulate the impacts of potential underwriting risks including ongoing reductions on existing business with immaterial loss of policy volumes and a potential deterioration in the historic insurance liabilities.

The first stress test considered a rate reduction over the 3-year planning period whilst claims and expenses remain at their planned level. The second stress test assesses the impact of a sudden adverse development on the Company's historic claims above and beyond existing claims reserves assuming that no reinsurance recoveries could be made on the claims.

In both instances whilst a slight reduction in the capital coverage is also noted overall in both scenarios it continues to remain comfortably above the Company's risk appetite. As such the Company is well placed to withstand such adverse events in isolation, and these stress tests do not raise material concerns over solvency or the ability to meet the Company's internal risk appetite.

## C.2 Market risk

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

### C.2.1 **Market risk exposure**

The overall management of the Company's investments is delegated to the IC. The IC sets the overall investment strategy with regard to risk, return, liquidity, ethical requirements and climate change requirements and then considers whether to invest in specific funds or cash securities.

The Company has a Statement of Investment Principles (SIP), which is regularly reviewed by the IC and subsequently approved by the Board, which sets out the principles of governing decisions around the Company's investments. The Governance document outlines principles related to risk including the consideration of the Company's regulatory capital requirement, volatility of asset classes, credit ratings, duration, asset allocation, liquidity and the nature of the investments. The Principles are designed to limit the concentration of risk and mitigate overall investment risk.

The Company has established a Main Fund to provide an agreed level of solvency cover, with assets in excess of this cover able to be invested in a Secondary Fund.

Market risk is a significant risk type for the Company and this is largely due to the underlying exposure to equity investment assets. The Company has set a risk appetite regarding its solvency coverage ratio and maintains the long-term asset allocation in the Main Fund in line with the SIP, which is weighted towards Fixed Interest securities where volatility is considered to be much lower.

### C.2.2 **Compliance with prudent person principle**

The IC is accountable to the Board. The IC monitors the performance and risk of the investments and is accountable to the Board. The IC meets formally at least four times a year to conduct a rolling review of all Investment and Treasury funds and reports to the Board providing recommendations where appropriate.

The IC has an agreed formal Terms of Reference, which was last reviewed in Q4 2025 and subsequently approved by the Board. The IC reviews and recommends the SIP for approval by the Board at least annually, this last being performed in Q1 2025.

The IC has been given delegated powers to monitor and provide challenge to the Fund Managers on the performance of the investments on an annual basis. The Company invests directly in OEIC funds that are structured to invest in a wide range of securities.

The OEICs are chosen for the collective characteristics of the assets in the fund and their geographical diversification. The IC regularly reviews the makeup and concentration of companies in the funds under investment and receives regular investment valuations, with a detailed report sent annually.

### C.2.3 **Market risk concentration**

The Company invests in OEICs for the reasons of diversification of market risk allowing access to a wider range of underlying assets than would be practical with direct investment. The Royal London Short Duration Credit Fund for example has investments in over 300 securities as at 31 December 2025, with the largest holding accounting for 1.6% of the total OEIC value.

The Fund Manager regularly reviews and reports annually on the creditworthiness of investments in the credit fund and Company performance in the equity-based funds. The Company also monitors the credit ratings /securitisation profile of assets in bond portfolios.

The IC adheres to the asset allocation parameters as agreed in the SIP for the Main Fund.

### C.2.4 **Market risk mitigation**

Investments are held by the Investment Managers' custodian banks, this giving the Company security over the assets. Where investments are made in cash deposits the bank's credit worthiness is considered by the IC. In addition, the IC has formal agreements and set procedures for withdrawing funds or switching investments.

The IC regularly considers changes in the external environment and implements risk reduction programs when appropriate. The IC also considers diversification in terms of geographical spread, sector and number of investments.

The SIP provides a policy benchmark for each asset class designed to limit market risk. Historically the most volatile asset class has been equities and the SIP limits investment in this asset class to 40% (with a 10% tolerance) of portfolio value in the Main Fund as the Long-Term Asset Allocation. Greater investment discretion is allowed in the Secondary Fund.

The IC monitors movements in each of the asset classes and looks for sustainability trends in financial markets and the environment as part of the risk mitigation strategy.

No mitigation against equity, currency or interest rate risk is undertaken by way of hedging or use of derivatives.

### C.2.5 **Market risk sensitivity**

Stress tests have been carried out to assess the ability of the Company to withstand shock events.

The first stress test assumes a fall in the Company's equity-based investments, with no change in projections for interest-bearing securities, to simulate a stock market crash. This is roughly equivalent to the magnitude of the equity falls during March 2020 at the height of the market crash at the onset of the Covid-19 pandemic.

The second stress test combines the impact of a decrease in the stock market with an increase in post-1998 net claims costs on an annual basis over the plan period. This combination of events demonstrates the impact of an event that generates a surge in claims at the same time as a prolonged drop in investments.

Both the scenarios would result in the coverage of the capital requirement reducing however, in each scenario the coverage of the regulatory capital requirement remains comfortably in excess of the Company's risk appetite.

## C.3 Credit risk

### C.3.1 **Credit risk exposure**

Credit Risk is the risk that intermediaries, specifically reinsurers and premium debtors, default on their obligations to the Company.

The largest exposure for the Company arises from the reinsurance agreement with the Administrator resulting in a potentially large amount of outstanding claim recoveries.

The Company has reinsured 100% of all ongoing business since 1998 and therefore retains no net insurance risk on business incepted after this date. This gives rise to a reliance on a single reinsurance counterparty. The Board considers that this is an acceptable risk due to the financial benefits provided by the reinsurance arrangements. No material changes were noted over the reporting period.

In addition, the Company is also exposed to premium debtor default risk through the insurance business underwritten and cash at bank default risk, however these are not considered material.

### C.3.2 **Credit risk concentration**

The key concentration exists due to the 100% reinsurance arrangement in place with the Administrator. There is also a further reinsurance arrangement in place with a single reinsurer that relates to some of the pre 1998 liabilities. There are no specific concentrations in respect of premium debtor default.

### C.3.3 **Credit risk mitigation**

The key mitigant is the formal reinsurance arrangement in place with the Administrator who holds a high credit rating.

The Company's risk appetite includes guidance on the institutions to be used for holding cash. Exposures are monitored regularly as part of the financial information and risk appetite review.

The Board also monitors the financial performance of the Administrator and the Chief Executive of the Administrator provides an annual update on the financial performance and strength. The CEO of the Company is also employed by the Administrator and provides updates on key developments.

Regular reporting is provided to the AR&CC on the pre 1998 liabilities and the reinsurer's response to the claims notified.

### C.3.4 **Credit risk sensitivity**

The Company considers the risks to the business and stress and scenario testing is carried out on the most material risks identified on a regular basis.

## C.4 Liquidity risk

### C.4.1 **Liquidity risk exposure**

Liquidity risk is the risk that the Company will not have sufficient financial resources to meet any obligations as they fall due, or will only be able to access these resources at an excessive cost. This is most likely to arise when there is a significant catastrophe event which results in significant claim payments at short notice.

The liquidity of the Company is assessed through analysis of the cash flows expected to be needed as a result of the forecast claims.

There have not been any material changes to this risk over the reporting period.

### C.4.2 **Liquidity risk concentration**

There are not considered to be any material liquidity risk concentrations.

### C.4.3 **Liquidity risk mitigation**

The cash flows are analysed by the Administrator on behalf of the Board to assess the bank balances required to be maintained to pay the claims arising, alongside other expenditure. The Company maintains minimum cash balances which are considered to be adequate to pay claims under normal circumstances. Further to this, should it be required, the Company has the option of liquidating investments held to generate cash.

There is a facility in place to allow for cash calls to be made against the Company's reinsurer. These can be made in the event of large payments due on significant individual claims or an accumulation of smaller claims arising from the same event, usually as a result of weather or other natural catastrophe event.

The AR&CC considers the analysis of the cash flows on a quarterly basis and is responsible for determining the minimum acceptable level for the Company bank accounts. The parameters for minimum acceptable levels are reviewed at least annually.

The Company's investments are all held in OEICs which are deemed to be readily realisable.

### C.4.4 **Liquidity risk sensitivity**

Stresses and scenario tests are carried out on Liquidity Risk. Stress test one assumes cash flows are 10% higher than expected for the next six months. Stress test two is more extreme and looks at an immediate and more severe liquidity strain driven by a weather catastrophe event.

For both stress tests an overdraft facility or investment realisation would be arranged to cover the temporary cash shortfalls.

## C.5 Operational risk

### C.5.1 **Operational risk exposure**

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

The key operational risk that the Company is exposed to is outsourcing risk through the JAA in place with the Administrator. The Administrator carries out all operational and administrative elements of the business on the Company's behalf. The Company does not have its own staff or systems so is reliant on the Administrator for the provision of all services which are specified in the JAA.

The AR&CC receives a monthly business report from the Administrator which provides reporting on the key operational business areas. An evaluation of the performance of the Administrator against the requirements of the JAA is also undertaken annually. In addition, ad hoc reports on relevant items are provided to the AR&CC where appropriate to enable the Board to assess the level of acceptable risk.

There have not been any material changes to the risk profiles over the reporting period.

### C.5.2 **Operational risk concentration**

There is a reliance on the Administrator through the outsourcing agreement for all operational and administrative elements of the business resulting in a material risk concentration. The Company does not have its own staff or systems and so is completely reliant on the Administrator for the services specified in the JAA.

This is an accepted risk due to the business model of the Company.

### C.5.3 **Operational risk mitigation**

The Company has a Procurement, Purchasing and Outsourcing Policy as referred to under section B.7 Outsourcing which covers the material outsourcing arrangements. The JAA is the legal outsourcing contract which details the exact services to be provided. The Board monitors the performance of the Administrator against the JAA on a regular basis. An annual evaluation of the performance of the Administrator against the requirements of the JAA is also undertaken.

Mitigation techniques are in place in the form of controls for operational risks in which the Company is exposed to. Preventative and directive controls are sought to either avoid a particular risk materialising or to lessen its impact if it does. Detective controls provide value in helping to flag a changing risk exposure which allows for corrective actions to be taken to prevent the risk exposure from threatening the achievement of the strategic objectives of the Company.

### C.5.4 **Operational risk sensitivity**

The Board has considered this risk and the existing controls as part of the ongoing risk management process. Although scenario testing has not been carried out on this element, this is regularly reviewed.

## C.6 Other material risks

### C.6.1 **Other material risk exposure**

In addition to those risks noted, the Company also notes the following key material risks:

*Cyber risk* - remains a constant and evolving threat, reflecting the increasing volumes and sophistication of threats across the financial services sector. A significant cyber incident could result in data loss, harm to the data subjects, operational disruption, regulatory sanctions, and reputational damage. This risk is mitigated by the JAA with EIO, through which robust security controls are in place, supported by ongoing system reviews, security assessments, and a continuous programme of training and awareness to promote vigilance in those performing activities for the Company.

*Regulatory risk* - Regulatory change risk remains a significant area of focus given the continued volume and pace of regulatory developments. The Board actively monitors changes in the legal and regulatory environment through the JAA and acts as required to ensure ongoing compliance with applicable requirements. During 2025, particular attention was given to the following regulatory change items:

- SS11/24, which sets out the PRA's expectations for insurers to prepare for an orderly solvent exit as part of business-as-usual activities. Work will continue into 2026 to establish an appropriate Solvent Exit Analysis, leveraging work undertaken by EIO, including the consideration of the most relevant solvent exit scenario pathways for the Company;
- SS5/25 and Policy Statement PS25/25, sets out the PRA's strengthened expectations for managing climate-related financial risks; applicable to UK insurers and reinsurers, the regulator expects firms to embed climate risk into governance, risk management and reporting frameworks in a proportionate and practical way. There are requirements for the Company in 2026 (by 3rd June 2026) to complete gap analysis and proportionality assessment. Actions identified through which, should be credible and ambitious; and
- CP17/24 & CP24/28, sets out the PRA's and FCA's respective proposals to set requirements in rules and expectations for firms to report operational incidents and their material third-party arrangements, with the aim of enhancing systemic operational resilience through improved PRA risk oversight. Discovery workshops were completed in 2025, with EIO's Group Risk function providing input into Scope & Discovery Proposals documents for the two workstreams (operational incident reporting and Third-Party reporting). Further work continues, to ensure the Company is prepared for assumed implementation in late 2026.

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

### C.6.2 **Other material risk concentration**

There are no other material risk concentrations to note.

The Board monitors the ongoing effectiveness of the risk mitigation at their regular meetings and as part of the monitoring of the other risk types.

### C.6.3 **Other material risk sensitivity**

The Company considers the risks to the business and stress and scenario testing is carried out on the most material risks identified on a regular basis. The Board has considered this risk and the existing controls as part of the ongoing risk management process. Although scenario testing has not been carried out on this element, this is regularly reviewed.

## C.7 Any other information

The Board has assessed that there is no other material information to note.

# D. Valuation for solvency purposes

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

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

Material assets and liabilities are defined as assets and liabilities that are valued in excess of £86k (equivalent to 1% of IFRS net assets).

IFRS 9, Financial Instruments, requires the classification of certain financial assets and liabilities into separate categories for which the accounting treatment is different.

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

Financial instruments designated as at fair value through profit or loss are subsequently carried at fair value. This category consists of financial investments.

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

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

## D.1 Assets

### D.1.1 **Solvency UK valuation of assets**

A copy of the Quantitative Reporting Template (QRT) 'IR.02.01 – Balance sheet' is included in Appendix 1, which is a list of assets and liabilities by type. The table below summarises the SUK net valuation of assets and liabilities and the difference compared to the financial statements prepared in accordance with IFRS, with a breakdown of the valuation of assets:

| Solvency UK Valuation | 2025 As reported IFRS Basis | Reclassify to aid comparison | 2025 Reclassified IFRS valuation | Net valuation movement | 2025 Solvency UK Valuation |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Total Assets | 15,866 | - | **15,866** | (1,887) | 13,979 |
| Total Liabilities | 7,231 | - | **7,231** | (2,367) | 4,864 |
| **Net assets** | **8,635** | - | **8,635** | **480** | **9,115** |
| **Breakdown of asset valuation** | | | | | |
| Technical provisions - Reinsurance recoverables | 6,158 | - | 6,158 | (1,884) | 4,274 |
| Investments | 9,028 | 21 | 9,049 | - | 9,049 |
| Cash and cash equivalents | 667 | (21) | 646 | - | 646 |
| Deferred tax assets | 6 | - | 6 | - | 6 |
| Receivables (trade, not insurance) | 7 | - | 7 | (3) | 4 |
| Total assets | **15,866** | - | **15,866** | **(1,887)** | **13,979** |

*Technical provisions - Reinsurance Recoverables*

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

*Investments – Participations*

Included within investments are subsidiary undertakings that are dormant, having not traded since incorporation and have been valued at cost. The Directors consider that cost approximates to their fair value.

*Investments other than participations*

The fair value measurement basis used to value financial assets or liabilities held at fair value, which includes investments, is categorised into a fair value hierarchy as follows:

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

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

**Level 3**: fair values measured using inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes unlisted equities, including investments in venture capital, and suspended securities.

All financial instruments recognised by the Company and designated at fair value are classified as level 1.

*Cash and cash equivalents*

This comprises on demand deposits with banks. Cash balances are not subject to a significant risk of change in value and are considered to be held at fair value.

*Receivables (Trade, not insurance)*

The valuation of non-insurance receivables is nil as SUK excludes £3k of prepayments which have no economic value.

## D.2 Technical provisions

### D.2.1 **Solvency UK valuation of technical provisions and assumptions used**

Under SUK the TPs are made up of:

- discounted best estimate claims provisions;
- discounted best estimate premium provisions; and
- risk margin.

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

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

The level of governance applied in setting the TPs is varied depending on the reporting date. The full governance framework is applied as an on-going cycle of activity, particularly driven by external financial reporting dates. Multiple review steps are in place, plus an external audit. This framework is used to sign-off the key reserving assumptions for both the IFRS statutory accounts, and the SUK TPs.

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

*Modelling methodologies and assumptions*

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

The following methods are used accordingly:

- Incurred Development Factor Method (DFM) used either in isolation for 'fire and other property damage' classes or in combination with other methods for liability and latent classes;
- Bornhuetter-Ferguson Method (BF) used primarily for more recent development years for the liability classes;
- Frequency-Severity Approach for liability classes; and
- Simplified methods including scaling based on exposure measures and Events Not in Data (ENID).

Once the best estimates are calculated, all future years' cash flows are discounted to present value using the prescribed risk-free discount curve for the relevant currency interest rate-term structure. No transitional arrangements or adjustments are applied for the non-life TPs relating to matching or volatility adjustment.

*Valuation*

Claims provisions, premium provisions and risk margin by class are reported on 'QRT IR.17.01 – Non-life technical provisions'. The two major contributors to the TPs are the 'general liability' and 'fire and other property damage' classes of business.

*Risk margin*

The SCR used for calculating the risk margin is a subset of the full standard formula calculated on a 1-year view of risk, reflecting only those risks on already obligated future business as at the balance sheet date.

### D.2.2 **Level of uncertainty**

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

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

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

*Sensitivity analysis*

In order to better understand the underlying uncertainty, a range of possible outcomes are tested and analysed. Sensitivity analysis is a technique used to understand the variability of possible outcomes. This is done by analysing the change in TPs as a result of adjusting a single input parameter.

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

| SII net best estimate sensitivities to future scenarios | | |
|---|---|---|
| Risk | Sensitivity applied | £k |
| Claims inflation | + 1.0% each year applied cumulatively | 22 |
| Discount rate shift | - 1.0% to spot rate at all durations | 107 |
| Reinsurance default | All reinsurer ratings downgraded to BBB | 90 |

The largest sensitivity considered historically has been the reinsurance default shock, which is slightly lower than previous years as discount rates have moved. It is still a significant sensitivity due to the critical part that reinsurance strategy plays in the business model of the Company. Counterparty default risk remains an important component of the Company SCR, therefore the risk margin is also sensitive to this item.

The inflation and discount rate sensitivities are individually broadly symmetric in that adopting downward or upward change in the respective inputs will impact the TPs by a similar order as the above, but with opposite sign.

### D.2.3 Comparison of Solvency UK technical provisions with valuation in annual financial statements

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

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

Other adjustments relate to different definitions of contract boundaries, the allowance for future earned profits and the consideration of future premium cash inflows in the premium provision for SUK.

| Net technical provisions | 2025 £'000 | 2024 £'000 |
|---|---|---|
| IFRS Technical Provisions net of debtors and creditors | 566 | 159 |
| Adjustment for unearned profit | (85) | (86) |
| Adjustment for claims reserve | (43) | 27 |
| Other differences including measurement of risk | (506) | 432 |
| **SUK Net technical provisions** | (69) | 532 |

A key SUK basis difference for the Company continues to be the allowance for future assumed profit commission income, giving reduced premium provision impact of £85,000 (2024: £86,000). Along with an allowance for SUK best estimate claims reserves being £43,000 lower (2024: £27,000 higher). The remaining valuation difference is driven by the SUK risk margin being lower than is used for the appetite for sufficiency held in the accounts.

### D.2.4 **Use of the matching adjustment**

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

### D.2.5 **Use of the volatility adjustment**

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

### D.2.6 **Use of the transitional risk-free interest rate-term structure**

The use of the transitional risk-free interest rate-term structure is not applied to the non-life insurance TPs.

### D.2.7 **Use of the PRA Rulebook transitional deduction**

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

### D.2.8 **Recoverables from reinsurance contracts and special purpose vehicles**

The recoverables are calculated separately by class of business taking into account the arrangements that are in place for each year of loss. Other than for losses prior to 1998, the reinsurance arrangement is for 100% of the business. The operational management of the portfolio and any retrocession arrangement decisions affecting the profit share are delegated to the Administrator as part of this arrangement.

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

### D.2.9 Material changes in the assumptions made in the calculation of TPs compared to the previous reporting period.

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

## D.3 Other liabilities

### D.3.1 Solvency UK valuation of other liabilities

A copy of the QRT 'IR.02.01 – Balance sheet' is included in Appendix 1, which is a list of assets and liabilities by type. The table below summarises the SUK net valuation of assets and liabilities and the difference compared with the financial statements prepared in accordance with IFRS, with a breakdown of the valuation of liabilities:

| Solvency UK Valuation | 2025 As reported IFRS Basis | Reclassify to aid comparison | 2025 Reclassified IFRS valuation | Net valuation movement | 2025 Solvency UK Valuation |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Total Assets | 15,866 | - | 15,866 | (1,887) | 13,979 |
| Total Liabilities | 7,231 | - | 7,231 | (2,367) | 4,864 |
| **Net assets** | **8,635** | - | **8,635** | **480** | **9,115** |
| **Breakdown of liability valuation** | | | | | |
| Technical provisions - non-life | 6,724 | - | 6,724 | (2,519) | 4,205 |
| Payables (trade, not insurance) | 357 | - | 357 | (8) | 349 |
| Deferred tax liabilities | - | - | - | 160 | 160 |
| Other liabilities | 2 | - | 2 | - | 2 |
| Subordinated liabilities | 148 | - | 148 | - | 148 |
| Total liabilities | **7,231** | - | **7,231** | **(2,367)** | **4,864** |

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

*Payables (trade, not insurance)*

Trade payables consists of tax payable, amounts due to suppliers, and accrued costs. The balances are all due within one year and are valued at their carrying value of amortised cost.

Included within 'Payables (trade, not insurance)' are unpresented cheques and unclaimed capital and dividends which are removed in the SUK valuation as they have no economic value.

*Deferred tax liabilities*

The calculation of deferred tax for use in the financial statements is based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

Deferred tax is measured using tax rates expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled based on tax rates and laws which have been enacted or substantively enacted at the year-end date. For the current reporting period the value of deferred tax liability was nil.

For SUK the deferred tax liability has been calculated to take into account the valuation differences between the financial statements and the SUK valuation of assets and liabilities. The tax rate used is 25%.

*Any other Liabilities*

Intercompany balances with the Company's dormant subsidiaries are shown as any other liabilities. In light of their immateriality, their amortised cost is assumed to approximate to their fair value.

*Subordinated Liabilities*

This comprises share capital issued by the Company. The Company's 'preference' and 'ordinary' preference shares are entitled to annual dividends of 4% and 5% respectively on the amount paid up. The Company has an obligation at the year-end date in relation to the dividends payable on the shares and, because of this, the Company is required to account for the whole of its called-up share capital as 'permanent interest-bearing capital' in the statement of financial position under IAS 32, Financial Instruments: Presentation. Both classes of issued shares are fully paid up.

Under SUK the called-up value of these shares is valued as part of liabilities, but can be recognised as capital in the Company's Own Funds, which is covered in section E.2.

## D.4 Alternative methods for valuation

No alternative valuation methods have been used in the valuation of SUK assets or liabilities.

## D.5 Any other information

There is no other information that requires disclosure regarding the valuation of assets and liabilities.

# E. Capital Management

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

The excess of assets (section D.1.1) over liabilities (section D.3.1) plus qualifying subordinated debt less any foreseeable distributions constitutes basic own funds:

| Basic Own Funds | 2025<br>£'000 | 2024<br>£'000 |
|---|---|---|
| SUK Valuation of assets | 13,979 | 12,914 |
| SUK Valuation of liabilities | (4,864) | (4,658) |
| Excess of assets over liabilities | 9,115 | 8,256 |
| Qualifying subordinated debt | 148 | 148 |
| Foreseeable distributions | - | - |
| **Basic own funds** | 9,263 | 8,404 |

Basic own funds are classified into tiers. Restrictions on how much of each tier can be used to cover the SCR and MCR are covered in sections E.1.3 and E.1.4 respectively.

The Company's 'preference' and 'ordinary' preference shares are classified as qualifying subordinated debt as both classes of preference capital are subordinate to all other debts and are irredeemable.

## E.1 Own funds

### E.1.1 **Own funds - objectives, policies and processes**

The Company is committed to delivering the highest standards of financial and investment management, and all aspects of solvency.

The capital management policy covers all aspects of capital management, the definition and monitoring of capital available establishing the core principles around the distribution and capital raising, along with the associated allocation and use.

This Policy forms part of The Company's policy framework, which is a mechanism for statements of intent adopted by the Board, subject to local market, business practices and regulatory conditions.

The overall responsibility for reviewing and approving the capital management policy lies with The Board. The responsibility for the policy implementation resides with The Board through the AR&CC who are involved in managing capital and solvency.

The Board, supported through the JAA on a day-to-day operational level will ensure that:

*Regulatory and legislative*

- current and future rules are monitored and understood, particularly regarding the definition of capital and various capital requirements;

*Definition and monitoring of capital available*

- capital is maintained at a sufficient quality in order to meet current and future projected requirements over the business plan period, ensure the Company has a defined risk appetite regarding the quality and tiering of capital required to meet its own internal appetite for solvency;
- sufficient capital is held in order to satisfy capital requirements, regulatory or otherwise;
- the level of capital available in the Company is monitored on a regular basis in accordance with an agreed process; and
- there is regular monitoring and review of the quality and tiering of capital, in order to assess whether the targets are met (on an ongoing basis).

*Definition and monitoring of capital requirements (Solvency)*

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

*Principles around the distribution and raising of capital*

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

*Principles around the allocation and use of capital*

- there is an agreed approach to setting and monitoring the return on capital;
- there is a clear process for determining when a strategic decision should take into account a capital

perspective; this must cover all decisions that materially change the use of capital or solvency position; and

- all decision-making considers the impact on solvency, capital allocation, return on capital and any other principles included in this policy.

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

Reports detailing performance against this policy or any business-critical changes will be reviewed periodically, but at least annually, by the AR&CC. Any breaches to this Policy or any incidents must be escalated immediately to the Chair of the Board and Chair of the AR&CC.

The Policy is reviewed periodically taking into account any changes to legislation, or more frequently should there be significant change in the business, market or regulatory environment occur.

Business planning is conducted annually over a three-year horizon.

### E.1.2 **Movement in own funds compared to prior period**

A copy of the QRT 'IR.23.01 – Own Funds' is included in Appendix 6. The table below is a summary of own funds, by tier, with comparison to the prior year:

| Analysis of Own Funds | Total | Tier 1 | | Tier 2 | Tier 3 |
|---|---|---|---|---|---|
| | | Unrestricted | Restricted | | |
| **2025** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| Preference share capital | 148 | - | 148 | - | - |
| Deferred Tax Asset | 6 | - | - | - | 6 |
| Reconciliation reserve | 9,109 | 9,109 | - | - | - |
| | 9,263 | 9,109 | 148 | - | 6 |
| **2024** | | | | | |
| Preference share capital | 148 | - | 148 | - | - |
| Deferred Tax Asset | 315 | - | - | - | 315 |
| Reconciliation reserve | 7,941 | 7,941 | - | - | - |
| | 8,404 | 7,941 | 148 | - | 315 |
| **Movement in own funds** | | | | | |
| Preference share capital | - | - | - | - | - |
| Deferred Tax Asset | (309) | - | - | - | (309) |
| Reconciliation reserve | 1,168 | 1,168 | - | - | - |
| | 859 | 1,168 | - | - | (309) |

As permitted under the PRA Rulebook, preference shares have been classified as tier 1 capital on a transitional basis. The transitional arrangement expires in 2026, after which the preference shares will no longer be recognised as SUK own funds. As they are not material to the solvency cover of the Company there is currently no intention to redeem or replace these instruments. No ancillary own funds have been recognised.

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

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

| Movement in reconciliation reserve | £'000 |
| --- | --- |
| **Prior year balance** | **7,941** |
| IFRS Mvmt in Retained earnings | 324 |
| **Movement in SII revaluations:** | |
| Net technical provisions | 1,008 |
| Other | (163) |
| **Total movement for year** | **1,169** |
| **Current year balance** | **9,109** |

Two key components of the IFRS retained earnings for the year are underwriting performance, covered in section A.2 Performance from underwriting activities, and investment performance, covered in section A.3 Performance from investment activities. Other items, such as tax and grant payments are covered in section A.4 Performance from other activities.

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

| Analysis of eligible own funds available to cover the SCR | | 2025 £'000 | 2024 £'000 |
|---|---|---|---|
| | Tier 1 | 9,109 | 7,941 |
| | Restricted tier 1 | 148 | 148 |
| Eligible tier 1 own funds | | 9,257 | 8,089 |
| Eligible tier 2 own funds | | - | - |
| Eligible tier 3 own funds | | 6 | 315 |
| **Total eligible own funds** | | **9,263** | **8,404** |
| **Ineligible own funds** | | - | - |
| **Total own funds** | | **9,263** | **8,404** |

Restricted tier 1 own funds cannot form more than 20% of total tier 1 own funds. Tier 2 own funds cannot amount to more than 50% of the SCR and Tier 3 own funds cannot amount to more than 15% of the SCR.

**Eligible amount of own funds available to cover the Minimum Capital Requirement**

| Analysis of eligible own funds available to cover the MCR | | 2025 £'000 | 2024 £'000 |
|---|---|---|---|
| | Tier 1 | 9,109 | 7,941 |
| | Restricted tier 1 | 148 | 148 |
| Eligible tier 1 own funds | | 9,257 | 8,089 |
| Eligible tier 2 own funds | | - | - |
| **Total eligible own funds** | | 9,257 | 8,089 |
| **Ineligible own funds** | | - | - |
| **Total own funds** | | **9,257** | **8,089** |

Restricted tier 1 own funds cannot form more than 20% of total tier 1 own funds. Tier 2 capital cannot amount to more than 20% of the MCR and Tier 3 capital cannot be used to cover the MCR.

**Comparison between Solvency UK own funds and equity reported in the financial statements**

| Reconciliation from IFRS net assets to Solvency UK own funds | | 2025 £'000 | 2024 £'000 |
|---|---|---|---|
| **Equity as reported in IFRS Financial Statements** | | **8,635** | **8,335** |
| Recognise subordinated debt (preference share capital) as equity | | 148 | **148** |
| Revalue technical provisions: | Gross technical provisions | 2,519 | **2,439** |
| | Reinsurers' share | (1,884) | **(2,812)** |
| Adjust for assets and liabilities with no SII fair value | | 5 | **4** |
| Impact of revaluation on deferred tax | | (160) | **290** |
| **Solvency UK valuation of own funds** | | **9,263** | **8,404** |

Both classes of preference capital of the Company, which are included within liabilities in the IFRS financial statements, can be recognised as restricted tier 1 capital for solvency purposes in accordance with transitional arrangements.

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

Some assets and liabilities such as prepayments are removed from the SUK valuation as they are inadmissible or deemed to have no measurable fair value.

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

### E.1.3 **Transitional arrangements**

1,286 4% cumulative preference shares of £5 each, with a SUK value of £6k, and 28,284 5% cumulative ordinary shares of £5 each, with a SUK value of £142k, are recognised as restricted tier 1 under transitional arrangements.

### E.1.4 **Ancillary own funds**

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

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

### E.1.5 **Items deducted from own funds and restrictions affecting the availability and transferability of own funds**

No items have been deducted from basic own funds, and there is no significant restriction affecting the availability and transferability of own funds.

## E.2 Solvency Capital Requirement & Minimum Capital Requirement

### E.2.1 **SCR and MCR**

The SCR is the amount of capital that the Company is required to hold as required by the SUK PRA Rulebook. The Company uses the Standard Formula SCR calculation which is defined in the SUK PRA Rulebook. This is formula based and consists of modules for each risk type, and adjustments for diversification and the loss absorbing capacity of deferred tax. A breakdown of the SCR elements applicable to the Company is given in the following section.

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

The combined MCR is based on the linear MCR, subject to a cap (45% of the SCR) and floor (25% of the SCR). The Linear MCR is a simplistic calculation based on factors applied to net written premiums and net best estimate of TPs, analysed by class of business.

A copy of the QRTs 'IR.25.04 – Solvency Capital Requirement' and 'IR.28.01 – Minimum Capital Requirement' are reproduced in appendices 6 and 7 respectively.

As at 31 December 2025 the SCR for the Company was £3,527k, and the MCR was £3,500k. Both amounts are still subject to supervisory assessment.

### E.2.2 **SCR by risk module**

The following table gives a breakdown of the standard formula SCR of the Company and summarises the movement in the SCR and MCR between the current and prior year:

| **Capital Requirements** | **2025** | **2024** | **Change** |
|---|---|---|---|
| | **£'000** | **£'000** | **£'000** |
| Market risk | 3,305 | 2,865 | 440 |
| Counterparty default risk | 674 | 737 | (63) |
| Non-life underwriting risk | 65 | 73 | (8) |
| Diversification | (487) | (517) | 30 |
| Basic SCR | 3,557 | 3,158 | 399 |
| Operational risk | 130 | 126 | 4 |
| Loss absorbing capacity of deferred tax | (160) | - | (160) |
| **SCR** | **3,527** | **3,284** | **243** |
| **MCR** | **3,500** | **3,500** | **-** |

The increase in market risk is predominantly driven by higher equity and spread risk. Equity risk has increased due to an increase in the symmetric adjustment, used to modify the capital charge. Spread risk has also increased, reflecting higher bond exposures together with an increase in duration across the portfolio.

All other risk modules have remained stable.

The loss absorbing capacity of deferred tax has been included following the difference in the valuation of TPs from IFRS to SUK moving to a deferred tax liability.

The MCR is equivalent to the absolute floor for both the current and prior year. The absolute floor is the prescribed PRA Sterling rate at end of 2025.

### E.2.3 **Use of simplified calculations**

No simplifications or undertaking-specific parameters have been used in calculating the standard formula SCR. As no capital add-on has been applied, and no undertaking-specific parameters have been utilised, no illustration of their impact is necessary, and use of the option provided for in the PRA Rulebook has not been made.

### E.2.4 **Inputs used in the calculation of the MCR**

A copy of the QRT 'IR.28.01 - Minimum Capital Requirement' showing the inputs used for the calculation of the MCR is included in Appendix 7.

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

There have been no other changes to the SCR and MCR in the period, other than those detailed above.

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

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

## E.4 Differences between the standard formula and the internal model

An internal model has not been used in calculating the Company's SCR.

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

### E.5.1 **MCR non-compliance**

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

### E.5.2 **SCR non-compliance**

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

## E.6 Any other information

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

# Appendix 1 – QRT IR.02.01.02 Balance Sheet

IR.02.01.02

Balance sheet

| | | Solvency II value |
|---|---|---|
| | Assets | C0010 |
| R0030 | Intangible assets | |
| R0040 | Deferred tax assets | 6 |
| R0050 | Pension benefit surplus | |
| R0060 | Property, plant & equipment held for own use | 0 |
| R0070 | Investments (other than assets held for index-linked and unit-linked contracts) | 9,049 |
| R0080 | *Property (other than for own use)* | 0 |
| R0090 | *Holdings in related undertakings, including participations* | 2 |
| R0100 | *Equities* | 0 |
| R0110 | *Equities - listed* | |
| R0120 | *Equities - unlisted* | |
| R0130 | *Bonds* | 0 |
| R0140 | *Government Bonds* | 0 |
| R0150 | *Corporate Bonds* | 0 |
| R0160 | *Structured notes* | 0 |
| R0170 | *Collateralised securities* | 0 |
| R0180 | *Collective Investments Undertakings* | 9,026 |
| R0190 | *Derivatives* | |
| R0200 | *Deposits other than cash equivalents* | 21 |
| R0210 | *Other investments* | 0 |
| R0220 | Assets held for index-linked and unit-linked contracts | |
| R0230 | Loans and mortgages | 0 |
| R0240 | *Loans on policies* | 0 |
| R0250 | *Loans and mortgages to individuals* | |
| R0260 | *Other loans and mortgages* | |
| R0270 | Reinsurance recoverables from: | 4,274 |
| R0280 | *Non-life and health similar to non-life* | 4,274 |
| R0315 | *Life and health similar to life, excluding index-linked and unit-linked* | |
| R0340 | *Life index-linked and unit-linked* | |
| R0350 | Deposits to cedants | 0 |
| R0360 | Insurance and intermediaries receivables | |
| R0370 | Reinsurance receivables | |
| R0380 | Receivables (trade, not insurance) | 5 |
| R0390 | Own shares (held directly) | |
| R0400 | Amounts due in respect of own fund items or initial fund called up but not yet paid in | 0 |
| R0410 | Cash and cash equivalents | 646 |
| R0420 | Any other assets, not elsewhere shown | |
| R0500 | Total assets | 13,979 |

# Appendix 1 – QRT IR.02.01.02 Balance Sheet (continued)

| | | Solvency II value |
|---|---|---|
| | Liabilities | C0010 |
| R0505 | Technical provisions - total | 4,205 |
| R0510 | *Technical provisions - non-life* | 4,205 |
| R0515 | *Technical provisions - life* | 0 |
| R0542 | Best estimate - total | 4,121 |
| R0544 | *Best estimate - non-life* | 4,121 |
| R0546 | *Best estimate - life* | |
| R0552 | Risk margin - total | 84 |
| R0554 | *Risk margin - non-life* | 84 |
| R0556 | *Risk margin - life* | |
| R0565 | Transitional (TMTP) - life | |
| R0740 | Contingent liabilities | |
| R0750 | Provisions other than technical provisions | |
| R0760 | Pension benefit obligations | |
| R0770 | Deposits from reinsurers | |
| R0780 | Deferred tax liabilities | 160 |
| R0790 | Derivatives | |
| R0800 | Debts owed to credit institutions | |
| R0810 | Financial liabilities other than debts owed to credit institutions | |
| R0820 | Insurance & intermediaries payables | |
| R0830 | Reinsurance payables | |
| R0840 | Payables (trade, not insurance) | 350 |
| R0850 | Subordinated liabilities | 148 |
| R0860 | *Subordinated liabilities not in Basic Own Funds* | |
| R0870 | *Subordinated liabilities in Basic Own Funds* | 148 |
| R0880 | Any other liabilities, not elsewhere shown | 2 |
| R0900 | Total liabilities | 4,864 |
| R1000 | Excess of assets over liabilities | 9,115 |

# Appendix 2 – QRT IR.05.01.02 Non-life premiums, claims and expenses by country

IR.05.02.01

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

| | | Home Country | Top 5 countries (by amount of gross premiums written) | | | | | Total Top 5 and home country |
|---|---|---|---|---|---|---|---|---|
| | | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 |
| R0010 | | | | | | | | |
| | | C0080 | C0090 | C0100 | C0110 | C0120 | C0130 | C0140 |
| | **Premiums written** | | | | | | | |
| R0110 | Gross - Direct Business | 4,386 | | | | | | 4,386 |
| R0120 | Gross - Proportional reinsurance accepted | 0 | | | | | | 0 |
| R0130 | Gross - Non-proportional reinsurance accepted | 0 | | | | | | 0 |
| R0140 | Reinsurers' share | 4,386 | | | | | | 4,386 |
| R0200 | Net | 0 | | | | | | 0 |
| | **Premiums earned** | | | | | | | |
| R0210 | Gross - Direct Business | 4,346 | | | | | | 4,346 |
| R0220 | Gross - Proportional reinsurance accepted | | | | | | | 0 |
| R0230 | Gross - Non-proportional reinsurance accepted | | | | | | | 0 |
| R0240 | Reinsurers' share | 4,346 | | | | | | 4,346 |
| R0300 | Net | 0 | | | | | | 0 |
| | **Claims incurred** | | | | | | | |
| R0310 | Gross - Direct Business | 1,529 | | | | | | 1,529 |
| R0320 | Gross - Proportional reinsurance accepted | | | | | | | 0 |
| R0330 | Gross - Non-proportional reinsurance accepted | | | | | | | 0 |
| R0340 | Reinsurers' share | 1,471 | | | | | | 1,471 |
| R0400 | Net | 58 | | | | | | 58 |
| R0550 | Net expenses incurred | -198 | | | | | | -198 |

# Appendix 3 – QRT IR.05.04.02 non-life income and expenditure

IR.05.04.02

Non-life income and expenditure : reporting period

| | | All business (including annuities stemming from accepted non-life insurance and reinsurance contracts) | All non-life business (ie excluding annuities stemming from accepted insurance and reinsurance contracts) | Non-life insurance and accepted proportional reinsurance obligations | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Medical expense insurance | Income protection insurance | Workers' compensation insurance | Motor vehicle liability insurance - personal lines | Motor vehicle liability insurance - non-personal lines | Motor vehicle other motor insurance - personal lines | Motor vehicle other motor insurance - non-personal lines | Marine, aviation and transport insurance | Fire and other damage to property insurance - personal lines | Fire and other damage to property insurance - non-personal lines |
| | | C0010 | C0015 | C0110 | C0120 | C0130 | C0140 | C0141 | C0150 | C0151 | C0160 | C0170 | C0180 |
| | Income | | | | | | | | | | | | |
| | Premiums written | | | | | | | | | | | | |
| R0110 | Gross written premiums | | 4,386 | | | | | | | | | 163 | 3,765 |
| R0111 | Gross written premiums - insurance (direct) | | 4,386 | | | | | | | | | 163 | 3,765 |
| R0113 | Gross written premiums - accepted reinsurance | | 0 | | | | | | | | | 0 | 0 |
| R0160 | Net written premiums | | 0 | | | | | | | | | 0 | 0 |
| | Premiums earned and provision for unearned | | | | | | | | | | | | |
| R0210 | Gross earned premiums | | 4,346 | | | | | | | | | 163 | 3,728 |
| R0220 | Net earned premiums | | 0 | | | | | | | | | 0 | 0 |
| | Expenditure | | | | | | | | | | | | |
| | Claims incurred | | | | | | | | | | | | |
| R0610 | Gross (undiscounted) claims incurred | | 1,529 | | | | | | | | | 56 | 1,275 |
| R0611 | Gross (undiscounted) direct business | | 1,529 | | | | | | | | | 56 | 1,275 |
| R0612 | Gross (undiscounted) reinsurance accepted | | 0 | | | | | | | | | 0 | 0 |
| R0690 | Net (undiscounted) claims incurred | | 71 | | | | | | | | | 0 | 0 |
| R0730 | Net (discounted) claims incurred | 58 | 58 | | | | | | | | | | |
| | Analysis of expenses incurred | | | | | | | | | | | | |
| R0910 | Technical expenses incurred net of reinsurance ceded | -198 | | | | | | | | | | | |
| R0985 | Acquisition costs, commissions, claims management costs | -490 | -490 | | | | | | | | | -1 | -332 |
| | Other expenditure | | | | | | | | | | | | |
| R1140 | Other expenses | 0 | | | | | | | | | | | |
| R1310 | Total expenditure | -140 | | | | | | | | | | | |

# Appendix 3 – QRT IR.05.04.02 non-life income and expenditure (continued)

| | Non-life insurance and accepted proportional reinsurance obligations | | | | | | | | Accepted non-proportional reinsurance | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | General liability insurance | | | | Credit and suretyship insurance | Legal expenses insurance | Assistance | Miscellaneous financial loss | Health | Casualty | Marine, aviation and transport | Property | Annuities stemming from non-life insurance contracts | Annuities stemming from non-life accepted reinsurance contracts |
| | Employers Liability | Public & products Liability | Professional Indemnity | Other general liability | | | | | | | | | | |
| | C0190 | C0200 | C0210 | C0220 | C0230 | C0240 | C0250 | C0260 | C0310 | C0320 | C0330 | C0340 | C0525 | C0545 |
| | 70 | 269 | 24 | 0 | | 25 | 0 | 70 | | | | | | |
| | 70 | 269 | 24 | 0 | | 25 | 0 | 70 | | | | | | |
| | 0 | 0 | 0 | 0 | | 0 | 0 | 0 | | | | | | |
| | 0 | 0 | 0 | 0 | | 0 | 0 | 0 | | | | | | |
| | 71 | 267 | 23 | 0 | | 26 | 0 | 70 | | | | | | |
| | 0 | 0 | 0 | 0 | | 0 | 0 | 0 | | | | | | |
| | 2 | 211 | 0 | 0 | | 0 | 0 | -17 | | | | | | |
| | 2 | 211 | 0 | 0 | | 0 | 0 | -17 | | | | | | |
| | 0 | 0 | 0 | 0 | | 0 | 0 | 0 | | | | | | |
| | 0 | 71 | 0 | 0 | | 0 | 0 | 0 | | | | | | |
| | | | | | | | | | | | | | | |
| | 0 | -132 | 0 | 0 | | 0 | 0 | -25 | | | | | | |

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

IR.17.01.02

Non-Life Technical Provisions

| | | Direct business and accepted proportional reinsurance | | | | | | | | | | | | Accepted non-proportional reinsurance | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Medical expense insurance | Income protection insurance | Workers' compensation insurance | Motor vehicle liability insurance | Other motor insurance | Marine, aviation and transport insurance | Fire and other damage to property insurance | General liability insurance | Credit and suretyship insurance | Legal expenses insurance | Assistance | Miscellaneous financial loss | Non-proportional health reinsurance | Non-proportional casualty reinsurance | Non-proportional marine, aviation and transport reinsurance | Non-proportional property reinsurance | Total Non-Life obligation |
| | | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0110 | C0120 | C0130 | C0140 | C0150 | C0160 | C0170 | C0180 |
| | Best estimate | | | | | | | | | | | | | | | | | |
| | Premium provisions | | | | | | | | | | | | | | | | | |
| R0060 | Gross | | | | | | | 742 | 33 | | -3 | 0 | 7 | | | | | 779 |
| R0140 | Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | | | | | | | 1,088 | 52 | | -2 | | 11 | | | | | 1,150 |
| R0150 | Net Best Estimate of Premium Provisions | | | | | | | -346 | -19 | | -2 | 0 | -4 | | | | | -371 |
| | Claims provisions | | | | | | | | | | | | | | | | | |
| R0160 | Gross | | | | | | | 1,812 | 1,530 | | 0 | 0 | 0 | | | | | 3,342 |
| R0240 | Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | | | | | | | 1,784 | 1,340 | | | | | | | | | 3,124 |
| R0250 | Net Best Estimate of Claims Provisions | | | | | | | 28 | 190 | | 0 | 0 | 0 | | | | | 218 |
| R0260 | Total best estimate - gross | | | | | | | 2,554 | 1,563 | | -3 | | 7 | | | | | 4,121 |
| R0270 | Total best estimate - net | | | | | | | -318 | 171 | | -2 | 0 | -4 | | | | | -153 |
| R0280 | Risk margin | | | | | | | 56 | 27 | | | | 0 | | | | | 84 |
| R0320 | Technical provisions - total | | | | | | | 2,610 | 1,590 | | -3 | 0 | 8 | | | | | 4,205 |
| R0330 | Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total | | | | | | | 2,872 | 1,392 | | -2 | 0 | 11 | | | | | 4,274 |
| R0340 | Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total | | | | | | | -262 | 198 | | -2 | 0 | -4 | | | | | -69 |

# Appendix 5 – QRT IR.19.01.21 Non-life insurance claims

IR.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020 Accident year / underwriting year: Accident year

Gross Claims Paid (non-cumulative)
(absolute amount)

| | Year | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0110 | C0170 | C0180 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Development year 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 & + | In Current year | Sum of years (cumulative) |
| R0100 | Prior | | | | | | | | | | | 151 | 151 | 151 |
| R0160 | -9 | 291 | 496 | 124 | -1 | 0 | 0 | 0 | 0 | 0 | 0 | | 0 | 911 |
| R0170 | -8 | 465 | 256 | 19 | 5 | 40 | 27 | 0 | 1 | 0 | | | 0 | 814 |
| R0180 | -7 | 461 | 284 | 102 | 50 | 0 | 0 | 0 | 0 | | | | 0 | 897 |
| R0190 | -6 | 818 | 736 | 85 | 39 | 12 | 0 | 1 | | | | | 1 | 1,691 |
| R0200 | -5 | 256 | 221 | 45 | 16 | 5 | 4 | | | | | | 4 | 548 |
| R0210 | -4 | 567 | 191 | 67 | 95 | 0 | | | | | | | 0 | 920 |
| R0220 | -3 | 758 | 506 | 87 | 15 | | | | | | | | 15 | 1,365 |
| R0230 | -2 | 346 | 769 | 607 | | | | | | | | | 607 | 1,723 |
| R0240 | -1 | 326 | 850 | | | | | | | | | | 850 | 1,176 |
| R0250 | 0 | 842 | | | | | | | | | | | 842 | 842 |
| R0260 | | | | | | | | | | | | Total | 2,470 | 11,038 |

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

| | Year | C0200 | C0210 | C0220 | C0230 | C0240 | C0250 | C0260 | C0270 | C0280 | C0290 | C0300 | C0360 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Development year 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 & + | Year end (discounted data) |
| R0100 | Prior | | | | | | | | | | | 1,536 | 1,007 |
| R0160 | -9 | 0 | 270 | 46 | 41 | 44 | 43 | 40 | 41 | 39 | 39 | | 25 |
| R0170 | -8 | 514 | 210 | 160 | 81 | 68 | 42 | 41 | 38 | 38 | | | 25 |
| R0180 | -7 | 879 | 286 | 115 | 42 | 41 | 40 | 38 | 38 | | | | 25 |
| R0190 | -6 | 909 | 218 | 101 | 86 | 40 | 39 | 38 | | | | | 25 |
| R0200 | -5 | 557 | 145 | 78 | 40 | 50 | 47 | | | | | | 33 |
| R0210 | -4 | 476 | 133 | 160 | 74 | 54 | | | | | | | 35 |
| R0220 | -3 | 744 | 189 | 58 | 60 | | | | | | | | 42 |
| R0230 | -2 | 1,078 | 775 | 159 | | | | | | | | | 122 |
| R0240 | -1 | 1,275 | 484 | | | | | | | | | | 436 |
| R0250 | 0 | 1,800 | | | | | | | | | | | 1,679 |
| R0260 | | | | | | | | | | | | Total | 3,455 |

Gross premium

| | | C0570 | C0580 |
|---|---|---|---|
| | | Gross earned premium at reporting reference date | Estimate of future gross earned premium |
| R0160 | N-9 | 9,053 | 0 |
| R0170 | N-8 | 8,700 | 0 |
| R0180 | N-7 | 8,841 | 0 |
| R0190 | N-6 | 9,046 | 0 |
| R0200 | N-5 | 9,111 | 0 |
| R0210 | N-4 | 8,984 | 0 |
| R0220 | N-3 | 9,382 | 0 |
| R0230 | N-2 | 10,067 | 0 |
| R0240 | N-1 | 10,288 | 0 |
| R0250 | N | 10,220 | 0 |

# Appendix 6 – QRT IR.23.01.01 Own Funds

IR.23.01.01

Own Funds

| | | Total | Tier 1 unrestricted | Tier 1 restricted | Tier 2 | Tier 3 |
|---|---|---|---|---|---|---|
| | | C0010 | C0020 | C0030 | C0040 | C0050 |
| R0010 | Ordinary share capital (gross of own shares) | 0 | 0 | | 0 | |
| R0030 | Share premium account related to ordinary share capital | 0 | 0 | | 0 | |
| R0040 | Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings | 0 | 0 | | 0 | |
| R0050 | Subordinated mutual member accounts | 0 | | 0 | 0 | 0 |
| R0070 | Surplus funds | 0 | 0 | | | |
| R0090 | Preference shares | 0 | | 0 | 0 | 0 |
| R0110 | Share premium account related to preference shares | 0 | | 0 | 0 | 0 |
| R0130 | Reconciliation reserve | 9,109 | 9,109 | | | |
| R0140 | Subordinated liabilities | 148 | | 148 | 0 | 0 |
| R0160 | An amount equal to the value of net deferred tax assets | 6 | | | | 6 |
| R0180 | Other own fund items approved by the supervisory authority as basic own funds not specified above | 0 | 0 | 0 | 0 | 0 |
| R0220 | Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds | 0 | | | | |
| R0290 | Total basic own funds | 9,263 | 9,109 | 148 | 0 | 6 |
| | Ancillary own funds | | | | | |
| R0300 | Unpaid and uncalled ordinary share capital callable on demand | 0 | | | | |
| R0310 | Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand | 0 | | | | |
| R0320 | Unpaid and uncalled preference shares callable on demand | 0 | | | | |
| R0330 | A legally binding commitment to subscribe and pay for subordinated liabilities on demand | 0 | | | | |
| R0340 | Letters of credit and guarantees | 0 | | | | |
| R0350 | Letters of credit and guarantees other | 0 | | | | |
| R0360 | Supplementary members calls | 0 | | | | |
| R0370 | Supplementary members calls - other | 0 | | | | |
| R0390 | Other ancillary own funds | 0 | | | | |
| R0400 | Total ancillary own funds | 0 | | | 0 | 0 |
| | Available and eligible own funds | | | | | |
| R0500 | Total available own funds to meet the SCR | 9,263 | 9,109 | 148 | 0 | 6 |
| R0510 | Total available own funds to meet the MCR | 9,257 | 9,109 | 148 | 0 | |
| R0540 | Total eligible own funds to meet the SCR | 9,263 | 9,109 | 148 | 0 | 6 |
| R0550 | Total eligible own funds to meet the MCR | 9,257 | 9,109 | 148 | 0 | |
| R0580 | SCR | 3,527 | | | | |
| R0600 | MCR | 3,500 | | | | |
| R0620 | Ratio of Eligible own funds to SCR | 262.62% | | | | |
| R0640 | Ratio of Eligible own funds to MCR | 264.48% | | | | |

| | Reconcilliation reserve | C0060 |
|---|---|---|
| R0700 | Excess of assets over liabilities | 9,115 |
| R0710 | Own shares (held directly and indirectly) | 0 |
| R0720 | Foreseeable dividends, distributions and charges | |
| R0725 | Deductions for participations in financial and credit institutions | |
| R0730 | Other basic own fund items | 6 |
| R0740 | Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds | 0 |
| R0760 | Reconciliation reserve | 9,109 |

# Appendix 7 – QRT IR.25.04.21 Solvency Capital Requirement

IR.25.04.21

Solvency Capital Requirement

Net of loss absorbing capacity of technical provisions

| | | C0010 |
|---|---|---|
| | Market risk | |
| R0070 | Interest rate risk | 346 |
| R0080 | Equity risk | 2,474 |
| R0090 | Property risk | 0 |
| R0100 | Spread risk | 620 |
| R0110 | Concentration risk | 5 |
| R0120 | Currency risk | 796 |
| R0125 | Other market risk | |
| R0130 | Diversification within market risk | -935 |
| R0140 | Total Market risk | 3,305 |
| | Counterparty default risk | |
| R0150 | Type 1 exposures | 617 |
| R0160 | Type 2 exposures | 73 |
| R0165 | Other counterparty risk | |
| R0170 | Diversification within counterparty default risk | -17 |
| R0180 | Total Counterparty default risk | 674 |
| | Life underwriting risk | |
| R0190 | Mortality risk | |
| R0200 | Longevity risk | |
| R0210 | Disability-Morbidity risk | |
| R0220 | Life-expense risk | |
| R0230 | Revision risk | |
| R0240 | Lapse risk | |
| R0250 | Life catastrophe risk | |
| R0255 | Other life underwriting risk | |
| R0260 | Diversification within life underwriting risk | |
| R0270 | Total Life underwriting risk | 0 |
| | Health underwriting risk | |
| R0280 | Health SLT risk | |
| R0290 | Health non SLT risk | |
| R0300 | Health catastrophe risk | |
| R0305 | Other health underwriting risk | |
| R0310 | Diversification within health underwriting risk | |
| R0320 | Total Health underwriting risk | 0 |
| | Non-life underwriting risk | |
| R0330 | Non-life premium and reserve risk (ex catastrophe risk) | 65 |
| R0340 | Non-life catastrophe risk | 0 |
| R0350 | Lapse risk | 0 |
| R0355 | Other non-life underwriting risk | |
| R0360 | Diversification within non-life underwriting risk | 0 |
| R0370 | Non-life underwriting risk | 65 |
| R0400 | Intangible asset risk | |
| | Operational and other risks | |
| R0422 | Operational risk | 130 |
| R0424 | Other risks | |
| R0430 | Total Operational and other risks | 130 |
| R0432 | Total before all diversification | 5,127 |
| R0434 | Total before diversification between risk modules | 4,175 |
| R0436 | Diversification between risk modules | -488 |
| R0438 | Total after diversification | 3,687 |
| R0440 | Loss absorbing capacity of technical provisions | |
| R0450 | Loss absorbing capacity of deferred tax | -160 |
| R0455 | Other adjustments | |
| R0460 | Solvency capital requirement including undisclosed capital add-on | 3,527 |
| R0472 | Disclosed capital add-on - excluding residual model limitation | |
| R0474 | Disclosed capital add-on - residual model limitation | |
| R0480 | Solvency capital requirement including capital add-on | 3,527 |
| R0490 | Biting interest rate scenario | |
| R0495 | Biting life lapse scenario | |

# Appendix 8 – QRT IR.28.01.01 Minimum Capital Requirement

IR.28.01.01

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

| | Linear formula component for non-life insurance and reinsurance obligations | C0010 |
|---|---|---|
| R0010 | $MCR_{NL}$ Result | 18 |

| | | Net (of reinsurance/SPV) best estimate and TP calculated as a whole | Net (of reinsurance) written premiums in the last 12 months |
|---|---|---|---|
| | | C0020 | C0030 |
| R0020 | Medical expense insurance and proportional reinsurance | 0 | |
| R0030 | Income protection insurance and proportional reinsurance | 0 | |
| R0040 | Workers' compensation insurance and proportional reinsurance | 0 | |
| R0050 | Motor vehicle liability insurance and proportional reinsurance | 0 | |
| R0060 | Other motor insurance and proportional reinsurance | 0 | |
| R0070 | Marine, aviation and transport insurance and proportional reinsurance | 0 | |
| R0080 | Fire and other damage to property insurance and proportional reinsurance | 0 | |
| R0090 | General liability insurance and proportional reinsurance | 171 | |
| R0100 | Credit and suretyship insurance and proportional reinsurance | 0 | |
| R0110 | Legal expenses insurance and proportional reinsurance | 0 | |
| R0120 | Assistance and proportional reinsurance | 0 | |
| R0130 | Miscellaneous financial loss insurance and proportional reinsurance | 0 | |
| R0140 | Non-proportional health reinsurance | 0 | |
| R0150 | Non-proportional casualty reinsurance | 0 | |
| R0160 | Non-proportional marine, aviation and transport reinsurance | 0 | |
| R0170 | Non-proportional property reinsurance | 0 | |

| | Linear formula component for life insurance and reinsurance obligations | C0040 |
|---|---|---|
| R0200 | $MCR_{L}$ Result | 0 |

| | | Net (of reinsurance/SPV) best estimate and TP calculated as a whole | Net (of reinsurance/SPV) total capital at risk |
|---|---|---|---|
| | | C0050 | C0060 |
| R0210 | Obligations with profit participation - guaranteed benefits | | |
| R0220 | Obligations with profit participation - future discretionary benefits | | |
| R0230 | Index-linked and unit-linked insurance obligations | | |
| R0240 | Other life (re)insurance and health (re)insurance obligations | | |
| R0250 | Total capital at risk for all life (re)insurance obligations | | |

| | Overall MCR calculation | C0070 |
|---|---|---|
| R0300 | Linear MCR | 18 |
| R0310 | SCR | 3,527 |
| R0320 | MCR cap | 1,587 |
| R0330 | MCR floor | 882 |
| R0340 | Combined MCR | 882 |
| R0350 | Absolute floor of the MCR | 3,500 |
| R0400 | Minimum Capital Requirement | 3,500 |

# Annual Report and Accounts

**31 December 2025**
**The Baptist Insurance Company Plc**



04/26