

Annual Report and Accounts

2025



Baptist
Insurance

120
YEARS



The Baptist Insurance Company PLC

Annual Report and Financial Statements 31 December 2025

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The Baptist Insurance Company PLC

Officers and Other Company Information

Directors	H. A. Francis <i>BSc, FCA, Chair</i> A. Bishop <i>MBA</i> M. A. Broad <i>MBE</i> C. J. Chapman <i>DIP CII</i> J. P. H. Entwisle <i>MA, MBA, ACA</i> E. C. Osborne <i>MA</i> T. J. Rose <i>MBA, C Dir</i> M. H. Tripp <i>BSc, ARCS, FIA, Senior Independent Director</i> D. Lane <i>B.Comm (Hons), Certified Insurance Director</i> M. N. Hayes <i>BSc, F I Chem. E, FCII (Retired 11 June 2025)</i>
Company Secretary	R. J. Hall <i>FCG</i>
Chief Executive Officer	D. Lane <i>B.Comm (Hons), Certified Insurance Director</i>
Independent Auditors	Ernst & Young LLP The Paragon, Counterslip, Bristol, BS1 6BX, United Kingdom
Registered Office	Benefact House 2000 Pioneer Avenue Gloucester Business Park Brockworth Gloucester GL3 4AW United Kingdom
Company Registration Number	00083597

The Baptist Insurance Company PLC

Directors' Biographies

H. A. Francis BSc, FCA, Chair

Appointed Chair in June 2025, a Board member since 2021. A Chartered Accountant, qualifying with Price Waterhouse, he brings over 30 years of experience in the insurance sector. Hugh recently retired, having been with Aviva since 2001, where he was Director of Regulatory Affairs and External Reporting Developments, responsible for assessing and responding to future external reporting and regulatory developments. He continues to provide business advisory services to the insurance and asset management industry. Hugh has held influential roles across UK, European, and global insurance groups and associations. He remains a member of the ICAEW Insurance Sub-Committee and has previously served as a member and chair of various committees of the Association of British Insurers, European CFO Forum, Insurance Europe and other industry and regulatory stakeholder groups. He is an Elder and the Treasurer at Testwood Baptist Church, Totton, and Treasurer and member of the Mission Steering Group at Central Baptist Church, Southampton. He is a Trustee of Youth and Families Matter, the church's community project. Hugh is on the Board of Essential Christian, Spring Harvest Holidays and is also the Honorary Treasurer & Board Member of the Evangelical Alliance.

A. Bishop MBA

Appointed to the Board in 2015. Formerly CEO of a regional Christian charity, following a career in marketing and public relations, and currently MD of a company importing Fair Trade products from Sri Lanka. Extensive governance experience underpinned by an Advanced Certificate in Corporate Governance. Currently the Chair of a local Christian homelessness charity. Active member of a local Baptist church.

M. A. Broad MBE

Appointed to the Board in 2011. Retired senior commercial manager at HSBC Bank plc. Former treasurer of the Baptist Union of Great Britain and former moderator of the Baptist Pension Scheme Employers Group. Treasurer/Trustee of the Bristol Baptist College and Treasurer/Trustee of Keynsham Baptist Church. Chair/Trustee of the Futura Learning Partnership, Keynsham. Chair of Governors at Sexey's School, Bruton. Malcolm has 22 years' experience delivering trustee/treasurer training to many Baptist churches, colleges and associations across the country. Appointed a National Leader of Governance by the Department of Education between 2016-2021. Awarded an MBE in the 2008 New Year Honours list for services to Education in Bristol.

C. J. Chapman, DIP CII

Appointed to the Board in 2024. Formerly the owner and managing director of specialist charity and faith insurance brokers WRS with 30 years experience in his field. Involved in the Christian charity sector as both a trustee and volunteer team member, established a primary health-care centre for the homeless and previously Chairperson of a residential care complex for elderly people. Volunteer mentor at the University of Essex and an active charity consultant. In covenant membership at Colchester Baptist Church having been baptised in 1980 and currently Church Officer and Treasurer.

J. P. H. Entwisle MA, MBA, ACA, Deputy Chair

Appointed to the Board in 2021. Formerly Managing Partner of a major UK actuarial and investment consultancy. A chartered accountant and trustee of three charities covering education, financial inclusion and Christian witness both in the UK and India. Deacon and treasurer of Speen Baptist Church in Buckinghamshire.

D. Lane B.Comm (Hons), Certified Insurance Director

Appointed to the Board in 2017. CEO of the Baptist Insurance Company plc and Managing Director of Ecclesiastical Insurance in Ireland. Previously held a number of senior executive roles across UK, Ireland and Europe. Member of the National Development Council of the Wexford Festival of Opera and the Non-life Council of Insurance Ireland.

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Directors' Biographies

E. C. Osborne MA

Appointed to the Board in 2021. Currently has a number of trustee and non-executive positions within pensions and investment. Previous executive career was in financial services, mainly focussed on investment management, including as Chief Investment Officer for the International assets of a US insurance company. Member of the Church of England.

T. J. Rose MBA, C Dir

Appointed to the Board in 2002. Deputy Managing Director of an Agricultural Pulse trading company. Formerly director of a major City broking house specialising in wholesale financial instruments. A qualified Chartered Director and non-executive Director of the Bible Society Resources Ltd, Board member and Trustee of International Baptist Theological Study Centre and Vice Chair of Baptistische Theologische Hochschule. Secretary of Colchester Baptist Church.

M. H. Tripp BSc, ARCS, FIA, Senior Independent Director

Appointed to the Board in 2015. Formerly a partner with City Advisory and accountancy firm Mazars LLP and council member of the Institute and Faculty of Actuaries. Formerly Group CEO of Ecclesiastical Insurance Office plc and before that partner at Ernst & Young, and actuarial firm Watson Wyatt LLP. Non-executive director of a London Market insurer, he has over 45 years UK insurance industry experience. Active Christian, attending a church in Mitcham.

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Chair's Statement

I have had the privilege to serve on the Board of Baptist Insurance Company since 2021 and to work alongside Malcolm Hayes as chair. Malcolm's knowledge, experience and wisdom has guided us for the last 17 years. I want to thank him for all his dedicated work and faithful service over those years, handing on the company in an excellent position to keep doing what we do best. As I take over the role as Chairman alongside James Entwisle as deputy chair, we both remain committed, with God's help, to ensuring that Baptist Insurance Company continues serving, protecting and supporting the Baptist family - providing Insurance by the Baptist Family, for the Baptist Family.

Our priority remains to provide excellent customer service and support to those Churches, Community Projects, Manses and other properties which we insure, through ongoing risk management advice and critically to be there in the event that the unexpected occurs to ensure their ministry and work can continue. We are proud of the support we provide to the Baptist family through high quality of customer service, and are pleased to see the very positive customer feedback we regularly receive and thank our team for all they do to provide this.

We also remain committed to supporting outreach and evangelism, by reinvesting surplus, through grants to churches, projects and ministries across the country and beyond. One of our strategic objectives is to seek to provide grant funding of at least £1 million over the next three years. We recognise the encouraging signs of a growing spiritual openness and the missional trends observed by the Evangelical Alliance "Finding Jesus" research as well as others and evidenced by the significant growth in Bible sales. We remain committed to supporting God's work through the Baptist Family and in particular by continuing to fund "Everyone, Everywhere", which seeks to equip Baptists to share Jesus fully, and was born from an initiative we originally instigated.

The Company performance for 2025 was strong and very encouraging. We saw a 2% growth in gross written premiums to £4,386,346, a good underwriting performance with lower large property claims experience leading to a positive insurance result of £253,540 compared a loss of £233,489 the previous year. This resulted in a profit commission of £488,242 (2024: £nil) arising from our Joint Administration Agreement with Ecclesiastical Insurance Office (EIO), to provide operational activities, & Reinsurance Agreement with EIO, both of which we also reviewed, revised and renewed during the year. We also benefited from another very positive investment performance with a net investment result of £941,255 (2024: £820,396) and we would commend the Board Investment Committee for their ongoing diligence in advising on our investment portfolio.

Given the very positive results in the current year and the potential for volatility in the company's financial results in future years, the Board took steps to facilitate our strategic objective in regard to future grant funding. During 2025, an extraordinary donation was made by the Company to the "Stewardship" fund, which will be utilised to support projects for our Baptist Family, such as "Everyone, Everywhere". In total, charitable grant payments were £690,290 (2024: £360,124) and the resultant profit after tax for the year, even after these grants, was £324,190 (2024: £168,379).

Following an exceptional result for 2025, for which we thank our customers, team and my fellow Directors, we are grateful to God for the continuing progress we have seen in the business. We approach the coming year with optimism as we seek to serve, insure and support the Baptist and wider church family - trusting in the Lord as we do so.



H. A. Francis Chair

On behalf of the directors

27th March 2026

The Baptist Insurance Company PLC

Strategic Report

The directors present their strategic report for the year ended 31 December 2025.

Objective and strategy

The Baptist Insurance Company PLC (the Company) is a public limited company incorporated, registered and domiciled in England, authorised and regulated by the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA).

Our vision for the Company is to be the first choice insurer within the Baptist community and to run a successful insurance business with the highest standards of integrity, helping to create safe environments for worship, witness and service.

We look to generate operating profits through the provision of insurance and through returns on investments, with the goal to maintain or strengthen the Company's capital position. This allows the Company to continue on an ongoing basis and to provide services at a competitive price with the aim of reinvesting back into the Baptist community via the provision of grants.

Business model

The principal activity of the Company is the transaction of property and liability insurance. We provide insurance and risk management advice for churches, as well as offering home insurance for Baptist Ministers, church volunteers and church members.

All risks undertaken by the Company are reinsured with Ecclesiastical Insurance Office public limited company (EIO), except eligible terrorism risks which are reinsured with a third party, Pool Re. Prior to the reinsurance treaty with EIO, the Company had in place a reinsurance agreement with a third party for risks from 1971 to 1998, which covers liabilities for that period. The Company had other arrangements in place prior to this date.

To generate sustainable operating profits, the Company looks to achieve an effective cost base in providing our customers with the highest quality of service be it in buying our services or making claims. To this endeavour the Company outsources its operational activities to EIO, enabling the Company to provide our customers with a service from highly trained staff who are experts in their field.

Following an extensive 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.

The Board monitors the service levels provided through the outsourced agreement with EIO on a monthly basis to ensure they meet expectations and the Company are receiving value for money. These measures include, but are not limited to telephony statistics, customer satisfaction, quotes issued and conversion to policies.

Review of business performance

The results of the Company for the year are shown in the Statement of Profit or Loss on page 26.

The Company reported a profit before tax for 2025 of £430,834 (2024: £151,831). The increase on the prior year was driven by the insurance service result of £253,540 (2024: £233,489 loss) due to an improved claims experience following the poor experience in the previous year which saw a number of significant property claims. Insurance revenue increased by 2.5% to £4,383,103 (2024: £4,275,478) as a result of indexation increases and new business as well as strong retention.

The net investment result of £941,255 (2024: £820,396) performed positively as a result of unrealised gains which reflects the market conditions experienced in the year.

The Company uses a number of financial performance measures when managing and monitoring the performance of the business. Further details on the gross written premiums, underwriting profit or loss and combined operating ratio (COR), which are alternative performance measures, are detailed in appendix 1.

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Strategic Report

Gross written premium (GWP)

GWP is the measure used in internal reporting for turnover of the general insurance business. GWP increased to £4,386,346 (2024: £4,291,740) representing an increase of 2.2%. 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.

Underwriting result

The Company reported an underwriting profit of £140,305 (2024: Loss of £344,293) largely driven by a strong profit commission generated as a result of favourable claims experience as outlined further below. Company expenses were £291,614 (2024: £273,500) and net incurred claims were an expense of £64,981 (2024: £80,000 expense) following settlement of a number of outstanding claims.

Combined Operating Ratio (COR)

The Company uses gross combined operating ratio (COR) as a measure of underwriting efficiency. The COR expresses the total of net claims costs, commission and underwriting expenses as a percentage of gross earned premiums. The COR of 105.0% (2024: 109.1%) shows a 4.1% point decrease on the previous year largely driven by the profit commission generated on the post-1998 account compared to the loss experienced last year.

Claims ratio

Our claims ratio (insurance service expenses to insurance revenue) of 40.4% (2024: 65.6%) shows a 25.2% point decrease on the previous year. The current year's performance reflects a favourable experience with both lower volumes and quantum of claims, while the previous year saw a heavy large claims experience on new treaty claims.

Profit commission

The profit commission for the current year was £488,242 (2024: £nil), which was ahead of budget mainly due to the improved claims performance reflected in a claims ratio (excluding company run-off activity) of 32.5% (2024: 69.2%). Profit commission is reported within the net expense from reinsurance contracts held. The profit commission includes offset of the brought forward loss of £3,617 from the previous year as required by the agreement in place.

Investment return

Our current investments delivered another positive return despite ongoing volatile market conditions in the current economic and political climate. As a result, the Company's net investment result was a profit of £941,255 (2024: profit of £820,396). The Company continues to monitor and review the investment strategy to target investment returns while paying due regard to the risk of loss.

Charitable grants

The aim of the Company and the directors continues to be to support the wider Baptist family. During 2025 amounts of £690,290 (2024: £360,124) were approved as a result of the strong performance for the year, which included an additional sum of £323,700 to a "Stewardship" fund which will be utilised for future support of Baptist projects, and £23,187 (2024: £98,389) of which was accrued at year end.

Equity and reserves

The factors outlined above have all had an influence on results for the year. Profit before tax increased to £430,834 (2024: £151,831) and after the impact of tax, has increased reserves by £324,190 (2024: increase of £168,379).

Regulatory, solvency and capital management

The Company is required to comply with the rules issued by the PRA and FCA. Annual quantitative returns are submitted to the PRA. A further report, the Solvency and Financial Condition Report (SFCR) is produced annually and is published on the Company's website.

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The Company has adopted the Solvency II standard formula approach to determine its solvency capital requirement (SCR). The Company is required to maintain its regulatory capital above the higher of the SCR and MCR (Minimum Capital Requirement). For the 2025 financial year, the applicable measure is the SCR (2024: MCR). Economic capital is the Company's own internal view of the level of capital required, and this measure is an integral part of the Own Risk and Solvency Assessment Report (ORSA) which is a private, internal forward looking assessment of own risk and capital requirement, as required as part of the Solvency II regime. Risk appetite is set such that the target level of economic capital is always higher than the regulatory MCR. As at 31 December 2025, the estimated and unaudited solvency ratio, which is defined as Solvency II Own Funds as a proportion of the unaudited SCR, was 263% (2024: 256%). Coverage as a proportion of MCR was 264% (2024: 231%).

Principal financial risks and uncertainties

The Company's principal risks relate to outsourcing risk, credit risk, investment risk, insurance risk, cyber risk and regulatory change. These risks are actively monitored and managed through established governance arrangements, underwriting and reinsurance strategies (supported by a RTA), the JAA and ongoing regulatory oversight. Further details of the financial risk management objectives and policies of the Company are disclosed in notes 3 and 4 to the financial statements.

Given the operating model of the Company, Outsourcing risk remains a principal risk, earning significant attention from the Board. The majority of operations are outsourced to EIO, with the notable exception of investment management, which is retained within the Company. The Board carefully manages the relationship and contractual arrangements to ensure they remain appropriate for the Company on an ongoing basis. The Board manages this risk by monitoring financial information and key performance indicators and ensuring that the Board itself has a mix of expertise and skill amongst directors to suitably manage the relationship with EIO and operating an independent planning framework separate to EIO. The JAA, which forms the contractual backbone for the services provided by EIO to the Company, is also subject to an annual review overseen by the Board and the Company's SMF4 (Chief Risk Officer); providing assurance that EIO is delivering on its contractual obligations to the Company.

Investment risk is a closely tracked principal risk for the Company, arising from the potential for financial loss driven by changes in economic and market conditions. This would include impacts on equity and credit markets, as well as movements in interest rates. This risk is directly owned by the Board and mitigated by a diversified investment strategy (ensuring capital adequacy under all plausible circumstances), asset and portfolio management, monitoring of returns, and direct oversight and review by the Board. Whilst the risk isn't residually rated as critical or high for 2025, the high inherent rating and nature of the risk ensures it retains principal risk status.

Insurance risk continues to be a principal risk for the Company, arising from the possibility that actual claims and benefit payments exceed the liabilities held. This risk is heightened by the inherent uncertainty in both the frequency and severity of insurance events and the Company's position as a niche market operator with limited scope to diversify its portfolio. Insurance risk is mitigated through an underwriting strategy designed to promote diversification by type, size and geography of risk, supported by a comprehensive reinsurance programme. Under the RTA EIO accepts all post 1998 business (other than terrorism cover which is reinsured with Pool Re; the UK's largest terrorism reinsurer) and manages disbursements, further mitigating the Company's exposure. There are a small number of policies pre-1998 that are not covered under the RTA and could give rise to a claim, although the Company had in place a reinsurance agreement with a third party for risks from 1971 to 1998, which covers liabilities for that period. These claims are all considered to be appropriately reserved for and kept under review with regular reporting to the Board via the ARCC.

Credit risk remains a principal risk for the Company, arising from the potential default of key counterparties, most notably its reinsurer EIO, as well as intermediaries, premium debtors and cash-holding institutions. The Company's operating model results in a significant concentration of credit risk through its reinsurance arrangements with EIO, under which all ongoing business (other than terrorism and flood) is fully reinsured, as mentioned in the Insurance risk section above. This creates reliance on a single counterparty. However, the Board considers this concentration acceptable given the financial benefits of the arrangement and the absence of any material change in exposure over the period. This risk is mitigated through regular monitoring of EIO's financial strength, oversight of pre-1998 liabilities by the ARCC, clearly defined risk appetite limits for counterparties, and cash holdings.

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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 robust security controls, 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. These services are provided by the Administrator under the JAA.

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.
- 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.

Emerging risks continue to evolve and are monitored through regular oversight of external environment factors that could impact the Company's strategy, operations, or risk profile.

The Board recognises the importance of effective risk management and has established a strong governance framework to identify, assess, and manage the risks to which the Company is exposed.

Climate Change and the environment

Climate change continues to present increasing levels of risk to our businesses and our customers. Recent extreme weather events continue to illustrate the increasing impact of climate change on our industry. The key risks identified for the Company are:

- physical risk of increasing severity and frequency of weather-related events leading to rising levels of property insurance claims. The impacts on the Company's insurance risks are primarily related to locations of the insured properties and will be informed by emerging modelling capabilities;
- transition risk to the value of investment assets as the world moves to become a low carbon economy. The Company has adopted an Ethical, Environmental, Social and Governance investment policy which uses positive and negative screening as well as shareholder engagement that will enable mitigation of the impact of these risks; and
- liability risks associated with the potential for litigation arising from an inadequate response

The Board recognises the importance of understanding and managing the risks the Company is exposed to and has set up a strong governance framework to facilitate this process.

The current economic climate, driven by a series of economic and political events over the past few years, has continued to create additional uncertainty in the business during these periods and into 2026. Our investment return

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has been impacted through continued volatility but remained profit-generating, additionally we maintain a long term strategy on the portfolio to generate profits. Our capital position and solvency coverage remain in a strong position and projections suggest this would continue. We continue to closely monitor developments in this area and the evolving impact it may have on the business.

Non-financial and sustainability information statement

As an authorised insurance entity, the Company is covered by sections 414CA and 414CB of the Companies Act 2006 (CA 2006). The Company has opted to take exemption in accordance with subsection 4(b) of s.414CA of the Act, and has not prepared the non financial and sustainability information statement in the strategic report as it has no employees.

Section 172 Statement

The directors confirm that during 2025 and to the date of this Report, they have acted to promote the success of the Company for the benefit of its members as a whole and considered the matters as set out in section 172(1)(a) to (f) of the Companies Act 2006. This section provides an overview of how the directors have had regard to those matters when performing their duties.

The Board has delegated day to day management of the Company to EIO under the terms of a JAA. Therefore, where matters may impact EIO a collaborative approach is taken to stakeholder engagement between the Board and EIO.

Our Approach to the Long Term Success of the Company

The Board of directors recognises that the long-term success of the Company is dependent upon having regard to the interests of its stakeholders. This is achieved by engaging with stakeholders to understand their views and interests. Dialogue with stakeholders can help the Board to understand significant changes in the landscape, predict future developments and trends, and develop strategy that is aligned to stakeholder interests.

Our Stakeholders

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

Shareholders and Key Baptist Organisations

The Board is responsible to its shareholders for the long-term success of the Company. The interests of the Company and its shareholders are aligned with the common purpose of benefiting the Baptist community.

What matters to them?

- Financial performance and returns to benefit the Baptist Family
- Strategy and business model
- Environmental, social and governance (ESG) credentials in line with the Baptist Church.
- Reputation and ethics
- Strong leadership

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<p>Customers and Baptist Community</p> <p>The Company has a strong reputation for delivering outstanding customer service.</p> <p><i>What matters to them?</i></p> <ul style="list-style-type: none"> • Customer experience • Products that represent fair value and easy to understand • Specialist expertise and guidance • Fair pricing • Value for the benefit of the wider Baptist Family. • Operational resilience 	<p>Ecclesiastical Insurance Office public limited company (EIO)</p> <p>Day to day management services are provided by EIO on the Company's behalf under the terms of the JAA, therefore the Company has no employees. Individuals who undertake work on behalf of the Company are employed by EIO.</p> <p>Notwithstanding this, the Board appreciates that these individuals are the Company's greatest asset given their specialist skills and knowledge and propensity to go above and beyond.</p> <p><i>What matters to them?</i></p> <ul style="list-style-type: none"> • Culture and purpose • Health and wellbeing • Fair pay and reward • Diverse and inclusive workplace • Flexible working • Training, practices development and progression • Making a positive impact on society
<p style="text-align: center;">Community and Environment</p> <p>The Company exists to support the Baptist Community and also seeks to make a positive contribution to society's well-being and help reduce some of the harm brought about through climate change.</p> <p><i>What matters to them?</i></p> <ul style="list-style-type: none"> • Charitable giving • Health and Safety • Employment, economic and societal contribution • Environmental impact of operations 	
<p>Regulators</p> <p>The Board recognises the importance of open and honest dialogue with Regulators (including the FCA and the PRA) and complying with applicable legislation and regulation.</p> <p><i>What matters to them?</i></p> <ul style="list-style-type: none"> • Outcomes for customers • Openness and transparency • Operational and financial resilience • Compliance with legislation and regulation 	<p>Other Suppliers</p> <p>The Board appreciates the important role that suppliers play in ensuring a reliable service is delivered to clients and the need to have a strong working relationship.</p> <p><i>What matters to them?</i></p> <ul style="list-style-type: none"> • Collaborative approach • Open terms of business • Fair payment terms • Responsible supply chain • Communication

Stakeholder Engagement in decision making

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

The directors receive directors' duty training as part of their induction, and are regularly reminded of their statutory duties, which includes all aspects of section 172 of the Act. In addition, key paper writers have received board paper writing training, and are encouraged to ensure that a stakeholder analysis is included within the papers. This facilitates

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robust strategic discussions which takes into account the long-term success of the Company in addition to any direct and or indirect implications for stakeholders.

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

Below is an example of a principal decision taken by the Board during the year in respect of strategic and Company performance and how it has had regard to the interests of, and impact on a selection of its stakeholders.

Principal Decision of the Board

Following Malcolm Hayes' decision to retire as Chair of the Board, the directors undertook a structured process to identify a suitable successor from within the Board. The process was led by Michael Tripp, Senior Independent Non-Executive Director, with support from the Company Secretariat.

Expressions of interest were received from two directors, both regarded as credible candidates. An Appointments Panel, comprising the non-executive directors (the "Panel"), was convened to oversee the selection process. Mr Tripp held individual meetings with each candidate and facilitated a skills matrix assessment completed by both candidates. Subsequently, the Panel interviewed the candidates, inviting them to articulate their perspectives on regulatory obligations, the needs of the Baptist Family, and the long-term success of the Company.

Following careful consideration, the Board resolved that Hugh Francis be appointed as Chair with effect from 9 June 2025, and that James Entwisle assume the newly created role of Deputy Chair from the same date. In light of his appointment as Chair, Mr Francis stepped down as Chair of the Audit, Risk & Compliance Committee (ARCC), and Mr Entwisle succeeded him in that role, also effective 9 June 2025.

Stakeholder engagement

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

Our key stakeholders	Methods of engagement and outcomes
Shareholders and Key Baptist Organisations	<p data-bbox="563 1641 1367 1865">There is at least one Baptist Union of Great Britain (Baptist Union) Director, and the Company's Articles of Association allows for a quarter of the directors to be appointed by the Baptist Union, to the Board. This ensures that the views of the Baptist Union are communicated to the Board as a whole and considered. directors also actively engage with other Baptist organisations and share stakeholder insights with the Board. There is a Conflicts of Interest Policy in place to manage any actual and perceived conflicts that might arise.</p> <p data-bbox="563 1888 1367 2000">There are open channels of communication between the Company and its shareholders. The directors regularly meet with its shareholders both through formal and informal means. In 2025 the Company held its Annual General Meeting (AGM) on 11 June 2025 which shareholders were invited to attend.</p>

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Customers and Baptist Community	
<p>The Company has a strong reputation for delivering outstanding customer service.</p>	<p>The Board regularly receive updates and actively challenge management on the delivery of the Customer Strategy . All Board members receive a copy of the Company's Business Report monthly, specifically noting customer satisfaction scores and any complaints handling data. More detailed annual customer satisfaction scores are also considered. Members of the Board actively engage with its customer base, which usually includes attendance at the annual Baptist Conference.</p> <p>The Board is proud to continue its support of the wider Baptist Family, and continually looks for innovative ways to do so. In September 2025, the Board and Committee meetings for Q3 were convened at Baptist House, home of the Baptist Union of Great Britain. The meetings were scheduled over two days and concluded with a dedicated strategy session attended by the Non-Executive Directors. This session fostered deeper collaboration between the Company and the Baptist Union, providing Directors with valuable insights into the key issues affecting our customer base. The perspectives gained will play an important role in shaping the Company's refreshed marketing strategy.</p>
Ecclesiastical Insurance Office plc (EIO)	
<p>Day to day management services are provided by EIO on the Company's behalf under the terms of JAA, therefore the Company has no employees.</p>	<p>EIO is accountable to the Board for all services undertaken in accordance with the JAA. The Board annually reviews the provision of services undertaken by EIO on the Company's behalf, providing rigorous challenge and oversight of management.</p> <p>Various members of EIO's management team attend Board and Committee meetings. Mr Lane was appointed as the Administrator Director by EIO. In addition Mr Mark Hews, EIO Chief Executive Officer provides an annual update on EIO's strategic position to the Board, and attended the Company's AGM during the year. The Company CEO meets with Mr Hews to ensure the continued strategic alignment of the companies. The Board of directors invited members of EIO staff to attend a corporate breakfast at which open and honest dialogue was encouraged. The Directors are grateful for the work of EIO staff on its behalf and encourage an open and transparent channel of communication between EIO staff and the Board.</p> <p>Following an extensive review of the JAA and RTA 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. The refreshed agreements incorporate recent legal and regulatory developments, ensuring continued compliance and operational alignment. These agreements remain central to the Company's relationship with EIO, a partnership founded on shared values and mutual respect.</p>
Regulators	
<p>The Board recognises the importance of open and honest dialogue with Regulators (including the Financial Conduct Authority and the Prudential Regulation Authority) and complying with applicable legislation and regulation.</p>	<p>The Board (via the ARCC receives reports detailing the Company's regulatory interactions. Regular reports are also received on the evolving legal and regulatory landscape incorporating a detailed impact and progress assessment.</p>

The Baptist Insurance Company PLC

Strategic Report

Other Suppliers	
<p>The Board appreciates the important role that suppliers play in ensuring a reliable service is delivered to clients and the need to have a strong working relationship.</p>	<p>The Board does not generally directly interact with our suppliers; however they receive reports and updates from management allowing them to oversee associated relationships and to keep up to date on developments.</p> <p>As Directors of a regulated insurance entity, the Board is aware of its regulatory responsibilities under Supervisory Statement 2/21, Outsourcing and Third-Party Risk Management.. EIO have a robust Supplier Management Framework in place and management are expected to manage Supplier Contracts in accordance with this. The Board review and challenge EIO on this to ensure that it is managing Supplier Contracts appropriately on its behalf.</p> <p>Group Risk is due to complete an annual performance review of the work undertaken by EIO on behalf of the Company during 2025 within the terms of the JAA. The outcome of this review is scheduled to be presented to the ARCC and the Board in 2026.</p>
Community and Environment	
<p>The Company exists to support the Baptist Community and also seeks to make a positive contribution to society's well-being and help reduce some of the harm brought about through climate change.</p>	<p>The Board (via the ARCC) regularly reviews the risk associated with climate change. The Board agreed a separate Risk Register entry be created to capture Climate Change risks.</p> <p>During the course of the year, the Board (via the ARCC) regularly discussed and considered the impact of climate change upon deteriorating weather conditions and the impact that this could have upon church buildings. The Board are aware that risk management is a key tool in managing the risks to property associated with climate change. Consequently, the Board (via the S&MC) continues to oversee the Company's marketing strategy to ensure that risk management communication via its website and Expressions are sufficient to provided adequate customer support.</p> <p>The Board remains committed to its long-term charitable giving to the Baptist community.</p>



H. A. Francis

Director

27th March 2026

The Baptist Insurance Company PLC

Directors' Report

The directors present their annual report and audited financial statements for the year ended 31 December 2025.

Future prospects

It is anticipated that the activities of the Company will remain unchanged for the foreseeable future.

Going concern

The Company itself maintains a strong balance sheet position and good capital coverage, and it has no external loans. The Company reinsures all of its current business, except for terrorism cover, with EIO, which also provides administrative services within a profit share arrangement. Therefore most of its insurance risks are ultimately borne by EIO, which is well capitalised and has ratings of A2 and A with Moodys and AM Best respectively. The Company's assets excluding reinsurance contract assets are also greater than insurance contract liabilities. The Company has also considered its capital position, liquidity and expected performance. The Company has sufficient levels of cash and other liquid resources and has expectations it can meet its cash commitments over its planning horizon. The Company expect to continue to meet regulatory requirements. The directors have considered the impact of the and market conditions on the Company, and whilst it has impacted the investment returns through month-on-month volatility, the solvency coverage and capital position has remained strong. The directors also consider they have provided adequately for risks not reinsured with EIO and, as such, after considering the stresses and any mitigating actions as well as the financial and operating capability of EIO, the directors believe the Company is well placed to manage such risks successfully and continue in operational existence for a period of 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Results

The profit before tax was £430,834 (2024: profit of £151,831).

The directors note that the payment on the amounts paid up on the 4% cumulative preference shares and on the 5% cumulative ordinary shares, for the year ended 31 December 2025, in the sum of £7,328 (2024: £7,328), be distributed. This is treated as interest payable on permanent interest-bearing capital in the financial statements.

Political donations

The Company did not make any contributions for political purposes in the current or prior year.

Board of Directors

The directors of the Company during the year and up to the date of this report are set out on pages 4 to 5 alongside the biographies of those directors currently serving on the Board.

As set out in the Annual General Meeting (AGM) Notice, in accordance with the Company's Articles of Association Mr Timothy Rose and Mrs Anne Bishop retire by rotation, and being eligible, offer themselves for re-election at the forthcoming AGM.

Qualifying third-party provisions

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were in place throughout the year and remain in force at the date of this report.

Directors' responsibilities statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and regulations.

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

The Baptist Insurance Company PLC

Directors' Report

In preparing these financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in the UK-adopted IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the financial position and financial performance;
- state whether UK-adopted IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the company will not continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Company financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report and director's report, that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Climate Change and the environment

Information on the approach to climate change and the environment is provided on page 10.

Auditor and the disclosure of information to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information. This confirmation is given and should be interpreted in accordance with Section 418 of the CA 2006.

In accordance with Section 489 of the CA 2006, a resolution proposing that Ernst & Young LLP be re-appointed as auditor of the Company will be put to the annual general meeting.

Approved by the Board of directors and signed on its behalf by:



H. A. Francis

Director

27th March 2026

Independent Auditor's Report To The Members Of The Baptist Insurance Company PLC

Opinion

We have audited the financial statements of The Baptist Insurance Company PLC ("the Company") for the year ended 31 December 2025 which comprise the Statement of Profit or Loss, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, and the related notes 1 to 23, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2025 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- confirming our understanding of management's going concern assessment process and obtaining management's assessment which covers the period of 12 months from when the financial statements are authorised for issue;
- assessing the accuracy of management's analysis by testing the reasonableness of the inputs and assumptions to the cash flow model and the clerical accuracy of the model used;
- evaluating the liquidity and solvency position of the Company by reviewing base case liquidity and solvency projections;
- obtaining and reviewing the latest Board approved ORSA, and assessing whether the stress testing included in the ORSA was reasonable and considered the solvency position under each stress scenario;
- evaluating management's forecast analysis to understand how severe the downside scenarios would have to be in order to result in the elimination of solvency and liquidity headroom;
- assessing the plausibility of available management actions to mitigate the impact of the key risks by comparing them to our understanding of the Company;
- performing enquiries of management and those charged with governance to identify risks or events that may impact the Company's ability to continue as a going concern. We also reviewed management's assessment approved by the Board and minutes of meetings of the Board and its committees;
- given the reliance on Ecclesiastical Insurance Office (EIO) for both reinsurance on the post 1998 exposures and for operational support under the joint administration agreement, obtaining EIO Group managements going concern assessment from the EIO Group Financial Controller and critically assessing whether this provided comfort as to the robustness of the support in the going concern period; and
- assessing the appropriateness of the going concern disclosures by comparing the consistency with management's assessment and for compliance with the relevant reporting requirements.

Independent Auditor's Report To The Members Of The Baptist Insurance Company PLC

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Overview of our audit approach

Key audit matters	<ul style="list-style-type: none">Valuation of the Liabilities for Incurred Claims (pre-1998).Estimates involved in the calculation of profit commission income included within net expenses from reinsurance contracts held.
Materiality	<ul style="list-style-type: none">Overall materiality of £173k which represents 2% of net assets.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, the potential impact of climate change and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Climate change

Stakeholders are increasingly interested in how climate change will impact The Baptist Insurance Company PLC. The company has determined that the most significant future impacts from climate change on its operations will be from physical and transition risks. These are explained on page 10 in the Climate change and environment section of the Strategic Report, which form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information."

In planning and performing our audit we assessed the potential impacts of climate change on the company's business and any consequential material impact on its financial statements.

The company has explained in the Basis of Preparation note how they have reflected the impact of climate change in their financial statements. These disclosures also explain where governmental and societal responses to climate change risks are still developing, and where the degree of certainty of these changes means that they cannot be taken into account when determining asset and liability valuations under the requirements of UK-adopted international accounting standards (IFRS).

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition, and the resulting conclusion that there was no material impact from climate change and the adequacy of the company's disclosures on page 30 of the financial statements under the Going Concern section. As part of this evaluation, we performed our own risk assessment to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and associated disclosures.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Independent Auditor’s Report To The Members Of The Baptist Insurance Company PLC

Key audit matters

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Valuation of the Liabilities for Incurred Claims (pre-1998) (2025: £1,587k, 2024: £1,326k)</p> <p><i>Refer to the Accounting policies (page 32); and Note 20 of the Financial Statements (page 54)</i></p> <p>All business accepted by the Company post-1998 is fully reinsured by Ecclesiastical Insurance Office PLC (“EIO”). As such the economic exposure of the Company pertains to pre-1998 claims. These can be subdivided into two groups, which are liabilities between 1971 and 1998 (which are reinsured up to £100k) and those pre-1971 (which are not reinsured). The valuation of the liabilities for incurred claims (Pre-1998) is highly judgemental because it requires a number of assumptions such as average future annual inflation, number of new settlements in respect of pre-1998 exposures and average claim cost per settlement. Our risk is attributed to both the exposure of the pre-1971 claims that are not reinsured, as well as any claims post-1971 being in excess of the agreed reinsurance cover.</p> <p>Under IFRS17 the Liability for Incurred Claims (LIC) comprises the nominal reserves (incorporating the Allowance for Limited Historical Experience), discounting and a risk adjustment for non-financial risk. Our risk assessment focusses on the risk that the LIC has been determined through inappropriate assumptions. Due to the magnitude of the LIC and sensitivity to the key assumptions, a small manipulation of an assumption can have a significant impact on the result for the year hence we have designated it as a fraud risk.</p>	<p>We performed walkthroughs to understand the claims liability valuation processes operated by BIC and identified the key controls in place.</p> <p>In conjunction with our actuarial specialists, we assessed the methodology, key assumptions and judgements used by Management, including the key sensitivities and uncertainties in the valuation of the LIC (pre-1998) and the application of discounting and risk adjustment. In particular, we:</p> <ul style="list-style-type: none"> - Checked assumptions for reasonableness and compared them against BIC’s recent historical claims experience and our market benchmarks. - Reviewed management’s scenario analysis to show the sensitivity of the claims reserves to changes in claims experience. - Assessed management’s determination of the discount rate and risk adjustment and considered the appropriateness of these based on our understanding of the business. For discounting, we also considered the appropriateness of management’s run-off patterns used to calculate the discounting impact. <p>Other procedures performed in respect of pre-1998 LIC include:</p> <ul style="list-style-type: none"> - Assessed BIC’s methodology and verified the key outputs from the model and considered whether the methodology was in line with market practice and appropriate for the size and complexity of the underlying risk exposure. - Reviewed key metrics from the inputs to, and outputs from, the valuation models. 	<p>We concluded that the methodology used by management in the valuation of Liabilities for Incurred Claims reserves (pre-1998) was in line with market practice and that it is appropriate for the size and complexity of the underlying risk exposure.</p> <p>We determined that the actuarial assumptions used by management in the valuation of the Liabilities for Incurred Claims (pre-1998) are reasonable based on the analysis of experience to date, industry practice and the financial reporting and regulatory requirements.</p>

Independent Auditor's Report To The Members Of The Baptist Insurance Company PLC

	<ul style="list-style-type: none"> - The reserving process is inherently reliant on the quality of data fed into the process. As a result, we tested the completeness and accuracy of incurred claims data used in the valuation process by reconciling back to the source system. - We analysed claim payment patterns for pre-1998 policies relative to historical trends to assess the reasonableness of the paid claims informing the year-end reserves. - We agreed a sample of pre-1998 exposures to the underlying claims files. - We read all current-year reserving reports and presentations provided to management detailing the actuarial reserve reviews; and - We read all legal correspondence and Board minutes and considered any impact on insurance contract liabilities. 	
<p>Estimates involved in the calculation of profit commission income included within net expenses from reinsurance contracts held (2025: £488k, 2024: £nil)</p> <p>The Company has the contractual right to profit commission in respect of post-1998 claim reserves which have been fully reinsured to EIO and the Company. Profit commission is split 50:50 between EIO and the Company. The calculation of profit commission is dependent on the net underwriting result, which being dependent on the calculation of the post-1998 LIC, is based on significant judgements, and hence is susceptible to manipulation.</p> <p>This balance is subject to manipulation as BIC have an incentive to manipulate key assumptions to reduce the post 1998 LIC to improve the underwriting result which increases profit commission, whereas EIO have an incentive to increase post-1998 LIC to reduce underwriting result and profit commission payable.</p>	<p>One of the inputs used in calculation of profit commission is the movement in post-1998 reserves. Hence, in conjunction with our actuarial specialists, we performed testing on the LIC calculation for accident years 1998 and post; in particular, we:</p> <ul style="list-style-type: none"> - Gained an understanding of how management determine the nominal reserves, including the Allowance for Limited Historical Experience, and the source and application of discounting and Risk adjustment. - Engaged our actuarial specialists to undertake independent reprojections of post-1998 books of business (property and casualty) based on our assessment of modelling and assumption risk and previous audit experience and assess the reasonableness of management's estimate with reference to our reprojections. - Assessed and challenged BIC's approach to allowing for the inflationary environments in their reserves. - Performed testing to validate the data used in the actuarial projections is complete and accurate. 	<p>We determined that the profit commission, which leverages the post-1998 reserves, is calculated in line with the terms agreed with EIO and not materially misstated in the Financial Statements.</p>

Independent Auditor's Report To The Members Of The Baptist Insurance Company PLC

<p>Our work focused on the key areas of judgement applied within the calculation, the most notable being the underlying assumptions used in reserving.</p>	<ul style="list-style-type: none"> - Assessed management's determination of the discount rate and Risk Adjustment and consider the appropriateness of these based on our understanding of the business and the wider market. In respect of discounting, we considered the appropriateness of management's run off patterns used to calculate the discounting impact. - Reviewed the calculation of LIC and checked that this calculation is reasonable. <p>Other procedures performed in respect of profit commission include:</p> <p>We obtained and reviewed the finalised reinsurance agreement to confirm alignment with our understanding, noting that the only change related to the gilt rate used in the profit commission calculation, and this was applied correctly.</p> <p>We reviewed the profit share agreement in place to obtain an understanding as to how it should operate and checked that the methodology used to calculate the profit share is in accordance with that agreement.</p> <p>We verified the mathematical accuracy of the calculation performed by management and tied back to the methodology set out in the agreement.</p> <p>We obtained a signed confirmation from EIO for the amount of profit commission for the year.</p> <p>We read the Board minutes where the final commission figure is agreed.</p> <p>We obtained proof of final payment of the commission income made post year end.</p>	
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Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £173k (2024: £166k), which is 2% (2024: 2%) of net assets. We believe that net assets is the closest proxy for solvency, and therefore financial strength of the company, which we consider to be a key consideration of stakeholders of the entity and the ability to continue to make the grants and meet the entity's charitable objectives.

Independent Auditor's Report To The Members Of The Baptist Insurance Company PLC

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2024: 75%) of our planning materiality, namely £130k (2024: £125k). We have set performance materiality at this percentage due to corrected and uncorrected misstatements being below 25% of materiality in the previous year and consistency of the accounting standards applied from prior year.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £9k (2024: £8k), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Independent Auditor's Report To The Members Of The Baptist Insurance Company PLC

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 16 and 17, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are direct laws and regulations related to elements of the Companies Act 2006 and tax legislation, and the financial reporting framework. Our considerations of other laws and regulations that may have a material effect on the financial statements included permissions and supervisory requirements of the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').
- We understood how The Baptist Insurance Company PLC is complying with those frameworks by making inquiry of those charged with governance and senior management for their awareness of any non-compliance with laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees and inquiring about the Company's methods of enforcing and monitoring compliance with such policies.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the controls that the Company has established to address risks identified by the Company, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, performance targets, economic or external pressures and the impact these have on the control environment. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk, including the procedures over the actuarial assumptions and profit commission noted under the key audit matters section above. With regard to revenue recognition fraud risk, we agreed materially all of the insurance revenue received during the year to bank statements and additional procedures included testing a sample of manual journals. We have also agreed the investment income to external investment managers reports. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making inquiry of senior management and the Audit Committee for their awareness of any non-compliance with laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the Company's methods of enforcing and monitoring compliance with such policies, inspecting significant correspondence with the FCA and PRA and reviewing minutes of the Board and its committees, the complaints log and the quarterly Internal Audit updates presented to the Audit Committee.

Independent Auditor's Report To The Members Of The Baptist Insurance Company PLC

- The Company operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

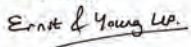
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the audit committee we were appointed by the company on 19 October 2020 to audit the financial statements for the year ending 31 December 2020 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 6 years, covering the years ending 31 December 2020 to 31 December 2025.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signed by:

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Robin Enstone (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol

Dated: 27 March 2026

The Baptist Insurance Company PLC

Statement of Profit and Loss

For the year ended 31 December 2025

	Notes	2025 £	2024 £
Insurance revenue	5	4,383,103	4,275,478
Insurance service expenses	6	(1,770,131)	(2,803,180)
Insurance service result before reinsurance contracts held		2,612,972	1,472,298
Net expense from reinsurance contracts held	20	(2,359,432)	(1,705,787)
Insurance service result		253,540	(233,489)
Insurance finance expenses for insurance contracts issued	7	(200,000)	(27,000)
Reinsurance finance income for reinsurance contracts held	7	214,000	34,000
Net investment result	8	941,255	820,396
Other operating expenses	9	(770,633)	(434,748)
Other finance costs	12	(7,328)	(7,328)
Other income and expenditure		177,294	385,320
Profit before tax		430,834	151,831
Tax (expense)/credit	14	(106,644)	16,548
Profit after tax		324,190	168,379

All the amounts above are in respect of continuing operations.

The Company had no recognised income or expense during the current financial year and the preceding financial year other than that included in the statement of profit or loss. Accordingly, no separate statement of other comprehensive income has been presented, profit or loss after tax being total comprehensive income for the year.

The Baptist Insurance Company PLC

Statement of Financial Position

At 31 December 2025

	Notes	31 December 2025 £	31 December 2024 £
Assets			
Cash and cash equivalents	17	666,707	220,219
Financial investments	15	9,027,841	8,668,460
Reinsurance contract assets	20	6,157,894	6,496,513
Deferred tax assets	14	5,797	24,597
Other receivables	16	7,471	110,252
Total assets		15,865,710	15,520,041
Liabilities			
Insurance contract liabilities	20	6,723,583	6,655,731
Current tax liabilities		88,569	48,897
Permanent interest-bearing capital	19	147,850	147,850
Other payables	21	270,886	356,931
Total liabilities		7,230,888	7,209,409
Equity			
Retained Earnings		8,634,822	8,310,632
Total Equity		8,634,822	8,310,632
Total liabilities and equity		15,865,710	15,520,041

The financial statements of The Baptist Insurance Company PLC, company registration number 00083597, on pages 26 to 64 were approved by the board of directors and authorised for issue on 27th March 2026 and signed on their behalf by:



H. A. Francis Chair



J. P. H. Entwisle Director

The Baptist Insurance Company PLC

Statement of Changes in Equity

For the year ended 31 December 2025

	Retained Earnings
	£
Balance 1 January 2024	8,142,253
Profit for the period	168,379
Balance at 31 December 2024	8,310,632
Profit for the period	324,190
Balance at 31 December 2025	8,634,822

The Baptist Insurance Company PLC

Statement of Cash Flows

For the year ended 31 December 2025

	2025 £	2024 £
Profit for the year before tax	430,834	151,831
<i>Adjustments for:</i>		
Net fair value (gains) on financial investments	(709,381)	(585,234)
Income from investments	(231,874)	(235,162)
Finance Expense	7,328	7,328
<i>Changes in operating assets and liabilities:</i>		
Net increase in insurance contract liabilities	67,852	145,152
Net decrease / (increase) in reinsurance contract assets	338,619	(521,621)
Net decrease / (increase) in other receivables	102,781	(104,982)
Net (decrease) / increase in other payables	(86,045)	623
Cash used by operations	(79,886)	(1,142,065)
Corporation tax (paid) / recovered	(48,172)	4,660
Net cash used by operating activities	(128,058)	(1,137,405)
Cash flows from investing activities		
Sale of financial investments	350,000	250,000
Purchases of financial investments	-	(700,000)
Dividends received	226,871	226,428
Interest received	5,003	8,734
Net cash used by investing activities	581,874	(214,838)
Cash flows from financing activities		
Interest paid on permanent interest-bearing capital	(7,328)	(7,328)
Net increase/decrease in cash and cash equivalents	446,488	(1,359,571)
Cash and cash equivalents at beginning of year	220,219	1,579,790
Cash and cash equivalents at end of year	666,707	220,219

The Baptist Insurance Company PLC

Notes to the Financial Statements

1 Accounting policies

The material accounting policies adopted in preparing the Company's financial statements are set out below. These policies have been applied consistently throughout the current and prior financial year.

Basis of preparation

The Company's financial statements have been prepared in accordance with UK-Adopted IFRS and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The policies have been applied consistently to all years unless otherwise stated. The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments measured at fair value.

The exemption in CA 2006 s402 and s405(2) is taken as the subsidiaries disclosed in note 23 are not material to the financial statements and are dormant, having not traded since incorporation. The Company has elected not to produce consolidated financial statements.

Going concern

The Company itself maintains a strong balance sheet position and good capital coverage, and it has no external loans. The Company reinsures all of its current business, except for terrorism cover, with EIO, which also provides administrative services within a profit share arrangement. Therefore most of its insurance risks are ultimately borne by EIO, which is well capitalised and has ratings of A2 and A with Moodys and AM Best respectively. The Company's assets excluding reinsurance contract assets are also greater than insurance contract liabilities. The current economic climate, driven by a series of economic and political events over the past few years, has continued to create additional uncertainty in the business during these periods and into 2026. Our investment return has been impacted through continued volatility but remained profit-generating, additionally we maintain a long term strategy on the portfolio to generate profits. Our capital position and solvency coverage remain in a strong position and projections suggest this would continue. We continue to closely monitor developments in this area and the evolving impact it may have on the business. The directors have considered stresses to the solvency and liquidity of the Company up to 12 months from the date of this report and are satisfied that these appropriately demonstrate the resilience of the business (and are significantly more extreme than those experienced to date) and after considering the stresses and any mitigating actions as well as the financial and operating capability of EIO, the directors believe the Company is well placed to manage such risks for a period of 12 months from the date of this report. The directors also consider they have provided adequately for risks not reinsured with EIO and, as such, they continue to adopt the going concern basis in preparing the Report and Accounts.

In preparing these financial statements the directors have considered the impact of the physical and transition risks of climate change and identified this a key and continued emerging risk as set out on page 10, but have concluded that it does not have a material impact on the recognition and measurement of the assets and liabilities in these financial statements as at 31 December 2025. This is because the financial investments which are comprised of open-ended investment companies (OEICs), are reported at fair value under UK-adopted IFRS and as set out in this note below therefore utilise market prices at the period end. These market prices will include the current expectations of the impact of climate change on these investments. Insurance liabilities are accrued based on past insurable events so will not be impacted by any future impact of climate change. However, we recognise that government and societal responses to climate change risks are still developing and the future impact cannot be predicted. Future valuations of assets may therefore differ as the market responds to these changing impacts or assesses the impact of current requirements differently and the frequency / magnitude of future insurable events linked to the effect of climate risks could change.

Presentational currency

Items included in the financial statements are measured in the currency of the primary economic environment in which it operates (the 'functional currency'). The Company financial statements are presented in GBP Sterling (£), being its functional and presentational currency.

The Baptist Insurance Company PLC

Notes to the Financial Statements

1 Accounting policies (continued)

New and revised standards

One amendment issued by the International Accounting Standards Board (IASB) and endorsed by the UK is effective for periods beginning on or before 1 January 2025 and is therefore applicable for the 31 December 2025 financial statements in relation to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (issued on 15 August 2023). This amendment does not have a material impact on the Company's financial statements.

Standards issued but not yet effective

The following standards and amendments were in issue but not yet effective and have not been applied to these financial statements:

Accounting standard	Key requirements	Expected impact on financial statements	Effective date
IFRS 18 <i>Presentation and Disclosure in Financial Statements</i>	The new standard introduces clearer structure to financial statements by defining specific income statement subtotals and categories. It also enhances disclosure requirements, particularly around management-defined performance measures (MPMs), and improves cash flow reporting through targeted amendments to IAS 7 <i>Statement of Cash Flows</i> .	The adoption of IFRS 18 is expected to result in presentational changes in the Company's financial statements and disclosure changes in the notes. These amendments will not impact the financial position or performance with a full assessment currently underway.	Periods beginning on or after 1 January 2027
Amendments to the Classification and Measurement Requirements for Financial Instruments in IFRS 9 <i>Financial Instruments</i> and IFRS 7 <i>Financial Instruments: Disclosures</i>	These amendments improve the requirements in IFRS 9 and IFRS 7 related to settling financial liabilities using an electronic payment system; and assessing contractual cash flow characteristics of financial assets, including those with environmental, social and governance (ESG)-linked features. The amendments also modify disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and add disclosure requirements for financial instruments with contingent features that do not relate directly to basic lending risks and costs.	The Company is currently assessing the impact of adopting this standard. Therefore, the quantitative effect of this standard is currently in progress. The impact of these changes are not expected to be material.	Periods beginning on or after 1 January 2026

Other standards and amendments in issue but not yet effective:

The following standards and amendments were in issue but not yet effective and are not expected to have a material impact on the Company's Financial Statements:

- Annual Improvements to IFRS Accounting Standards - Volume 11 was published on 18 July 2024, effective periods beginning on or after 1 January 2026.
- Amendments to IFRS 9 and IFRS 7 - *Contracts Referencing Nature-dependent Electricity*, was issued on 18 December 2024, effective for annual periods beginning on or after 1 January 2026.
- IFRS 19 *Subsidiaries without Public Accountability: Disclosures* was issued on 9 May 2024, effective for periods beginning on or after 1 January 2027.
- Amendments to IAS 21 *Translation to a Hyperinflationary Presentation Currency*, effective for periods beginning on or after 1 January 2027.

The Baptist Insurance Company PLC

Notes to the Financial Statements

1 Accounting policies (continued)

Use of estimates

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

Net investment result

Net investment result consists of dividends, interest, realised gains and losses and unrealised gains and losses on financial investments. Dividends on equity securities are recorded as revenue on the ex-dividend date. Interest is recognised using the effective interest method.

Unrealised gains and losses are calculated as the difference between carrying value and original cost, and the movement during the year is recognised through profit or loss. Realised gains or losses represent the difference between the net sales proceeds and purchase price. The value of realised gains and losses includes an adjustment for previously recognised unrealised gains or losses on investments disposed of in the accounting period. The movement in unrealised gains and losses therefore comprises the increase or decrease in the year, together with the reversal of previously recognised unrealised gains and losses on investments disposed of in the year.

Insurance contract liabilities

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

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

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

General insurance and reinsurance contracts

(i) Classification

Contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder, are classified as insurance contracts. Contracts that do not transfer significant insurance risk are classified as investment or service contracts. All contracts offered by the Company meet the definition of an insurance contract.

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

The Baptist Insurance Company PLC

Notes to the Financial Statements

1 Accounting policies (continued)

(ii) Separating components

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

(iii) Level of aggregation

Insurance and reinsurance contracts are aggregated into portfolios and split into annual cohorts and profitability groups for measurement and presentational purposes. The portfolios are comprised of contracts with similar risks which are managed together. Judgement is applied when determining portfolios and includes drivers such as geography, lines of business (where these are separate components). Management considers the insurance contracts issued and the reinsurance contracts held are determined to present a portfolio.

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

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

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

(iv) Recognition and derecognition

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

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

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

The Company derecognises insurance contracts when:

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

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

Reinsurance contracts are recognised on the same basis.

The Baptist Insurance Company PLC

Notes to the Financial Statements

1 Accounting policies (continued)

(v) Contract boundaries

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

Insurance contracts

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

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

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

Reinsurance contracts

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

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

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

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

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

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

Insurance contracts:

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

The Baptist Insurance Company PLC

Notes to the Financial Statements

1 Accounting policies (continued)

Reinsurance contracts held:

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

The vast majority of the Company's insurance business has a duration of one year or less and the PAA model is eligible automatically. Where the PAA model is not automatically eligible, financial modelling is performed comparing the financial effects under the two models. Where the financials are not expected to be materially different under the GMM and PAA, the relevant unit of account is treated as PAA eligible. The reinsurance contracts held are covered by an agreement that spans longer than one year but has been assessed to be eligible for use of the PAA model.

Initial recognition

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

Subsequent measurement

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

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

For reinsurance contracts held, at each of the subsequent reporting dates, the Company applies the same accounting policies to measure a group of reinsurance contracts held, adapted where necessary to reflect features as relevant to those contracts.

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

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

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

The Company recognises the LIC of a group of insurance contracts at the discounted amount of the future cash flows relating to liability for incurred claims and attributable expenses.

The Baptist Insurance Company PLC

Notes to the Financial Statements

1 Accounting policies (continued)

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

The change in the LIC due to the effects of the time value of money and financial risk is recognised within the insurance finance income/(expense) from insurance contracts issued, in the statement of profit or loss.

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

(vii) Risk adjustment

The risk adjustment for non financial risk represents the compensation the Company requires for bearing the uncertainty in the amount and timing of cash flows arising from non financial risks as it fulfils its insurance contracts. The Company determines the risk adjustment using a combination of confidence level techniques and scenario based analyses that reflect its approach to assessing insurance risk. Further information on the methodology and its application is provided in Note 20 (vi).

(viii) Insurance acquisition cash flows

Insurance acquisition cash flows are costs considered directly attributable to selling, underwriting or starting a portfolio of insurance contracts and are presented within the liability for remaining coverage. Insurance acquisition cash flows include direct costs and indirect costs, although the Company does not have any costs directly related to acquisition other than commissions. The PAA provides an option to expense insurance acquisition cash flows as incurred. Given the simple nature of the insurance acquisition cash flows relevant to the Company, this option has been applied.

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

(ix) Insurance revenue

Under the PAA, insurance revenue for the period is the amount of expected premium receipts (excluding any investment component and after adjustment to reflect the time value of money and the effect of financial risk, if applicable) allocated to the period for services provided.

The Company allocates the expected premium receipts to each period of insurance contract services, on the basis of the passage of time or, if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, on the basis of the expected timing of incurred insurance service expenses.

Changes to the basis of allocation are accounted for prospectively as a change in accounting estimate.

The Baptist Insurance Company PLC

Notes to the Financial Statements

1 Accounting policies (continued)

(x) Insurance service expenses

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

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

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

(xi) Net income or expense from reinsurance contracts

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

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

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

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

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

(xii) Net insurance financial result

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

This arises from the unwinding of discounting of the liability for incurred claims; accretion of interest on and changes in discount rates in the period that impact the measurement of the liability for incurred claims. This application is relevant to both the insurance and reinsurance contracts held.

The Baptist Insurance Company PLC

Notes to the Financial Statements

1 Accounting policies (continued)

Reinsurance

The Company has a reinsurance treaty with EIO which took effect from 1998, whereby all business accepted by the company is fully reinsured with EIO with the exception of terrorism cover which is reinsured through a third party, Pool Re. Reinsurance premiums are accounted for at the time the business is written by the Company. The Company's and the reinsurers' share of claims are recognised at the time the claims are notified or earlier by way of a liability for incurred claims.

Prior to the reinsurance treaty with EIO, the Company had in place a reinsurance agreement with a third party for risks from 1971 to 1998, which covers liabilities for that period. The Company had other arrangements in place prior to this date.

Reinsurance commission relates to a profit share receivable on the Reinsurance agreement between the Company and EIO. The profit commission receivable is calculated based on the net underwriting result of the related contracts during the year in accordance with the terms of the Reinsurance Agreement. Profit commission is reported within the net expense from reinsurance contracts held. In the event of a net underwriting loss, the Reinsurance agreement states that profit commission cannot fall below nil (i.e., cannot become negative), and in the event of a negative adjusted underwriting result, the amount of such a loss would be offset against future profits until extinguished (over a period of two succeeding years).

Financial Instruments

The Company utilises IFRS 9 Financial Instruments. The Company's IFRS 9 accounting policies are described below:

(i) Classification and measurement

All financial assets under IFRS 9 are to be initially recognised at fair value, plus (in the case of a financial asset not at FVTPL) transaction costs that are directly attributable to the acquisition of the financial instrument. Classification and subsequent measurement of financial assets depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. Assets are measured at fair value through profit or loss (FVTPL) when they are mandatorily required as such, when they either fail to meet the criteria for amortised cost or FVOCI, or when elected as FVTPL to eliminate an accounting mismatch.

(ii) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The right to receive cash flows from the asset have expired; or
- The Company has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement: and either: (a) the Company has transferred substantially all the risks and rewards of the asset; or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

(iii) Financial assets at fair value through profit or loss

Financial investments are classified into this category as they are mandatorily required on a fair value basis. Purchases and sales of these investments are recognised on the trade date, which is the date that the Company commits to purchase or sell the assets, at their fair value. Financial investments within this category are classified as held for trading if they are derivatives that are not accounted for as a net investment hedge or are acquired principally for the purpose of selling in the near term.

The Baptist Insurance Company PLC

Notes to the Financial Statements

1 Accounting policies (continued)

Financial instruments

Financial investments are held as OEIC funds which contain both fixed interest and equity elements. The company classifies its investments as financial assets mandatorily classified at fair value through profit or loss (FVTPL) by default, as they contain a proportion of equity elements. Changes in the fair value of equity instruments at FVTPL are recognised in 'net investment result' in the statement of profit or loss as they arise.

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

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

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. Included in financial liabilities is permanent interest-bearing capital.

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

(i) Impairment

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

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

Offset of financial assets and financial liabilities

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

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, cash held by investment broker, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

Provisions and contingent liabilities

Provisions are recognised when the Company has a present legal or constructive obligation, as a result of past events, and it is probable that an outflow of resources, embodying economic benefits, will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The Baptist Insurance Company PLC

Notes to the Financial Statements

1 Accounting policies (continued)

Where the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.

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

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

Taxation

Income tax comprises current tax and is recognised in the statement of profit or loss. Current tax is the expected tax payable on the taxable profit for the period and any adjustment to the tax payable in respect of previous periods.

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

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

Deferred tax assets and liabilities are not discounted.

Note 14 provides details of the expected tax payable for the year.

Use of Alternative Performance Measures (APM)

As detailed in the Strategic Report, the Company uses certain key performance indicators which, although not defined under IFRS, provide useful information and aim to enhance understanding of the Company's performance. The key performance indicators should be considered complementary to, rather than a substitute for, financial measures defined under IFRS. Appendix 1 provides details of how these key performance indicators reconcile to the results reported under IFRS.

2 Critical accounting estimates, and judgements in applying accounting policies

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

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

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

The Baptist Insurance Company PLC

Notes to the Financial Statements

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

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

The estimation of the ultimate liability arising from quantification of the critical estimates, which relate to both the insurance contract liabilities and reinsurance contract assets, as detailed in Note 20 is a critical accounting estimate. There are various sources of uncertainty as to how much the Company will ultimately pay with respect to such contracts. There is 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.

The uncertainties surrounding the estimates of claims payments for the various classes of business are discussed further in note 3. The sensitivity of profit or loss to changes in the ultimate settlement cost of insurance contract liabilities is presented in note 20 (xi).

Level of aggregation

The Company separates insurance contracts into portfolios of similar risks that are managed together. The majority of the Company's insurance contracts represent a combination of component risks which are sold as an overall product and this unit has not been unbundled because the combination is not solely for administrative or customer convenience. For contracts eligible for the PAA (materially all of the portfolio), the lower level products provided to the customer base can all materially be represented by an overarching product line (packaged commercial product of GI risks) with each contract unsuitable for unbundling below the legal contract level. Portfolios of insurance contracts are divided into profitability groups for measurement purposes. Under the PAA model the default assumption is made that no groups are onerous unless facts and circumstances indicate otherwise, which is determined through review for go-forward expected losses for groupings identified in the Corporate Strategic Plan.

Risk adjustment

A risk adjustment for non-financial risk is determined to reflect the compensation that the Company would require for bearing non-financial risk and its degree of risk aversion. The risk adjustment for non-financial risk has been determined using a combination of confidence level techniques, and scenarios, with the judgement made that the techniques previously used for quantifying reserve risk appetite and setting reserves explicitly above the best estimate represent the most appropriate mechanism for quantifying compensation required. Further details on the application of this methodology is included in note 20 (vi).

Discount rates

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

The Company selected to continue to apply its previous practice for non-life business of using the 'bottom up' approach which requires the use of risk-free rate curves and adding the illiquidity premium. The Company derives illiquidity by reference to the illiquidity estimated to apply to a suitable reference portfolio of assets with similar liquidity characteristics. The published yields on Government bonds in each territory are used as a reference for risk-free rates. Further details on the application of this methodology is included in note 20 (viii).

Deferred tax

Deferred tax assets are recognised on tax losses carried forward only to the extent that the realisation of the related tax benefit is probable, based on future taxable profits estimated using business plans covering a 3-year period. Note 14 provides details of the deferred taxation (charge)/credit.

The Baptist Insurance Company PLC

Notes to the Financial Statements

3 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount and timing of the resulting claim. By the very nature of an insurance contract, this risk is unpredictable and difficult to quantify with certainty.

The principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities, which may occur if the frequency or severity of claims and benefits are greater than estimated. Insurance events are unpredictable and the actual level of claims and benefits may vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger and more diversified the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. As a niche market operator the Company's opportunity to diversify the type of insurance risks is limited; however, some diversification is achieved by the geographical spread of its business within the UK.

General insurance risks

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

In all operations, pricing controls are in place underpinned by sound statistical analysis and market expertise and appropriate external consultant advice. The Company manages risks to limit severity through its underwriting strategy, a comprehensive reinsurance programme and proactive claims handling.

Frequency and severity of claims

(i) Property classes

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

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

The maximum claim payable is limited to the sum insured. The Company has the right to re-price the risk on renewal. It also has the ability to impose deductibles, reject fraudulent claims and pursue third parties for payment of some or all costs. Most contracts are underwritten on a reinstatement basis. Costs of rebuilding properties, of replacement or indemnity for contents and time taken to restart operations for business interruption are the key factors that influence the level of claims. Individual large claims are more likely to arise from fire, storm or flood damage. The greatest likelihood of an aggregation of claims arises from weather related events.

(ii) Liability classes

The settlement value of claims arising under public and employers' liability is particularly difficult to predict. There is uncertainty as to whether any payments will be made and, if they are, the amount and timing of payments. Key factors driving the high levels of uncertainty include the late notification of possible claims events and the legal process.

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

The Baptist Insurance Company PLC

Notes to the Financial Statements

3 Insurance risk (continued)

Concentrations of risk

The underwriting strategy is designed to ensure that the underwritten risks are well diversified in terms of type and amount of risk. The Company protects its gross underwriting exposure through the use of a comprehensive programme of reinsurance. The concentration of insurance risk for the financial year before reinsurance in relation to the type of risk accepted is summarised below, with reference to insurance revenue:

	Type of risk			Total £000
	Property £000	Liability £000	Accident £000	
Insurance Revenue				
2025	3,988	364	31	4,383
2024	3,934	310	31	4,275

The Company operates a JAA and a RTA with EIO, under which EIO manages and administers the Company's insurance business and accepts all insurances currently written by the Company with the exception of terrorism cover, which is reinsured through a third party, Pool Re, and is responsible for all disbursements relating to the business except certain expenses designated as the sole responsibility of the Company.

The quantitative assessment of the key risks relating to both insurance contract liabilities and reinsurance assets is disclosed in the relevant balances in Note 20.

Sources of uncertainty in the estimation of future claim payments

(i) Property classes

The property classes give rise to a variety of different types of claims including fire, weather damage, business interruption, subsidence, and theft. There can be variability in both the number of claims in each period and the size of those claims. If a weather event happens near the end of the financial year, then the uncertainty about ultimate claims cost in the financial statements is much higher because there is insufficient time for adequate data to be received to assess the final cost of claims.

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

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

(ii) Liability classes

The settlement value of claims arising under public and employers' liability is particularly difficult to predict. There is uncertainty as to whether any payments will be made and if they are, the amount and timing of the payments. Key factors driving the high levels of uncertainty include the late notification of possible claim events and the legal process.

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

Claims that may arise from the liability class of business include damage to third party property, physical and sexual abuse, physical injury, disease and psychological trauma. The Company has a different exposure profile to most other commercial lines insurance companies as it has lower exposure to industrial risks, where uncertainty is higher.

The Baptist Insurance Company PLC

Notes to the Financial Statements

3 Insurance risk (continued)

Note 20 presents the development of the estimate of ultimate claim cost for public and employers' liability claims occurring in a given year. This gives an indication of the accuracy of the estimation technique for incurred claims.

(iii) Sources of uncertainty

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

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

(iv) Special provisions for latent claims

The public and employers' liability classes can give rise to very late reported claims, which are often referred to as latent claims. These can vary in nature and are difficult to predict. Currently, the Company only has access to very limited information for some of these claims. They typically emerge slowly over many years. The Company has reflected this uncertainty and believes that it holds adequate reserves for latent claims that may result from exposure periods up to the reporting date. These claims are included within the overall insurance contract liabilities.

4 Financial risk and capital management

The Company is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The Company is exposed to market risk arising from fluctuations in values, including from movements in market prices and interest rates. The risk is mitigated by holding a diversified portfolio of UK and overseas investment in open-ended investment companies (OEICs). The most important components of financial and market risk are credit risk, liquidity risk, equity price risk and interest rate risk, as set out further below.

As at the balance sheet date, there had been no change from the prior period to the financial risks that the Company was exposed to, or the manner in which it manages and measures these risks. The current economic climate and political events over the past number of years, has continued to create additional uncertainty in the business during these periods and into 2026. Despite this, our capital and solvency position remains strong.

The Baptist Insurance Company PLC

Notes to the Financial Statements

4 Financial risk and capital management (continued)

Categories of financial instruments

Categories applying IFRS 9

	Financial assets		Financial liabilities at amortised cost	Non-financial assets and liabilities	Total
	Fair value through profit or loss	Amortised cost			
At 31 December 2025	£	£	£	£	£
Financial investments	9,025,845	-	-	1,996	9,027,841
Other receivables	-	4,535	-	2,936	7,471
Cash and cash equivalents	-	666,707	-	-	666,707
Permanent interest bearing capital	-	-	(147,850)	-	(147,850)
Other payables	-	-	(147,938)	(122,948)	(270,886)
Net other	-	-	-	(559,892)	(559,892)
Current tax (liabilities) / assets	-	-	-	(88,569)	(88,569)
Total	9,025,845	671,242	(295,788)	(766,477)	8,634,822

	Financial assets		Financial liabilities at amortised cost	Non-financial assets and liabilities	Total
	Fair value through profit or loss	Amortised cost			
At 31 December 2024	£	£	£	£	£
Financial investments	8,666,464	-	-	1,996	8,668,460
Other receivables	-	104,925	-	5,327	110,252
Cash and cash equivalents	-	220,219	-	-	220,219
Permanent interest bearing capital	-	-	(147,850)	-	(147,850)
Other payables	-	-	(234,286)	(122,644)	(356,930)
Net other	-	-	-	(134,622)	(134,622)
Total	8,666,464	325,144	(382,136)	(249,943)	8,359,529

Financial assets classified as fair value through profit or loss relate to OEICs held by the Company, which are mandatorily classified as FVTPL.

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

The Baptist Insurance Company PLC

Notes to the Financial Statements

4 Financial risk and capital management (continued)

Fair value hierarchy

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

Level 1: fair values measured using quoted 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 classified at fair value in the current and prior year are classified as level 1. Accordingly no analysis of fair value measurement bases is presented.

Credit and Operational risk

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

- reinsurance contract assets due from reinsurers;
- amounts due from insurance intermediaries and policyholders;
- amounts due from EIO under the JAA and Reinsurance Treaty; and
- deposits held with banks.

The carrying amount of financial assets represents the Company's maximum exposure to credit risk. No significant amounts are overdue, and none are impaired.

The Company uses reinsurance to manage insurance risk, with all business accepted by the Company fully reinsured with EIO, with the exception of terrorism cover which is reinsured through a third party, Pool Re. Prior to the reinsurance treaty with EIO, the Company had in place a reinsurance agreement with a third party for risks from 1971 to 1998, which covers liabilities for that period. The Company had other arrangements in place prior to this date. These reinsurance arrangements do not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. EIO mitigates its own insurance risk through a comprehensive programme of reinsurance. Its Reinsurance Security Committee assesses, monitors and approves the creditworthiness of its reinsurers reviewing relevant credit ratings provided by the recognised credit rating agencies, as well as other publicly available data and market information. At the date of this report EIO has credit ratings of A2 (stable outlook) with Moody's, and A (stable outlook) with AM Best (2024: A2 (stable outlook) with Moody's, and A (stable outlook) with AM Best).

The Company's credit risk policy details prescriptive methods for the collection of premiums and control of intermediary and policyholder debtor balances. The level and age of debtor balances are regularly assessed via monthly credit management reports and where possible creditors are monitored via credit reference agencies to minimise the risk of default.

Where available the Company manages its exposure to credit risk in relation to credit risk ratings. Investment grade financial assets are classified within the range AAA to BBB ratings, where AAA is the highest possible rating. Financial assets which fall outside this range are classified as sub-investment grade. 'Not-rated' assets capture assets not rated by external rating agencies.

The following table provides information regarding the credit risk exposure of financial assets with credit ratings from Standard & Poors or from a similar agency. This includes financial assets that meet the definition of 'solely payments of principal and interest' (SPPI).

The Baptist Insurance Company PLC

Notes to the Financial Statements

4 Financial risk and capital management (continued)

As at 31 December 2025

	SPPI			Non-SPPI
	Cash and cash equivalents £	Other financial assets £	Total SPPI £	Equity Instruments £
AAA	-	-	-	-
AA	-	-	-	-
A	666,707	-	666,707	-
BBB	-	-	-	-
Below BBB	-	-	-	-
Not rated	-	7,471	7,471	9,025,845
	666,707	7,471	674,178	9,025,845

As at 31 December 2024

	SPPI			Non-SPPI
	Cash and cash equivalents £	Other financial assets £	Total SPPI £	Equity Instruments £
AAA	-	-	-	-
AA	-	-	-	-
A	220,219	104,925	325,144	-
BBB	-	-	-	-
Below BBB	-	-	-	-
Not rated	-	1,025,194	1,025,194	8,666,464
	220,219	1,130,119	1,350,338	8,666,464

The financial investments are comprised of OEICs and although shown as not rated above at an aggregate level, the Company monitors the rating composition within the holdings to ensure they meet risk appetite levels. The applicable ratings of the respective companies are contained in the look through data, which forms part of the regulatory returns.

Liquidity risk

The Company is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts. Liquidity risk is the risk that funds may not be available to pay obligations when due. The Company has robust processes in place to manage liquidity risk and has adequate access to funding in case of exceptional need. Sources of funding include available cash balances, other readily marketable assets and access to short-term bank funding.

Financial liabilities of the Company all mature within one year, with the exception of permanent interest-bearing capital, which is irredeemable. An estimate of the timing of the net cash outflows resulting from insurance contracts is provided in note 20.

Market risk

As assessment of the key elements impacting market price for the Company are as follows.

The Baptist Insurance Company PLC

Notes to the Financial Statements

4 Financial risk and capital management (continued)

(a) Interest rate risk

The table below summarises the maturity dates at the year end for those financial assets that are exposed to interest rate risk.

	2025 £	2024 £
Other assets including insurance instalment receivables	305,544	-
Cash and cash equivalents	666,707	220,219
	<u>972,251</u>	<u>220,219</u>

All amounts have maturity dates of less than one year.

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

The interest rate applicable to the Company's permanent interest-bearing capital of preference and ordinary shares is fixed at 4% and 5% respectively on the amount paid up.

The sensitivity of Company's profit or loss and other equity reserves to interest rate risk, included as part of the discount rate used for the measurement of insurance liabilities, is provided in note 20(viii).

(b) Equity price risk

Investments held by the Company and classified at FVTPL are exposed to price risk. The risk is mitigated by holding a diversified portfolio of UK and overseas equities indirectly through investment in OEICs.

(c) Market risk sensitivity analysis

The sensitivity of profit to movements in equity price risk is shown in the following table:

	Change in variable	Potential increase/(decrease) in profit and equity	
		2025 £	2024 £
Equity price risk	-10%	(676,938)	(649,985)
	+10%	676,938	649,985

The assets to which the equity risk has been calculated related to OEICs. As at 31 December 2025, the Company held investments as OEICs which have a significant fixed interest element within them. The assessment is therefore considered to be a conservative view of the potential risk that may arise, as the mix of fixed interest and equity mitigates the total exposure.

Capital management

The Company is subject to insurance solvency regulations, and capital is managed and evaluated on the basis of regulatory capital. The Company's objectives when managing capital are:

- to comply with the regulator's capital requirements of the insurance market in which the Company operates; and
- to safeguard the Company's ability to continue to meet stakeholders' expectations, in accordance with its corporate mission, vision and values.

The Baptist Insurance Company PLC

Notes to the Financial Statements

4 Financial risk and capital management (continued)

The Company is required to comply with the rules issued by the PRA and FCA. Annual quantitative returns are submitted to the PRA. A further report, the SFCR is produced annually and must be published on the Company's website.

During the year, the Company complied with these capital requirements.

The Company has adopted the Solvency II standard formula approach to determine its solvency capital requirement (SCR). The Company is required to maintain its regulatory capital above the higher of the SCR and MCR (Minimum Capital Requirement). For the 2025 financial year, the applicable measure is the SCR (2024: MCR). Economic capital is the Company's own internal view of the level of capital required, and this measure is an integral part of the Own Risk and Solvency Assessment Report (ORSA) which is a private, internal forward looking assessment of own risk and capital requirement, as required as part of the Solvency II regime. Risk appetite is set such that the target level of economic capital is always higher than the regulatory MCR. Further quantitative information on the Company's capital position, including solvency coverage ratios, is provided in the unaudited front half of the Annual Report.

5 Insurance revenue

	2025 £	2024 £
Contracts measured under PAA	4,383,103	4,275,478
Total insurance revenue	4,383,103	4,275,478

6 Insurance service expenses

	2025 £	2024 £
Incurred claims and benefits excluding investment components	1,866,304	2,631,576
Other directly attributable expenses	9 215,562	203,337
Insurance acquisition cash flows recognised when incurred	20 18,927	16,566
Changes that relate to past service	20 (330,662)	(48,299)
Total insurance service expenses	1,770,131	2,803,180

7 Net insurance financial result

	2025 £	2024 £
Insurance finance income/(expense) from insurance contracts issued		
Interest accreted	(140,000)	(150,000)
Effect of changes in interest rates and other financial assumptions	(60,000)	123,000
Total	(200,000)	(27,000)
Insurance finance income/(expense) from reinsurance contracts held		
Interest accreted	188,000	32,000
Effect of changes in interest rates and other financial assumptions	26,000	2,000
Total	214,000	34,000
Net insurance financial result	14,000	7,000

The Baptist Insurance Company PLC

Notes to the Financial Statements

7 Net insurance financial result (continued)

The net insurance financial income of £14,000 (2024: £7,000) recognised in the statement of profit or loss has been impacted by movements in discount rate which naturally fluctuate year on year. Due to the high level of reinsurance contracts held, the net amount is diluted in both periods. The impact of discount rates on the net insurance financial income is mitigated by movements in the investment return as can be seen within the respective returns.

The Company's investment return on assets detailed in note 8 includes the financial performance of the assets held to back these insurance liabilities. The Company manages financial performance by aligning its investment strategies where appropriate with the characteristics of its insurance liabilities, mitigating the overall impact of net insurance financing effects.

8 Net investment result

	2025 £	2024 £
<i>Income from financial assets at fair value through the statement of profit or loss:</i>		
- dividend income	226,871	226,428
<i>Income from financial assets calculated using the effective interest rate method:</i>		
- cash and cash equivalents income	5,003	8,734
- other income received	-	-
Investment income	231,874	235,162
Fair value gains/(losses) on investments at fair value through the statement of profit or loss	709,381	585,234
Net investment return	941,255	820,396

Within the net investment return are gains arising from financial assets as fair value through profit or loss which relate to OEICs held by the Company, which are mandatorily classified as FVTPL.

9 Expenses

An analysis of the expenses incurred by the Company is included in the table below:

	2025			2024		
	Other directly attributable expenses	Other operating expenses	Total	Other directly attributable expenses	Other operating expenses	Total
Directors' fees and expenses	54,613	54,614	109,227	56,039	56,039	112,078
Professional fees	4,106	3,748	7,854	15,472	4,134	19,606
Charitable grants	-	690,290	690,290	-	360,124	360,124
Other operating expenses	156,843	17,689	174,532	131,826	9,987	141,813
Investment expenses	-	4,292	4,292	-	4,464	4,464
Total expenses	215,562	770,633	986,195	203,337	434,748	638,085

Other directly attributable expenses comprise expenses incurred by the Company in the reporting period that relate directly to the fulfilment of contracts issued within IFRS17's scope, and as shown in note 6.

The directors are considered to be the key management personnel of the Company.

The Baptist Insurance Company PLC

Notes to the Financial Statements

10 Auditor's remuneration

	2025 £	2024 £
Fees payable to the Company's auditor for:		
- The audit of the Company's annual accounts	127,072	116,300
Total audit fees	127,072	116,300

There were no fees incurred for non-audit services in both years.

Amounts disclosed are exclusive of VAT.

11 Employee information and Directors remuneration

As all management services are provided by EIO under the terms of the JAA, the company had no employees in either the current or prior year.

Directors remuneration for the current and prior year is as disclosed within note 9.

12 Finance costs

	2025 £	2024 £
Interest payable on permanent interest-bearing capital	7,328	7,328
Total finance costs	7,328	7,328

13 Charitable grants

	2025 £	2024 £
Charitable grants paid or accrued	690,290	360,124

Actual monies paid amounted to £667,103, and £23,187 were approved and accrued (2024: £261,735 paid and £98,389 were approved and accrued) which included an additional sum of £323,700 to a "Stewardship" fund.

14 Taxation

	2025 £	2024 £
UK corporation tax for the current financial year	(88,569)	(48,585)
Adjustment in respect of prior periods	726	40,536
Tax (charge)/credit	(87,843)	(8,049)
Deferred taxation (charge)/credit	(18,801)	24,597
Adjustment in respect of prior periods	-	-
Tax (charge)/credit	(18,801)	24,597
Total tax (charge)/credit	(106,644)	16,548

The Baptist Insurance Company PLC

Notes to the Financial Statements

14 Taxation (continued)

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

	2025 £	2024 £
Profit/(loss) before tax	<u>430,834</u>	<u>151,831</u>
Tax (charge)/credit calculated at the UK standard rate for the year of 25.0%	(107,708)	(37,958)
Factors affecting charge for the period:		
Non-taxable income	14,322	15,802
Expenses not deductible for tax purposes	(13,984)	(1,832)
Adjustments to tax charge in respect of prior periods	726	40,536
Tax (charge)/credit	<u>(106,644)</u>	<u>16,548</u>

Current tax has been provided at a rate of 25.00% (2024: 25.00%). Deferred Tax has been provided at a rate of 25.00% (2024: 25.00%).

15 Financial investments

Financial investments summarised by measurement category are as follows:

	2025 £	2024 £
<i>Financial investments at fair value through the statement of profit or loss</i>		
Equity securities:		
- OEICs	<u>9,025,845</u>	<u>8,666,464</u>
	<u>9,025,845</u>	<u>8,666,464</u>
<i>Investments in group undertakings</i>		
Shares in subsidiary undertakings	<u>1,996</u>	<u>1,996</u>
	<u>1,996</u>	<u>1,996</u>
Total financial investments	<u>9,027,841</u>	<u>8,668,460</u>

All investments in OEIC Funds are measured at FVTPL. No financial investments mature within one year (2024: £nil). The financial investments are held as OEIC funds which contain both fixed interest and equity elements.

16 Other receivables

	2025 £	2024 £
Other receivables	<u>7,471</u>	<u>110,252</u>
	<u>7,471</u>	<u>110,252</u>

Other assets are all current and, due to their short-term nature, the above carrying amounts are a reasonable approximation of fair value.

At 31 December 2025, £1,013 (2024: £nil) of receivables from contract holders, agents, brokers and intermediaries were past due and not impaired. No impairment charges have been recognised in the current or prior year.

The Baptist Insurance Company PLC

Notes to the Financial Statements

17 Cash and cash equivalents

	2025 £	2024 £
Cash held at bank	629,014	183,458
Cash held at investment manager	37,693	36,761
	<u>666,707</u>	<u>220,219</u>

The above carrying amounts are a reasonable approximation of fair value.

18 Statement of changes in equity

The Company does not have any equity shareholders. Both the ordinary and the preference shares are entitled to fixed percentage distributions on the amounts paid up on the shares, but are not entitled to participate further in the profits of the Company, whether as a going concern or on winding up.

The directors may make grants out of any surplus profits of the Company after payment of expenses and distributions and after setting monies aside to any reserve fund as permitted in the memorandum and articles of association of the Company.

19 Permanent interest-bearing capital

	2025 £	2024 £
Authorised share capital:		
2,000 4% cumulative preference shares of £5 each	10,000	10,000
28,300 5% cumulative ordinary shares of £5 each	141,500	141,500
	<u>151,500</u>	<u>151,500</u>
Called up, allotted and fully paid share capital:		
1,286 4% cumulative preference shares of £5 each	6,430	6,430
28,284 5% cumulative ordinary shares of £5 each	141,420	141,420
	<u>147,850</u>	<u>147,850</u>

The Company's preference and ordinary shares are entitled to annual distributions of 4% and 5% respectively on the amount paid up. The Company has an obligation at the year end date in relation to the distributions 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.

On winding up, shareholders are entitled only to the amount paid up on shares, and preference shares take priority over ordinary shares on winding up.

Preference and ordinary shares are non current liabilities. They are not redeemable and carry equal voting rights.

The Baptist Insurance Company PLC

Notes to the Financial Statements

20 Insurance liabilities and reinsurance assets

	2025	2024
	£	£
Gross		
Insurance contract liabilities for incurred claims	4,682,020	4,585,729
Insurance contract liabilities for remaining coverage	2,041,563	2,070,002
Total gross insurance contract liabilities	<u>6,723,583</u>	<u>6,655,731</u>
Recoverable from reinsurers		
Reinsurance contract assets for incurred claims	3,833,020	3,738,729
Reinsurance contract assets for remaining coverage	2,324,874	2,757,784
Total reinsurers' share of insurance liabilities	<u>6,157,894</u>	<u>6,496,513</u>
Net		
Insurance contract liabilities for incurred claims	849,000	847,000
Insurance contract liabilities for remaining coverage	(283,311)	(687,781)
Total net insurance liabilities	<u>565,689</u>	<u>159,219</u>

Maturity analysis of insurance liabilities and reinsurance assets

Gross insurance liabilities		
Current (less than one year)	2,994,790	3,512,034
Non-current (greater than one year)	3,728,793	3,143,697
Total gross insurance contract liabilities	<u>6,723,583</u>	<u>6,655,731</u>
Reinsurance assets		
Current (less than one year)	3,278,101	4,199,816
Non-current (greater than one year)	2,879,793	2,296,697
Total reinsurers' share of insurance liabilities	<u>6,157,894</u>	<u>6,496,513</u>

The Baptist Insurance Company PLC

Notes to the Financial Statements

20 Insurance liabilities and reinsurance assets (continued)

	Insurance contract liabilities		Reinsurance contract assets		Total £
	Liabilities for remaining coverage £	Liabilities for incurred claims £	Assets for remaining coverage £	Assets for incurred claims £	
At 1 January 2024	2,068,460	4,442,119	(2,311,273)	(3,663,619)	535,686
Insurance revenue	(4,275,478)	-	-	-	(4,275,478)
Incurred claims and other insurance service expenses	-	2,834,913	-	-	2,834,913
Changes that relate to past service	-	(48,299)	-	-	(48,299)
Insurance acquisition cash flows expensed	16,566	-	-	-	16,566
Insurance service expenses	16,566	2,786,614	-	-	2,803,180
Insurance service result before reinsurance contracts held	(4,258,912)	2,786,614	-	-	(1,472,298)
Allocation of reinsurance premiums	-	-	4,209,063	-	4,209,063
Recoveries of incurred claims and other insurance service expenses	-	-	-	(2,610,575)	(2,610,575)
Changes that relate to past service	-	-	-	107,299	107,299
Net expense/(income) from reinsurance contracts	-	-	4,209,063	(2,503,276)	1,705,787
Finance expense from insurance contracts issued	-	27,000	-	-	27,000
Finance income from reinsurance contracts held	-	-	-	(34,000)	(34,000)
Net insurance financial result	-	27,000	-	(34,000)	(7,000)
Total amounts recognised in statement of profit or loss	(4,258,912)	2,813,614	4,209,063	(2,537,276)	226,489
Premiums received	4,277,020	-	-	-	4,277,020
Insurance acquisition cash flows	(16,566)	-	-	-	(16,566)
Claims and other directly attributable expenses paid	-	(2,670,004)	-	-	(2,670,004)
Premiums paid	-	-	(4,655,574)	-	(4,655,574)
Amounts received	-	-	-	2,462,166	2,462,166
Total cash flows	4,260,454	(2,670,004)	(4,655,574)	2,462,166	(602,958)
At 31 December 2024	2,070,002	4,585,729	(2,757,784)	(3,738,729)	159,218
Insurance revenue	(4,383,103)	-	-	-	(4,383,103)
Incurred claims and other insurance service expenses	-	2,081,866	-	-	2,081,866
Changes that relate to past service	-	(330,662)	-	-	(330,662)
Insurance acquisition cash flows expensed	18,927	-	-	-	18,927
Insurance service expenses	18,927	1,751,204	-	-	1,770,131
Insurance service result before reinsurance contracts held	(4,364,176)	1,751,204	-	-	(2,612,972)
Allocation of reinsurance premiums	-	-	4,318,333	-	4,318,333
Recoveries of incurred claims and other insurance service expenses	-	-	-	(2,296,563)	(2,296,563)
Changes that relate to past service	-	-	-	337,662	337,662
Net expense/(income) from reinsurance contracts	-	-	4,318,333	(1,958,901)	2,359,432
Finance expense from insurance contracts issued	-	200,000	-	-	200,000
Finance income from reinsurance contracts held	-	-	-	(214,000)	(214,000)
Net insurance financial result	-	200,000	-	(214,000)	(14,000)
Total amounts recognised in statement of profit or loss	(4,364,176)	1,951,204	4,318,333	(2,172,901)	(267,540)
Premiums received	4,354,664	-	-	-	4,354,664
Insurance acquisition cash flows	(18,927)	-	-	-	(18,927)
Claims and other directly attributable expenses paid	-	(1,854,913)	-	-	(1,854,913)
Premiums paid	-	-	(3,885,423)	-	(3,885,423)
Amounts received	-	-	-	2,078,610	2,078,610
Total cash flows	4,335,737	(1,854,913)	(3,885,423)	2,078,610	674,011
At 31 December 2025	2,041,563	4,682,020	(2,324,874)	(3,833,020)	565,689

The Baptist Insurance Company PLC

Notes to the Financial Statements

20 Insurance liabilities and reinsurance assets (continued)

i) Reconciliation of the liability for remaining coverage

In accordance with IFRS 17, the Company assessed all portfolios and groups of insurance contracts at initial recognition and at each subsequent reporting date to assess whether they were onerous. No groups of insurance contracts were identified as onerous and therefore no loss component or loss recovery has been recognised within the liability for remaining coverage. Hence, no related movements are presented.

ii) Reconciliation of the liability for incurred claims

Insurance contracts issued

	Estimates of present value of future cash flows £	Risk adjustment for non- financial risk £	Total £
At 1 January 2024	3,131,119	1,311,000	4,442,119
Incurred claims and other insurance service expenses	2,577,913	257,000	2,834,913
Changes that relate to past service	169,701	(218,000)	(48,299)
Insurance service expenses	2,747,614	39,000	2,786,614
Insurance service result before reinsurance contracts held	2,747,614	39,000	2,786,614
Finance expense from insurance contracts issued	27,000	-	27,000
Net insurance financial result	27,000	-	27,000
Total amounts recognised in statement of profit or loss	2,774,614	39,000	2,813,614
Claims and other directly attributable expenses paid	(2,670,004)	-	(2,670,004)
Total cash flows	(2,670,004)	-	(2,670,004)
At 31 December 2024	3,235,729	1,350,000	4,585,729
Incurred claims and other insurance service expenses	1,890,866	191,000	2,081,866
Changes that relate to past service	(208,662)	(122,000)	(330,662)
Insurance service expenses	1,682,204	69,000	1,751,204
Insurance service result before reinsurance contracts held	1,682,204	69,000	1,751,204
Finance expense from insurance contracts issued	200,000	-	200,000
Net insurance financial result	200,000	-	200,000
Total amounts recognised in statement of profit or loss	1,882,204	69,000	1,951,204
Claims and other directly attributable expenses paid	(1,854,913)	-	(1,854,913)
Total cash flows	(1,854,913)	-	(1,854,913)
At 31 December 2025	3,263,020	1,419,000	4,682,020

The Baptist Insurance Company PLC

Notes to the Financial Statements

20 Insurance liabilities and reinsurance assets (continued)

Maturity analysis for insurance and reinsurance contract liabilities (present value of future cash flows basis)

The following table summarises the maturity profile of portfolios of insurance contracts issued that are liabilities and portfolios of reinsurance contracts held that are liabilities of the Company based on the estimates of the present value of the future cash flows expected to be paid out in the periods presented.

In £000	2025						Total
	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	
Property	1,274	314	134	55	44	47	1,868
Liability	210	109	96	96	88	796	1,395
TOTAL	1,484	423	230	151	132	843	3,263

In £000	2024						Total
	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	
Property	1,402	342	146	59	48	49	2,046
Liability	141	100	93	92	86	678	1,190
TOTAL	1,543	442	239	151	134	727	3,236

iii) Reconciliation of the asset for remaining coverage

In accordance with IFRS 17, the Company assessed all portfolios and groups of insurance contracts at initial recognition and at each subsequent reporting date to assess whether they were onerous. No groups of insurance contracts were identified as onerous and therefore no loss component or loss recovery has been recognised within the liability for remaining coverage. Hence, no related movements are presented.

The Baptist Insurance Company PLC

Notes to the Financial Statements

20 Insurance liabilities and reinsurance assets (continued)

iv) Reconciliation of the asset for incurred claims

Reinsurance contracts held

	Estimates of present value of future cash flows £	Risk adjustment for non- financial risk £	Total £
At 1 January 2024	2,879,619	784,000	3,663,619
Recoveries of incurred claims and other insurance service expenses	2,353,575	257,000	2,610,575
Changes that relate to past service	178,701	(286,000)	(107,299)
Net expense/(income) from reinsurance contracts	2,532,276	(29,000)	2,503,276
Finance income from reinsurance contracts held	34,000	-	34,000
Net insurance financial result	34,000	-	34,000
Total amounts recognised in statement of profit or loss	2,566,276	(29,000)	2,537,276
Amounts received	(2,462,166)	-	(2,462,166)
Total cash flows	(2,462,166)	-	(2,462,166)
At 31 December 2024	2,983,729	755,000	3,738,729
Recoveries of incurred claims and other insurance service expenses	2,105,563	191,000	2,296,563
Changes that relate to past service	(222,662)	(115,000)	(337,662)
Net expense/(income) from reinsurance contracts	1,882,901	76,000	1,958,901
Finance income from reinsurance contracts held	214,000	-	214,000
Net insurance financial result	214,000	-	214,000
Total amounts recognised in statement of profit or loss	2,096,901	76,000	2,172,901
Amounts received	(2,078,610)	-	(2,078,610)
Total cash flows	(2,078,610)	-	(2,078,610)
At 31 December 2025	3,002,020	831,000	3,833,020

(v) Reserving methodology

Reserving for non-life insurance claims is a complex process and the Company adopts recognised actuarial methods and, where appropriate, other calculations and statistical analysis. Actuarial methods used include the chain ladder, Bornhuetter-Ferguson and average cost methods.

Chain ladder methods extrapolate paid amounts, incurred amounts (paid claims plus case estimates) and the number of claims or average cost of claims, to ultimate claims based on the development of previous years. This method assumes that previous patterns are a reasonable guide to future developments. Where this assumption is felt to be unreasonable, adjustments are made or other methods such as Bornhuetter-Ferguson or average cost are used. The Bornhuetter-Ferguson method places more credibility on expected loss ratios for the most recent loss years. For smaller portfolios the materiality of the business and data available may also shape the methods used in reviewing reserve adequacy.

The selection of results for each accident year and for each portfolio depends on an assessment of the most appropriate method. Sometimes a combination of techniques is used. The average weighted term to payment is calculated separately by class of business and is based on historical settlement patterns.

The Baptist Insurance Company PLC

Notes to the Financial Statements

20 Insurance liabilities and reinsurance assets (continued)

(vi) Confidence level of risk adjustment

The Risk Adjustment for non-financial risk is the compensation the Company requires for bearing the uncertainty about the amount and timing of the cash flows that arise from non-financial risk as it fulfils insurance contracts. Uncertainty is assessed using actuarial methods to quantify the variability in undiscounted net outcomes on an ultimate horizon.

The Company's risk appetite is to hold claims reserves, including a net Risk Adjustment, equating to at least a 75% probability of sufficiency. This approach generally results in a favourable release of provisions in the current financial year, arising from the settlement of claims relating to previous financial years.

Overall, it is estimated that the booked net Risk Adjustment provides for a confidence level of approximately 90% (2024: 90%), which is established by comparing the uplift for the booked net Risk Adjustment to the uncertainty distribution. Percentile estimates for loss distributions are highly uncertain as they contain a large number of judgements on possible future outcomes. This means that the percentile may see some fluctuation year on year due to inherent volatility.

(vii) Calculation of provisions for latent claims

The Company adopts commonly used industry methods including those based on claims frequency and severity and benchmarking.

(viii) Discounting

Geographical territory	Discount rate		Mean term of discounted liabilities (years)	
	2025	2024	2025	2024
UK	3.8% to 6.1%	4.6% to 6.2%	8.5	7.5

The above rates of interest are based on government bond yields of the relevant currency and term at the reporting date. Adjustments are made, where appropriate, to reflect the illiquidity of the liabilities. The illiquidity premium is determined by reference to observable market rates. At the year end the undiscounted liabilities for incurred claims was £5,753,020 (2024: £5,542,729).

The impact of discount rate changes on the liabilities for incurred claims is presented within the net insurance financial result (note 7).

At 31 December 2025, it is estimated that a fall of 1% in the discount rates used would increase the Company's net liabilities for incurred claims and decrease profit before tax and equity by £61,000 (2024: £51,000). Financial investments backing these liabilities are not hypothecated across general insurance classes of business.

(ix) Assumptions

The Company follows a process of reviewing its liabilities for incurred claims on a regular basis. This involves an appraisal of each reserving class with respect to ultimate claims liability for the recent exposure period as well as for earlier periods, together with a review of the factors that have the most significant impact on the assumptions used to determine the reserving methodology. The work conducted is subject to an internal peer review and management sign-off process, prior to Board approval.

The most significant assumptions in determining the undiscounted general insurance reserves are the anticipated number and ultimate settlement cost of claims, and the extent to which reinsurers will share in the cost. Factors which influence decisions on assumptions include legal and judicial changes, significant weather events, other catastrophes, subsidence events, exceptional claims or substantial changes in claims experience and developments in older or latent claims. Significant factors influencing assumptions about reinsurance are the terms of the reinsurance treaties, the anticipated time taken to settle a claim and the incidence of large individual and aggregated claims.

The Baptist Insurance Company PLC

Notes to the Financial Statements

20 Insurance liabilities and reinsurance assets (continued)

(x) Changes in assumptions

There are no significant changes in approach but we continue to evolve estimates in light of underlying experience.

(xi) Sensitivity of results

The ultimate amount of claims settlement is uncertain and the Company's aim is to reserve to at least the 75th percentile confidence level. The following table illustrates the sensitivity to changes in the level of claims in the principal segments of the business.

If final settlement of insurance claims reserved for at the year end turns out to be 10% higher or lower than the reserves included in these financial statements, the following pre-tax Company loss or profit will be realised:

	2025		2024	
	Gross £	Net £	Gross £	Net £
Liability	140,000	140,000	140,000	140,000
Property	210,000	120,000	240,000	140,000

(xii) Claims development tables

The nature of insurance business is that claims may take a number of years to settle and before the final liability is known. The following table shows the development of the estimate of ultimate gross claims cost. Net liability for the periods covered in the table is zero as all business in these periods is 100% reinsured. A net liability remains in respect of earlier periods.

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Estimate of ultimate claims:											
At end of year	1,105	1,571	1,904	920	1,137	1,656	1,629	1,724	2,824	1,898	
One year later	991	1,048	1,819	659	926	1,489	1,969	1,697	2,595		
Two years later	950	983	1,767	624	1,018	1,415	1,900	1,581			
Three years later	849	949	1,793	588	1,002	1,430	1,822				
Four years later	874	950	1,740	597	979	1,431					
Five years later	864	946	1,733	599	962						
Six years later	863	938	1,732	596							
Seven years later	855	938	1,732								
Eight years later	855	938									
Nine years later	856										
Current estimate of ultimate claims	856	938	1,732	596	962	1,431	1,822	1,581	2,595	1,898	14,411
Cumulative payments to date	(814)	(897)	(1,691)	(555)	(920)	(1,372)	(1,744)	(1,245)	(1,973)	(399)	(11,609)
Outstanding liability	42	41	41	41	42	59	78	336	622	1,499	2,802
Effect of Discounting											(351)
Present Value											2,451
Discounted liability in respect of earlier years											2,231
Total discounted gross liability											4,682
Reinsurers' share of contract provisions											(3,833)
Total discounted net liability included in insurance liabilities in the statement of financial position											849

The Baptist Insurance Company PLC

Notes to the Financial Statements

21 Other payables

	2025 £	2024 £
Other creditors	138,734	140,615
Amounts owed to related parties - Subsidiaries	1,996	1,996
Accruals and deferred income	130,156	214,320
	270,886	356,931
Current	268,890	354,935
Non-current	1,996	1,996

The above carrying amounts are a reasonable approximation of fair value.

Subsidiaries are Baptist Insurance Services Limited and Baptist Support Services Limited.

22 Related party transactions

The Company has a reinsurance treaty with EIO whereby all business accepted by the Company is fully reinsured with EIO with the exception of terrorism cover which is reinsured through a third party, Pool Re. Reinsurance premiums are accounted for at the time the business is written by the Company. The Company's and the reinsurers' share of claims are recognised at the time the claims are notified or earlier by way of a liability for incurred claims.

The Company operates a JAA with EIO under which all administration expenses are borne by EIO.

During the year the Company ceded premiums net of claims paid and commissions to the value of £2,700,693 (2024: £1,929,880) to EIO, which also bore expenses of the Company's business of £1,368,238 (2024: £1,338,827). The reinsurance contract assets due from EIO as at 31 December 2025 is £5,938,271 (2024: £6,131,519), which consists of £2,373,197 (2024: £2,332,771) of assets for remaining coverage and £3,565,020 (2024: £3,798,748) of assets for incurred claims. At 31 December 2025, £141,075 was due to EIO (2024: £130,627 due to EIO).

Recipients of grants are proposed by the Grants Committee, and ratified by the Board.

Transactions and services with related parties are made on commercial terms.

At 31 December 2025, £998 was due to Baptist Insurance Services Limited (2024: £998) and £998 due to Baptist Support Services Limited (2024: £998).

23 Subsidiary undertakings

The Company's interest in subsidiary undertakings at 31 December 2025 is as follows:

	Share Capital	Holding
Baptist Support Services Limited	Ordinary shares	99.8%
Baptist Insurance Services Limited	Ordinary shares	99.8%

The Company is the controlling party of both subsidiaries which are incorporated in England and Wales, are dormant, having not traded since incorporation, and are not material to the Company's accounts. Their registered office is the same as the Company's address as noted on page 3.

The Baptist Insurance Company PLC

Appendices to the Financial Statements

Appendix 1: Reconciliation of Alternative Performance Measures

The Company uses alternative performance measures (APMs) in addition to the figures which are prepared in accordance with IFRS. The financial measures in our key financial performance data include gross written premiums and the COR. These measures are commonly used in the industries we operate in and we believe they provide useful information and enhance the understanding of our results.

Users of the accounts should be aware that similarly titled APM reported by other companies may be calculated differently. For that reason, the comparability of APM across companies might be limited.

The tables below provide a reconciliation of the gross written premiums, net written premiums and the combined operating ratio to their most directly reconcilable line items in the financial statements.

	2025 £
Gross written premiums	4,386,346
Change in the gross unearned premium provision	(40,426)
Instalment Handling Charge	37,183
Insurance revenue	[1] 4,383,103
Net written premiums	-
Outward reinsurance premiums written	4,386,346
Change in the gross unearned premium provision	(40,426)
Instalment Handling Charge	37,183
Insurance revenue	[1] 4,383,103

	2025				
	General insurance	Investment return	Corporate costs	Other income and charges	Total
	£	£	£	£	£
Revenue					
Insurance Revenue	[1] 4,383,103	-	-	-	4,383,103
Insurance service expenses	(1,770,131)	-	-	-	(1,770,131)
Insurance service result before reinsurance contracts held	2,612,972	-	-	-	2,612,972
Net expense from reinsurance contracts	(2,359,432)	-	-	-	(2,359,432)
Insurance service result	253,540	-	-	-	253,540
Net insurance financial result	-	14,000	-	-	14,000
Net investment result	-	941,255	-	-	941,255
Other operating expenses	(474,727)	(4,292)	(76,052)	(215,562)	(770,633)
Other finance costs	-	-	-	(7,328)	(7,328)
(Loss)/profit before tax	[2] (221,187)	950,963	(76,052)	(222,890)	430,834

The Baptist Insurance Company PLC

Appendices to the Financial Statements

Appendix 1: Reconciliation of Alternative Performance Measures (continued)

Reconciliation to gross earned premiums		2025
		£
Insurance Revenue	[1]	4,383,103
Change in the gross unearned premium provision		40,426
Instalment Handling Charge		(37,183)
Gross earned premiums	[3]	4,386,346
Gross combined operating ratio = ([3] - [2]) / [3]		105.2%

The Company uses gross combined operating ratio as a measure of underwriting efficiency. The COR expresses the total of net claims costs, commission and underwriting expenses as a percentage of gross earned premiums. It is calculated as ([3] - [2]) / [3].

Reconciliation to underwriting result		2025
		£
Net written premiums		-
Net incurred claims		(64,981)
Net commission		496,900
Company expenses		(291,614)
Underwriting result		140,305
Corporate costs		76,052
Instalment charges		37,183
Insurance service result		253,540

		2024
		£
Gross written premiums		4,291,740
Change in the gross unearned premium provision		(56,905)
Instalment Handling Charge		40,643
Insurance revenue	[1]	4,275,478
Net written premiums		-
Outward reinsurance premiums written		4,291,740
Change in the gross unearned premium provision		(56,905)
Instalment Handling Charge		40,643
Insurance revenue	[1]	4,275,478

The Baptist Insurance Company PLC

Appendices to the Financial Statements

Appendix 1: Reconciliation of Alternative Performance Measures (continued)

	2024				
	General insurance	Investment return	Corporate costs	Other income and charges	Total
	£	£	£	£	£
Revenue					
Insurance Revenue	[1] 4,275,478	-	-	-	4,275,478
Insurance service expenses	(2,803,180)	-	-	-	(2,803,180)
Insurance service result before reinsurance contracts held	1,472,298	-	-	-	1,472,298
Net expense from reinsurance contracts	(1,705,787)	-	-	-	(1,705,787)
Insurance service result	(233,489)	-	-	-	(233,489)
Net insurance financial result	-	7,000	-	-	7,000
Net investment result	-	820,396	-	-	820,396
Other operating expenses	(156,786)	(4,464)	(70,162)	(203,338)	(434,750)
Other finance costs	-	-	-	(7,328)	(7,328)
(Loss)/profit before tax	[2] (390,274)	822,932	(70,162)	(210,666)	151,831

Reconciliation to gross earned premiums		2024 £
Insurance Revenue	[1]	4,275,478
Change in the gross unearned premium provision		56,905
Instalment Handling Charge		(40,643)
Gross earned premiums	[3]	4,291,740
Gross combined operating ratio = ([3] - [2]) / [3]		109.1%

		2024 £
Net written premiums		-
Net incurred claims		(80,000)
Net commission		9,207
Company expenses		(273,500)
Underwriting result		(344,293)
Corporate costs		70,161
Instalment charges		40,643
Insurance service result		(233,489)

Annual Report and Accounts

31 December 2025

The Baptist Insurance Company Plc

