

METHODIST CHURCH

Solvency and Financial Condition Report

31 December 2025

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Executive Summary

Introduction

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

Our business

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

The mission of the Company is to run an ethical and profitable general insurance company for the benefit of the Methodist Church by underwriting its cost of risk and providing risk management advice, thus helping communities create safe environments for worship, witness and service.

Business performance

The operating performance for 2025 was a profit of £2,196k, driven by the underwriting performance which saw a strong profit commission following the performance of the reinsurance account, while the run off account also performed favourably generating an overall release in the year, compared to a cost in 2024. These led to an underwriting result of £1,615k which was £715k above budget and £262k higher than the prior year. Although investment performance was lower than last year, it still delivered a positive result for 2025.

The underwriting performance for the year was a profit of £1,615k (2024: £1,353k). This was above budget by £715k driven by the favourable profit commission result, which was £569k above budget following large reductions in liability reserves and lower levels of large claims in comparison to prior year. In relation to run-off claims, there has been a release of £95k (2024: £287k expense) following a reduction in open claims and favourable closure costs during the year.

The investment portfolio generated a net profit of £581k (2024: £1,903k), driven by unrealised gains on investments of £326k (2024: £1,487k) as well as realised gains of £45k (2024: £-29k loss), both driven by derivative performance in the year. Investment income has also reduced in the year, falling to £425k (2024: £546k), due to lower bank interest on deposits during the year, as well as a fall in income generated across all holding classes. Investment Management costs came to £124k (2024: £117k) with discounting reducing income by £92k (2024: £16k increase). Performance has been driven by continued volatility in the markets, with ongoing geopolitical instability creating significant movements year on year and uncertainty surrounding future market performance.

As a result of the operating profit, the Company made a charitable donation of £2,300k (2024: £2,800k) during the year. The donation marginally exceeded the profit generated from underwriting and investment activities, leading to a small overall loss for the period.

Solvency and financial condition

The Company uses the Standard Formula to calculate its Solvency Capital Requirement (SCR). A summary of the Company's solvency position at the end of 2025 and the change over the year is shown below:

Summary solvency position	2025	2024	Change
	£'000	£'000	£'000
Own Funds	21,761	22,061	(300)
Market risk	6,648	5,717	931
Counterparty default risk	1,507	1,504	3
Non-life underwriting risk	831	953	(122)
Diversification	(1,491)	(1,518)	27
	7,495	6,656	839
Operational risk	323	325	(2)
Loss absorbing capacity of deferred tax	(314)	-	(314)
Standard Formula SCR	7,504	6,981	523
MCR	3,500	3,500	-
SCR Coverage ratio	290%	316%	(26%)
MCR Coverage ratio	622%	627%	(5%)

Although the Company's regulatory solvency position has reduced over the year, it still remains strong. Own funds decreased by £300k in the year, driven by the loss in the period, together with an increase in deferred tax liability due to the movement in the temporary timing difference between IFRS and SUK technical provisions.

The Company's SCR increased in the year by £523k, primarily due to an increase in market risk. The exposure to equities has increased, as markets saw a positive performance over 2025. The impact of rates on the symmetric adjustment and the subsequent increase in that rate has also led to an increase in Equity risk.

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

Outlook for 2026

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

For the insurance sector, the stronger underwriting environment of 2025 may shift toward a more competitive landscape. Changes in the broader economy may affect areas such as claims costs, repair supply chains, pricing and the level of competition. These factors may evolve through the year, depending on how

economic and market conditions develop. The Company continues to monitor these external influences carefully.

The Company's capital position remains very strong and is well placed to withstand volatility and uncertainty in the current climate. The Company regularly monitors solvency levels and no instances of a breach of its Minimum Capital Requirement (MCR) or its SCR have occurred nor have there been any breaches in the Board's risk appetite up to the date of this report being published.

Directors Statement

Methodist Insurance PLC

Financial year ended 31 December 2025

Statement required for Solvency UK per the PRA Rulebook

We acknowledge our responsibility for preparing the SFCR in all material respects in accordance with the Prudential Regulation Authority (PRA) Rulebook and the SUK Regulations.

We are satisfied that:

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

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



M. G. Angell

Chief Executive Officer

Date: 24 March 2026

A. Business and performance

A.1 Business details and group structure

A.1.1 Name and legal form of the Company

The Company is a public limited company incorporated and domiciled in the United Kingdom (UK).

The address of the registered office is:

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

A.1.2 Supervisory authority

The supervisory authority for the Company is:

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

A.1.3 External auditor

The external auditor of the Company is:

Ernst & Young LLP
The Paragon
Counterslip
Bristol
BS1 6BX

A.1.4 Qualifying holdings

Qualifying holdings are a direct or indirect holding representing 10% or more of the capital or of the voting rights of the Company, or a holding that makes it possible to exercise a significant influence. The Company has no qualifying holdings.

A.1.5 Group structure

Below is a representation of the Methodist Insurance group and the position of the Company within that group:



Methodist Insurance Services Ltd (the subsidiary) is incorporated and domiciled in the United Kingdom and is dormant, having not traded since incorporation. The Company holds 998 of the 1,000 ordinary shares of the subsidiary. The remaining shares are held by the former directors of the subsidiary.

A.1.6 Lines of business

The Company currently operates in the United Kingdom and has a small run-off portfolio in the Republic of Ireland.

The material lines of business are:

- Fire and other damage to property
- General Liability

The Company also writes a small amount of miscellaneous financial loss business and legal expenses insurance.

A.1.7 Significant events

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

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

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

The Company has a robust and regular solvency monitoring process in place together with a strong risk management framework. Whilst 2025 solvency surplus remains extremely strong, the Company continues to monitor the impact of these key and emerging risks. Up to the date of this report being published, there have been no breaches of its MCR or SCR nor have there been any breaches of the Board's risk appetite identified.

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

A.2 Performance from underwriting activities

A.2.1 Overall underwriting performance

The Company delivered an underwriting result for the year that was above expectation, recording a profit of £1,615k (2024: £1,353k). This strong outcome reflects lower than expected levels of claims during the year, driven by favourable weather-related experience and fewer large losses than anticipated. Expenses have increased compared to prior year, driven by legal professional costs in relation to the renewal of reinsurance contracts.

Run-off claims are also a key factor in the positive performance for the year, displaying a release of £95k compared to a £287k expense in 2024, primarily driven by a reduction in both volumes and costs of claims during the year.

Gross Written Premium experienced a small decrease compared to the prior year at £10,811k (2024: £10,824k) and finished below budget, with the year experiencing rate reductions and a continued higher level of lapses throughout the year. New business was in line with the prior year, although below expectation. Lapses were lower than in the previous year, reflecting a slowing in the recent trend of policies lapsing due to churches being sold.

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

Underwriting Performance by Material Class of Business						
Description	Property		Liability		Other	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Gross Written Premium	7,903	7,884	2,276	2,316	632	624
Gross Earned Premium	7,850	7,922	2,301	2,301	627	628
Gross Incurred Claims	(3,067)	(3,451)	(307)	(558)	(1)	(63)
<i>Reinsured</i>	(3,067)	(3,451)	(401)	(271)	(1)	(63)
<i>Run-off</i>	-	-	95	(287)	-	-
Commission	(29)	(40)	(16)	(17)	(4)	(4)
Expenses	(284)	(240)	(82)	(71)	(23)	(19)
Gross Underwriting result	4,470	4,190	1,896	1,655	600	542
Reinsurance Earned Premium	(7,850)	(7,922)	(2,301)	(2,301)	(627)	(628)
Reinsurance Claims	3,067	3,451	401	271	1	63
Reinsurance Commission	967	970	823	869	167	192
Net Underwriting result	654	690	820	494	141	169

Property

The property account experienced a reduction in claims activity compared to the previous year with the main driver being weather events which were significantly lower than expectations. The large claim movements came to £425k (2024: £787k) Gross Incurred Claims (GIC) and £280k (2024: £ 364k) Net Incurred Claims (NIC), representing another low year. This has therefore also affected the reinsurance commission for both years, performing favorably in both periods.

Liability

The liability account has seen a significant increase on the prior year, with the experience on run-off claims displaying a release in the year compared to a cost in 2024. The run-off claims release came to £95k for the year (2024: £287k expense) driven by a reduction in claim volumes throughout the year including favourable closure costs. The reinsured liability claims reflect an increase on 2024, where 2025 has seen lower overall claim releases in the liability account.

A.2.3 Performance by geographical region

The Company has not measured performance by geographical region. The Company has only underwritten business within the UK during the year, following the business relating to Republic of Ireland having lapsed from 1 March 2020 at renewal as the introducer rights of this business were transferred in preparation for Brexit.

There are no active policies held in the Republic of Ireland following this and there has been very low claims activity from the policies that are in run-off. Therefore, business relating to Republic of Ireland is considered immaterial.

A.3 Performance from investment activities

A.3.1 Investment performance by asset class

Income & Expenses Arising From Investments By Asset Class									
Description	Investment Income			Fair Value Gains/Losses*			Total Return		
	2025	2024	Change	2025	2024	Change	2025	2024	Change
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fixed Interest Government Stock	117	115	2	76	(187)	263	193	(72)	265
Index Linked Government Stock	9	11	(2)	70	22	48	79	32	47
Overseas Government Bonds	8	8	0	7	(17)	24	15	(9)	24
Bond Funds	44	70	(26)	142	(26)	168	186	44	142
Equity Dividends	127	135	(8)	(311)	1,696	(2,007)	(184)	1,832	(2,016)
Other (Inc Bank Interest)	120	207	(87)	-	-	-	120	207	(87)
Difference On Exchange Gains /(Losses)	-	-	-	-	-	-	-	-	-
Derivatives Realised Gains / (Losses)	-	-	-	189	69	120	189	69	120
Derivatives Unrealised Gains / (Losses)	-	-	-	199	(99)	298	199	(99)	298
Unwind of Discounting	-	-	-	(92)	16	(108)	(92)	16	(108)
Total Income	425	546	(121)	281	1,473	(1,192)	706	2,019	(1,313)

*Fair value movement includes realised gains and losses on disposals and unrealised gains and losses on movements in the market value of holdings

Total investment income to December 2025 was £425k (2024: £546k). The decrease was due to lower bank interest received in the year, as well as bond funds generating a significantly lower level of income. In addition to these larger movements, reductions were also seen across all but one of the investment classes held.

Total fair value gains of £281k compared to £1,473k in the prior year displays a significant reduction, driven by equity holdings. This followed the large gains seen in 2024 particularly relating to US equities, while a loss was generated on these in 2025. This remains a volatile position however given the ongoing geopolitical uncertainty. Offsetting this poor performance, the government stocks and bond funds all generated positive returns in the year and represented an improved result compared to 2024.

The Company continues to use currency hedging derivatives to reduce its exposure to volatility driven by movements in exchange rates in the value of overseas holdings. Hedging is employed to support its ability to meet current and future liabilities which, except for a small proportion denominated in Euros, are in Sterling. The policy is for there to be a partial sterling hedge of 55% of total overseas equities which is reflected in the Investment Manager's performance benchmark for that asset class. The derivatives performed well in the year, partly mitigating the poorer performance seen on the core investment portfolios.

A.3.2 Gains and losses recognized directly in equity

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

A.3.3 Investments in securitisation

The Company does not hold any investments in securitisation instruments.

A.4 Performance from other activities

Other Material Income & Expenses			
Description	2025	2024	Variance
	£'000	£'000	£'000
Charitable Donations	(2,300)	(2,800)	500
Tax	2	(37)	39
	<u>(2,298)</u>	<u>(2,837)</u>	<u>539</u>

Charitable Donations

Owing to the operating profit experienced, the Company paid out an annual charitable donation of £2,300k compared to £2,800k paid out in the prior year, this was based on the latest forecast available in December. For 2025, this slightly exceeded the final profit generated from the underwriting and investment results, leading to a loss overall for the period.

The Company aims to substantially distribute its profits back to the Methodist Community through donations whilst continuing to invest in the business and maintaining its capital strength.

Tax

The Company's total loss in 2025 was £103k, with £2,300k charitable donation paid and compares to profit of £419k with £2,800k charitable donation paid in 2024.

The tax credit for the year is £2k as a result of the loss experienced and a small adjustment in respect of prior periods, and compares to a tax charge £37k for 2024.

Tax has been provided at a rate of 25% for the current year and 25% for the prior year.

A.5 Any other information

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

B. System of governance

B.1 General information on the system of governance

B.1.1 Governing Body – Roles and segregation of responsibilities

The Governing Body of the Company is the Board of Directors (the Board). As at 31 December 2025, the Board comprised of a Non-Executive Chair and five other Non-Executive Directors (NEDs) and the Chief Executive Officer (CEO) who is an Executive Director.

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

The composition of the Board is set out in the Company's Articles of Association. The articles state that the number of directors cannot exceed twelve or be less than six in number. As at 31 December 2025, the Company was compliant with this article requirement.

Key roles and responsibilities

The Board's role is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables the risks which the Company faces to be assessed and managed.

The Board is ultimately responsible for the Company's sound and prudent management, ensuring a strong and effective governance framework is implemented and regulatory requirements are met. Great importance is placed on a well-informed and decisive Board, and Board meetings are held regularly throughout the year.

A Reporting Framework outlining the Board's business is reviewed and agreed by the Board annually to ensure that the Board is focused on the right issues at the right time and that sufficient time is allowed for appropriate consideration and debate.

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

The Board is responsible for:

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

A formal schedule of matters reserved for the Board is in place. The schedule includes matters that are solely reserved for the Board's decision and includes:

- strategy and management;
- structure and capital;
- financial reporting and controls;
- risk management and internal controls;
- contracts;
- communication; and
- board membership and other appointments.

All directors are expected to take decisions objectively in the interests of the Company, consistent with their legal and statutory duties and commensurate with their knowledge, experience and skills.

Segregation of Responsibilities

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

Segregation of responsibilities is an important internal control, which helps ensure that no one individual has unfettered powers of decision. Additionally, it ensures that the Board receives objective and accurate information on financial performance, risk and adequacy of systems.

Chair

The Chair is responsible for:

- the active leadership of the Board, ensuring its effectiveness in all aspects of its role;
- creating the conditions for overall Board and individual Director effectiveness;
- ensuring all Directors are aware of their responsibilities and holding meetings with the directors in order to facilitate a full and frank airing of views;
- maintaining an appropriate balance on the Board as regards the number of Directors and their skills, knowledge, experience and diversity; and
- ensuring that the Directors receive accurate, timely and clear information to enable them to discharge their responsibilities effectively.

In addition, the Chair is expected to demonstrate the highest standards of integrity and probity, and set clear expectations concerning the Company's culture, values and behaviours, and the style and tone of Board discussions.

Senior Independent Director (SID)

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

- leading the evaluation of the Chair;
- meeting with the NEDs without the Chair present, if required; and

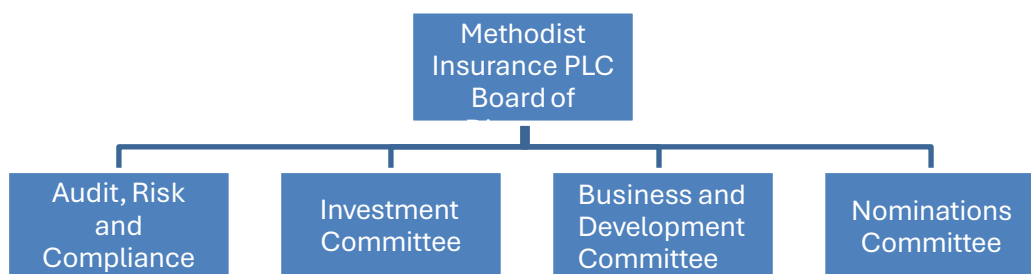
- being available to shareholders if they have concerns about the running of the Company that have not been resolved.

Non-Executive Directors

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

B.1.2 Delegation to committees

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



A high-level overview of each committee’s delegated responsibilities is set out below.

Audit, Risk and Compliance Committee (ARCC)

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

- the integrity of the financial, narrative and regulatory statements and other financial information;
- the Company’s system of internal controls and risk management (including whistleblowing arrangements and climate change considerations);
- the internal and external audit process and auditors; and
- the processes for compliance with laws, regulations and ethical codes of practice; and
- the Company’s risk management framework including the Company’s exposure in managing financial risks to climate change (including risk appetite) and the risk and regulatory risk functions of the Administrator in accordance with the Joint Administration Agreement (JAA).

The ARCC members have been selected with the aim of providing the relevant financial and commercial expertise necessary to fulfil the Committee’s duties.

Investment Committee (IC)

The Board has delegated responsibility to the IC for overseeing the performance of the Company’s investment portfolio and ensuring that the Investment Managers manage the portfolio in accordance with the agreed Investment Policy.

The IC meets regularly with the Investment Managers to ensure that the management of the Company's investment portfolios are properly governed, controlled and performing as expected.

Business and Development Committee

The Business and Development Committee's main purposes are:

- to consider and recommend a business and development marketing strategy that facilitates the achievement of the Company's objectives as set out in its Own Risk and Solvency Assessment Report (ORSA) and three year business plans;
- to ensure that management are correctly implementing the Company's strategy; and
- ensure that Consumer Duty is integrated within current and future business and operational strategy (good customer outcome).

The Committee also considers the development of new products, and advertising and distribution channels, and will consider new schemes to enhance the Company's business.

Nominations Committee

The role of the Nominations Committee is to ensure that there is an appropriate balance of skills, knowledge and experience on the Board and its Committees and within the Company's subsidiary. The Committee is responsible for overseeing the following matters:

- composition of the Board and its Committees;
- succession planning;
- appointments to the Board;
- induction and training of Directors; and
- leading the annual Board and Committee Evaluation process.

B.1.3 Roles and responsibilities of key functions

CEO

The CEO fulfils the Senior Managers and Certification Regime (SM&CR) function of Chief Executive and is an employee of the Administrator. Their responsibilities include:

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

Chief Financial Officer (CFO)

The Chief Financial Officer is an employee of the Administrator and fulfils the SM&CR Chief Finance function. Their responsibilities include:

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

Group Risk and Compliance Functions

The Compliance function of the Administrator provides assurance to the ARCC and Board that the Company remains compliant with its obligations under the regulatory system and for countering the risk that the Company might be used to further financial crime. It ensures that appropriate mechanisms exist to identify, assess and act upon new and emerging regulatory obligations and compliance risks that may impact the Company.

In addition, the Risk function of the Administrator derives its authority from the ARCC and provides oversight of the prudent management of risk including but not limited to conduct risk, climate change risk and operational risk. The Chief Risk and Compliance Officer of the Administrator is accountable to the ARCC.

Internal Audit Function

The Administrator's Internal Audit function (AIA) provides objective assurance to the ARCC and the Board that the governance processes, management of risk and systems of internal control are adequate and effective to mitigate the most significant risks to the Company.

The AIA function reports regularly to the ARCC, further information can be found in section B5.

Actuarial Function

The Actuarial function of the Administrator is accountable for all aspects of capital modelling, pricing and reserving for the Company including in the context of financial risks associated with climate change. The independent Actuarial function is responsible for providing opinions on the effectiveness of technical provision (TPs) calculations, underwriting and pricing and reinsurance purchase. The Actuarial function regularly reports to the ARCC.

B.1.4 Material changes in the system of governance

On 19 June 2025, the Company adopted new Articles of Association following the passing of a special resolution by its members. The principal changes introduced by the new Articles of Association reflect legislative developments under the Companies Act 2006, whereas the previous Articles of Association were based on the Companies Act 1985.

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

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

The Board is ultimately responsible for the system of governance and believes that the affairs of the Company should be conducted in accordance with best business practice. Accordingly, a Governance Framework has been developed to ensure that the Company operates to high ethical values. The governance model adopted by the Company ensures oversight of all risk and governance operations. The Governance Framework ensures that the Board is delivering long-term value for its shareholders whilst discharging its duties effectively, and maintaining a focus on an appropriate culture aimed at delivering the right outcomes for the Methodist community and its customers.

The Governance Framework is formally reviewed and approved at regular intervals. However, as a living document it is continually refined to ensure that it appropriately reflects the maturity of the Company's system of governance and risks inherent in the business.

The Reinsurance Agreement ensures that all risks underwritten by the Company are 100% reinsured by the Administrator with the exception of eligible terrorism risks above a minimum retention, and flood risks, which are reinsured by Pool Re and Flood Re respectively. The RIA is reviewed periodically to ensure that it remains appropriate for the Company and the Administrator.

The JAA is reviewed periodically to ensure operations and management services provided by the Administrator are operating effectively. The Board continually reviews the adequacy and effectiveness of the outsourced arrangements with the Administrator through regular reporting, its annual Board evaluation and private strategic discussions.

The Board, through the ARCC, regularly reviews the adequacy of the system of governance on a general basis. In H2 2025, it was agreed that Group Risk would conduct a third-line review during 2025, focusing on the operational effectiveness of the requirements set out in the JAA, insofar as those services continued within the revised JAA due to be signed with effect from 2026. The outcome of this review was scheduled to be presented to the ARCC and the Board in 2026. The effectiveness of the system of governance is considered through the receipt of the following:

- the ORSA report;
- internal audit report findings;
- compliance report findings;
- compliance with the schedule of services outlined in the JAA;
- compliance with the governance framework and associated governance documentation; and
- reports from the Administrator's nominated key function holders (KFs).

B.1.6 Remuneration policy

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

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

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

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

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

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

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

B.2 Fit and proper requirements

B.2.1 Skills, knowledge and expertise requirements

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

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

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

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

B.2.2 Ensuring ongoing fitness and propriety

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

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

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

B.3 Risk management system including the ORSA

B.3.1 Overview of the risk management system

An effectively operating risk management framework is vital in supporting and promoting the successful and responsible performance of the Company.

The Company has outsourced the day to day operation of its business to the Administrator under the JAA. The JAA is the key document which sets out the Board's requirements and expectations of the Administrator. Day to day risk management is completed in conjunction with the activities specified under the JAA and is carried out in line with the Administrator's risk management framework whilst reflecting the Company's Board approved risk appetite, risk register and analysis of risk.

Strategies, objectives, policies, guidelines and methodologies are in place to ensure that the business is operated on the Company's behalf in line with its expectations, regulatory requirements and commensurate with its own appetite for risk taking.

B.3.2 Effectiveness of identifying and managing risks

The ARCC has delegated responsibility from the Board for reviewing the effectiveness of all aspects of the risk management framework including identification and management of risks and receives regular reports from the respective areas of the Administrator to assist in these activities.

The Board receives regular reports from the ARCC which enable it to ensure that all aspects of the risk management system are robust. Furthermore, as part of their review of the individual components of the ORSA process and approval of the ORSA document the Board satisfies itself with the effectiveness of the identification and management of the risks faced by the Company in the delivery of its objectives and business strategy.

The Board considers the effectiveness of the overall governance arrangements and in particular, the outsourcing agreement together with recommendations for improvement should this be necessary.

B.3.3 Implementation of the risk management function

The JAA formalises the outsourcing arrangement in place with the Administrator who adopts a Three Lines of Defence model to ensure the successful operation of its risk management process. This operates as follows:

- **1st Line (Business management)** is responsible for strategy execution, performance identification and management of risks and the application of appropriate controls.
- **2nd Line (Reporting, oversight and guidance)** led by the Chief Risk Officer (CRO), is responsible for assisting the Company's Board to formulate risk appetite, establish minimum standards, develop appropriate reporting, oversight, and challenge of risk profiles and risk management activities. This is subject to oversight and challenge by the ARCC;

- **3rd Line (Assurance)** provides independent and objective assurance of the effectiveness of the systems of internal control. This activity principally comprises internal audit which is subject to oversight and challenge by ARCC.

The **first line of defence** consists of the day-to-day management and operation of the business and requires that those responsible for this are also responsible for ensuring that a risk and control environment is established as part of the day-to-day operations and for delivering strategy and optimising business performance within an agreed risk and governance framework.

Under current arrangements, the majority of first line activity is outsourced to the Administrator. However, the Board is ultimately responsible for the governance and sound and prudent management of the Company. The Board, in fulfilling its functions and objectives, seeks assurance from the first-line Business Management of the Administrator to ensure that there is a robust risk and governance framework which includes policies, systems and controls.

The **second line of defense** comprises the Risk and Compliance functions of the Administrator who provide reporting to the Board's ARCC as part of the services provided under the JAA. This provides a framework of governance and independent risk oversight, including monitoring and providing challenge to the first line of defense. Second line also provides operational areas with necessary training, tools and techniques to manage risk and establish and maintain internal controls in an effective way.

The **third line of defense** is independent and objective assurance of the effectiveness of the Company's systems of internal control. This activity principally comprises the Administrator's internal audit function as part of the services provided under the JAA, and provides regular reporting to the ARCC.

There are a number of key roles and responsibilities with regards to the effective implementation and operation of the overall risk management Framework:

Board of Directors

The Board is responsible for:

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

Audit, Risk and Compliance Committee

The ARCC has been delegated responsibility for risk management and internal control from the Board. Responsibilities of the ARCC include:

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

Investment Committee

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

Chief Executive Officer and the Administrator's Operational Areas (1st Line of Defence)

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

The Administrator's Risk Function (2nd Line of Defence)

The Risk Function bears responsibility for facilitation of:

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

The Administrator's Internal Audit Function (3rd Line of Defence)

The Administrator's Internal Audit function provides an independent opinion over the adequacy and effectiveness of the risk management framework.

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

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

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

B.3.4 Own risk and solvency assessment process

The ORSA is a vital and integral process that assesses the overall solvency needs and the capital, and other resources, required to deliver the agreed business plans. The objective of the ORSA is to demonstrate that a firm has, or can access, the resources necessary to carry out its business plan in the context of risk policy, risk appetite, a forward looking assessment of risks, the potential for stress and the quality of its risk management environment.

The ORSA assesses all risks in the business, outlines the current solvency position, the business plan for the forthcoming period, summarises the stress testing and scenario analysis undertaken in conjunction with the business plan, and projects the solvency position over the planning period. This ensures that the business strategy and plans are formulated and signed off by the Board with full recognition of the Company's risk profile and future capital requirements.

The Board is the ultimate owner of the ORSA and is fully involved in the key processes. The Board has delegated the production of the ORSA to the Administrator under the terms of the JAA but remains responsible for reviewing, challenging and approving the ORSA report.

The ORSA process is co-ordinated by the Administrator's Group Risk function with significant input from all relevant subject matter experts undertaking various functions under the terms of the JAA. The Board will only approve the business plan or make strategic decisions after consideration of the impacts on the risk profile and solvency position of the Company.

B.3.5 Frequency of review

The ORSA is an ongoing process that operates on an annual cycle. This results in a report being produced and subsequently signed-off by the Board each year. Regular updating of the key elements is undertaken throughout the year and changes to the risk profile and business plans are quantified.

The ORSA process may also be performed upon the occurrence of certain trigger events such as significant external events or material changes to the business strategy.

B.3.6 Determination of own solvency needs

The Board and ARCC assess the various risk elements of the business covering credit, operational, underwriting, reserving, and investment risk and makes an assessment of the capital requirements arising from those risk elements. Guidance and advice is taken from the CFO, CRO, reserving actuaries, capital finance teams, as well as the ARCC. Insurance risk is covered by the reserving and underwriting assessments carried out on a regular basis by the operational teams of the Administrator.

The day-to-day management, compilation of reporting, interaction with risk management systems and stress testing is all carried out by the Administrator under the JAA. Detailed reporting of all aspects of solvency and capital management are reported to the ARCC for detailed review prior to recommendation to the Board for approval.

The ARCC and Board receive management information monthly and the full management accounting package quarterly. The former provides detail on the underwriting performance and profit commission earned. The latter provides a comprehensive pack including Income Statement, Balance Sheet and Solvency Statement.

It is the overall policy of the Board to ensure that there is always adequate capital to meet current and future projected requirements from the planning process and to satisfy regulatory requirements. An additional buffer is also maintained above the regulatory requirement in accordance with the Board's risk appetite to cover any possible unforeseen events.

B.4 Internal control system

B.4.1 Internal control system

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

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

The control framework for the Board and the elements of the business operated by the Administrator comprises the following elements:

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

B.4.2 Compliance function

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

Group Compliance sits within the second line of defence. The primary objective of Group Compliance is to provide assurance to the Company Board of Directors that the firm remains compliant with all of its obligations under FCA and PRA rules, Financial Services and Markets Act (FSMA) and any other laws, rules, regulations and administrative provisions deriving from FSMA. It also ensures that appropriate mechanisms

exist to identify, assess and act upon the possible impact of any changes in the regulatory environment of the firm's operations and the identification and assessment of compliance risk.

It does this by:

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

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

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

B.5 Internal audit function

B.5.1 Implementation of the internal audit function

The Company outsources the provision of internal audit services to the Internal Audit function of the Administrator (AIA) function under the terms of the JAA. The AIA receives its authority from the Administrator's Audit Committee.

Where a conflict of interest occurs for the AIA, such as providing assurance over the Company's counterparty risk, the controls will be audited up to the point where a conflict occurs. All conflicts will be declared in the

scope of each assignment and reported to the ARCC.

The AIA maintains a professional audit team with sufficient knowledge, skills, experience, and professional qualifications. Where specialist, technical support is necessary to supplement AIA resource, this is available through a co-sourcing contract with an external specialist provider, ensuring that the AIA has immediate access to specialist skills where required. The AIA agrees with the ARCC the audit plan and confirms that the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing and the Definition of Internal Auditing are complied with.

The AIA operate within the Administrator's three lines model. In order to operate an effective framework the AIA maintains regular and ongoing dialogue with the first and second lines to maintain a current and timely perspective of business direction and issues.

B.5.2 Independence of the internal audit function

The Administrator's Group Chief Internal Auditor has access to the ARCC. Financial independence, essential to the effectiveness of internal auditing, is provided by the Administrator approving a budget to enable the AIA to meet the requirements of its Charter.

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

The Administrator's Group Chief Internal Auditor and staff of the AIA are not authorised to perform any operational duties for the Company or the Administrator, or direct the activities of any employee not employed by the AIA. Persons transferred to or temporarily engaged by the AIA are not assigned to audit those activities they previously performed for at least one year. Furthermore, the demarcation between the third line of defence and the first two lines must be preserved to enable the AIA to provide an independent overview to the Board on the effectiveness of all risk management and assurance processes in the organisation.

B.6 Actuarial function

B.6.1 Implementation of actuarial function

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

The Actuarial Function's key areas of responsibility are:

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

B.7 Outsourcing

B.7.1 Outsourcing policy

The Company has a procurement and outsourcing policy that has been agreed by the Board and forms part of the policy framework. The policy covers all procurement activities and material outsourcing arrangements. The Company's policy is to operate an effective framework for awarding contracts to achieve a quality provision giving consideration to the expected impact on customers. Elements of the policy implementation are outsourced to the Administrator under the terms of the JAA. The Board remain ultimately responsible for the policy ownership and implementation.

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

- ensuring compliance with all regulatory obligations and good market practice in the selection, management and termination of suppliers;
- optimising the choice, loyalty and performance of suppliers and business partners to deliver cost effective goods and services and service enhancing solutions across the business;
- ensuring that suppliers uphold the corporate values and high standards of compliance with the Company's corporate policies and regulatory obligations;
- providing for the mitigation of operational and financial risks related to outsourcing and procurement activities; and
- ensuring effective identification, authorisation and management of material outsourced contracts as defined and in accordance with regulatory requirements.

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

- the preparation of a detailed specification and risk assessment before inviting tenders;
- a critical assessment of the capacity and ability of shortlisted suppliers that is appropriate and proportionate to the services and risks;

- completion of a business continuity and information security practices questionnaire by all potential providers; and
- an assessment of these against risk appetite.

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

B.7.2 Outsourcing of critical or important functions or activities

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

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

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

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

B.8 Any other information

There is no other information to disclose regarding the Company's system of governance.

C. Risk profile

C.1 Underwriting risk

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

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

C.1.1 Underwriting risk exposure

The Company's insurance risk arises through the writing of general insurance business. The Company primarily transacts fire, accident and ancillary liability insurance. It delivers products and services to organisations, businesses and individuals directly and, to a limited extent, via intermediaries. The Company specialises in the insurance of properties belonging to the Methodist Church and its associated organisations, but also writes non-church business.

The Company holds reserves in respect of long-tail liability claims. As with the nature of these types of claims there is some uncertainty associated with the reserves held in that a deterioration in the emerging experience could result in reserves not being adequate to settle such claims. The ARCC assesses the risk through regular reports on the underwriting performance of the business which are provided by the Administrator.

C.1.2 Underwriting risk concentration

A key concentration for the business is the number of churches underwritten. There would be a severe impact for the Company if significant numbers are lost. This is an accepted risk as a niche insurer specifically set up for the insurance of these churches.

C.1.3 Underwriting risk mitigation

The key mitigation to underwriting risk is through the agreement with the Administrator to reinsure almost 100% of the insurance liabilities underwritten since July 1998, with the exception of terrorism and flood risks which are reinsured through Pool Re and Flood Re respectively. The retention applicable on the Pool Re contract is also reinsured by the Administrator. However, this gives rise to reliance on a single reinsurance counterparty for the vast majority of the business written which is discussed under section C.3 Credit Risk.

In order to provide sufficient protection against significant individual claims relating to the period prior to July 1998 the Board commuted the original reinsurance arrangements in 2010 and purchased aggregate excess of loss reinsurance that will provide appropriate protection for these risks.

The ARCC receives quarterly updates on the development of any claims relating to this period to allow the

Committee to consider whether additional provisions need to be made.

The adequacy of the Incurred But Not Reported (IBNR) provisions held is reviewed quarterly by the Administrator's Actuarial Reserving function and an update report is provided to the Board. This provides information relating to the review of reserve adequacy. There is also an Actuarial Function Opinion report produced annually for the Board which provides an opinion on the reserves.

The ARCC and Business and Development Board committees also receive internal audit reports prepared by the Administrator in relation to underwriting matters and require regular updates from the Administrator on the progress of actions to rectify issues identified.

C.1.4 Underwriting risk sensitivity

Relevant stress tests are carried out to assess the impact of an ongoing rate reduction on existing business as well as a deterioration in the historic insurance liabilities which is above and beyond the existing claims reserves.

The first stress completed considers a rate reduction applied annually over the course of the planning period and assumes that the claims and expenses remain at their planned level. The stress test assesses the impact this would have on the Company's profit commission receivable. The second stress test examines a significant deterioration in the Company's insurance liabilities, in the event of an adverse development above and beyond existing claims reserves over the planning period and up to the point at which the aggregate excess of loss reinsurance held would take effect.

The results from both stress tests indicate some impact on profits however the Company is well placed to cope with these events in isolation without prompting any significant concerns around solvency or the ability to meet the Company's own risk appetite.

C.2 Market risk

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

C.2.1 Market risk exposure

The investment assets of the Company are divided into two portfolios, each with distinct investment policies. The Solvency Capital Requirement Portfolio (SCRP) is in place to cover the capital requirements of the Company identified by the SCR together with margins to cover volatility in markets and, as necessary, an additional margin for unidentified operational contingencies. It is invested in low-risk investments; sterling-denominated British Government interest bearing securities (conventional and index-linked) and cash, with a small allocation of up to 8% of the portfolio allowed in Euro-denominated Government Bonds and Euro cash. This small foreign currency element of the portfolio reflects the Euro-denominated business in the Republic of Ireland and is covered by the holding of Eurozone Government bonds. All other liabilities are denominated in sterling. This portfolio is exposed to the following types of market risk:

- interest rate risk (Government Bonds);
- counterparty default risk (Cash balances); and
- currency risk (Euro cash and bonds).

The Uncommitted Capital Portfolio (UCP) covers the Company's surplus capital, and its policy is to adopt a higher exposure to market risk to achieve higher returns. It is invested chiefly in readily realisable securities, quoted on either the London Stock Exchange or a recognised overseas investment exchange. The portfolio may include global equities, collective investments including Open Ended Investment Companies (OEICs), unit trusts and investment trusts, exchange traded certificates or funds, UK and overseas bonds and cash. This portfolio is therefore exposed to the following types of market risk:

- interest rate risk (Corporate Bonds);
- spread risk (Corporate Bonds);
- counterparty default risk (Cash balances);
- currency risk (Overseas cash, bonds and equities, derivative currency hedging);
- concentration risk (bonds and equities); and
- equity risk (equities).

Both portfolios are measured against agreed benchmarks and monitored by the IC.

The Company does not have off-balance sheet positions, nor does it transfer risk to special purpose vehicles.

C.2.2 Compliance with prudent person principle

The two investment portfolios each have their own policy stipulating the type of investments that can be held and the mix of investment types permitted.

The IC meets regularly with investment managers and receives regular reports from them to enable monitoring of the performance of both the investments and the investment managers. These include current valuations, the comparison of asset allocation within the set parameters and measures of investment performance.

The IC periodically reviews its policies and, with the investment manager and considers the market outlook. Financial reports covering investments are produced quarterly as part of the management accounts and reviewed by the Board. The Board also receives an update from the IC at each meeting.

C.2.3 Market risk concentration

The Company has a well-diversified investment portfolio with a healthy mixture of equities and Sterling bonds. The largest exposure is to the UK Government, with 35% of the SCR investments being in UK gilts.

C.2.4 Market risk mitigation

The SCRIP is deliberately risk averse and the appetite is set such that its value is sufficient to ensure the Company exceeds the higher of the SCR or MCR. Assets may be switched between the two portfolios to ensure that the value of the SCRIP is at or above 100% of the SCR. The portfolio is benchmarked using market indices for cash and fixed income securities maturing within 15 years.

The UCP reduces volatility and concentration risk through diversification, both in terms of type of assets and of individual holdings. The Company's UCP investment policy requires a minimum number of 40 equity stocks to be held, and no individual holding can exceed 5% of the total portfolio.

The Global equities of this portfolio are benchmarked against the MSCI All Countries World index.

The IC meets regularly with the investment managers and receives quarterly reports from them. These include current valuations, the comparison of asset allocation within the set parameters and measures of investment performance.

The IC periodically reviews its policies and with the investment manager considers the market outlook. Financial reports covering investments are produced quarterly as part of the management accounts and compared with the reports of the investment manager. These are presented both to the ARCC and to the main Board. The minutes of the IC are presented to the Board with additional updates where appropriate.

Most of the Company's underwriting business and prospective liabilities are denominated in Sterling. A small proportion relates to business formerly written in the Republic of Ireland and is denominated in Euros, giving rise to a small potential currency risk. To facilitate matching of this Euro denominated liability, up to 8% of the SCR portfolio's value may be held in Euro denominated bonds and cash.

Currency hedging is also employed to manage the Company's exposure to currency risk. It is recognised that the relative value of one currency to another may vary from time to time and long-term step changes may develop in one direction or the other. With regard to the UCP, therefore, which is not matching any specific liability, the Investment Manager has been given discretion in their mandate to sterling hedge the overseas equity portfolio.

C.2.5 Market risk sensitivity

Stress tests have been carried out during 2025 to assess a sudden fall in equity investments to simulate a stock market crash; and, a fall in equity investments in each year over the planning period combined with a deterioration in the claims portfolio over the same period.

The first scenario considers a significant fall in the equity investments equivalent to a 1 in 100 fall in equities (39%). This leads to a significant operating loss in the first year and the SCR coverage falling.

The second stress test assumes a fall of 10% in the equity investments coupled with a significant deterioration in post-98 claims in each year of the planning period. This demonstrates the impact of a prolonged surge in claims, which impacts on the profit commission due from the reinsurer, at the same time a fall in investment. This results in an operating loss in each year of the plan although due to the interactions between the movements in the SCR and Own Funds there is only a marginal decrease in the SCR coverage.

Although the stress tests impact the solvency coverage, they do not raise any concerns over the Company's overall regulatory solvency coverage or coverage of the Company's risk appetite.

C.3 Credit risk

The risk that creditors, specifically reinsurers, intermediaries and premium debtors, default on their obligations to the Company.

C.3.1 Credit risk exposure

The largest exposure for the Company arises from the reinsurance agreement with the Administrator resulting in a potentially large amount of outstanding claim recoveries due to the high level of reinsurance that the Company utilises on prior reserves and future business written.

The Company has reinsured all ongoing business, except for terrorism and flood cover, with the Administrator and therefore retains no net insurance risk on its ongoing portfolio of business giving rise to a reliance on a single reinsurance counterparty. The Board considers this is an acceptable risk due to the financial benefits provided by the reinsurance arrangements and the chosen business model. There have been no material changes to the risk exposure over the reporting period.

The Company is also exposed, to a lesser extent, to premium debtor default risk through the insurance business underwritten and cash at bank default risk.

C.3.2 Credit risk concentration

The reinsurance arrangement in place with the Administrator results in a key concentration of risk. There is also a further adverse development reinsurance arrangement in place with the Administrator which will respond if the liabilities relating to the period prior to the current reinsurance arrangement with the Administrator, which commenced in 1998.

There are exposures through premium debtors and cash investment holdings although these are deemed to be much less significant and do not present any specific concentrations.

There have been no material changes over the reporting period.

C.3.3 Credit risk mitigation

The Board regularly monitors the financial performance and position of the Administrator the Group Chief Executive of which attends a board meeting annually to update on its financial performance and strength.

Regular reporting is provided to the ARCC on the pre-1998 liabilities.

The Company's risk appetite includes statements on the institutions to be used for holding cash and limits in respect of exposure to other counterparties. Exposures are monitored regularly as part of the risk appetite review.

There is also a letter of credit in place with the Administrator for £2m in respect of reinsurance amounts recoverable. This provides short term protection in the event of the Administrator failing.

C.3.4 Credit risk sensitivity

The scenario involving a reduction in credit rating of the main reinsurer has been considered. It was assumed that the credit rating would reduce one notch from its current rating. This would impact through an increase

in the Company's SCR for counterparty default and therefore results in a reduction in solvency coverage.

Although the SCR would increase this scenario does not present any major concerns over the Company's overall solvency coverage or the Company's internal risk appetite.

C.4 Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient financial resources to meet their obligations as they fall due, or will only be able to access these resources at an excessive cost.

C.4.1 Liquidity risk exposure

The Company's exposure is most likely to be realised in the event that there is a significant catastrophe event which results in significant claim payments at short notice. This is assessed through the analysis of the cash flows expected to be needed as a result of the projected claims.

C.4.2 Liquidity risk concentration

No material liquidity risk concentrations have been identified, as investments are well diversified with minimal concentration.

C.4.3 Liquidity risk mitigation

The cash flows are analysed by the Administrator on behalf of the Board to assess cash levels required to pay claims arising and other operational costs as they fall due. The Company maintains minimum cash balances which are considered to be adequate to pay claims under normal circumstances.

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

The ARCC considers the analysis of the cash flows on a regular basis and is responsible for determining the minimum acceptable level for the Company bank accounts.

The Company also holds a significant proportion of its investments in readily realisable assets.

There is also a letter of credit in place with the Administrator in respect of reinsurance amounts recoverable which provides short term protection in the event of the Administrator failing.

C.4.4 Liquidity risk sensitivity

In order to assess the Company's ability to withstand stressed conditions, a liquidity scenario is considered whereby a natural catastrophe occurs in the plan period with a delayed payment from the Primary Reinsurer, resulting in a negative cash balance.

In this event an overdraft facility would be arranged to cover the temporary cash shortfalls with the Administrator. Furthermore, all the Company's investments are in liquid form (equities, bonds and cash) which could be realised if required. The Company is considered to have sufficient liquidity in foreseeable circumstances.

C.5 Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems, or from external events.

C.5.1 Operational risk exposure

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

A monthly business report is provided by the Administrator to the ARCC and Board which details performance against the agreed service standards and the business performance including the financials. In addition to this, the ARCC and Board are provided with reporting at their quarterly meetings, including compliance reports and ad-hoc reports on specific items, to enable the Board to assess the risk exposure and whether it is acceptable or whether additional action is required.

There have not been no material changes to the risk exposure over the reporting period.

C.5.2 Operational risk concentration

The key material concentration arises through the outsourcing agreement which creates a reliance on the Administrator for all operational and administrative elements of the business.

This is accepted by the Board due to the chosen business model of the Company.

C.5.3 Operational risk mitigation

The Board has a Procurement and Outsourcing Policy as referred to under section B.7 Outsourcing which covers the material outsourcing arrangements.

The JAA is the legal outsourcing contract in place and this details the services provided by the Administrator to the Company. The Board monitors the performance of the Administrator against the services and service standards specified within the JAA on a regular basis and a formal annual evaluation of the performance of the Administrator against the requirements of the JAA is also undertaken.

The JAA contains a termination period of 12 months and a defined exit plan in the event that the Company decides the arrangement is no longer acceptable or the Administrator gives notice on the agreement.

C.5.4 Operational risk sensitivity

Scenario testing has not been carried out on this element. The Board has considered this risk and the existing controls as part of the ongoing risk management process.

C.6 Other material risks

C.6.1 Other material risk exposure

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

- Cyber Risk - remains a constant and evolving threat, reflecting the increasing volumes and sophistication of threats across the financial services sector. A significant cyber incident could result in data loss, harm to the data subjects, operational disruption, regulatory sanctions, and reputational damage. This risk is mitigated by the JAA with EIO, through which robust security controls are in place, supported by ongoing system reviews, security assessments, and a continuous programme of training and awareness to promote vigilance in those performing activities for the Company.
- Regulatory risk - Regulatory change risk remains a significant area of focus given the continued volume and pace of regulatory developments. The Board actively monitors changes in the legal and regulatory environment through the JAA agreement and acts as required to ensure ongoing compliance with applicable requirements. During 2025, particular attention was given to the following regulatory change items:
 - o 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;
 - o SS5/25 and Policy Statement PS25/25, sets out the PRA's strengthened expectations for managing climate-related financial risks; applicable to UK insurers and reinsurers, the regulator expects firms to embed climate risk into governance, risk management and reporting frameworks in a proportionate and practical way. There are requirements for the Company in 2026 (by 3rd June 2026) to complete gap analysis and proportionality assessment. Actions identified through which, should be credible and ambitious; and
 - o CP17/24 & CP24/28, sets out the PRA's and FCA's respective proposals to set requirements in rules and expectations for firms to report operational incidents and their material third-party arrangements, with the aim of enhancing systemic operational resilience through improved PRA risk oversight. Discovery workshops were completed in 2025, with EIO's Group Risk function providing input into Scope & Discovery Proposals documents for the two workstreams (operational incident reporting and Third-Party reporting). Further work continues, to ensure the Company is prepared for assumed implementation in late 2026.

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

C.6.2 Other material risk concentration

There are no material risk concentrations to note.

C.6.3 Other material risk mitigation

Capital is not held against reputational risk. The risk of negative reputational impacts is mitigated to a certain extent through the effective management of the other key risk types and also the speed and quality of response if negative reputational impacts occur.

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

C.6.4 Other material risk sensitivity

No stress tests have been carried out on this risk type, but consideration is given to it as part of the assessment of the other risk types.

C.7 Any other information

This has been assessed by the Board who believe that there is no further material information to note.

D. Valuation for solvency purposes

Following the UK's update to SUK, the PRA rulebook has now been updated for the articles in force at 31 December 2024 for the purpose of valuing SUK assets and liabilities.

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

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

Material assets and liabilities are defined as assets and liabilities that are valued in excess of £208k (equivalent to 1% of IFRS net assets).

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

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

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

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

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

D.1 Assets

D.1.1 Solvency UK valuation of assets

A copy of the Quantitative Reporting Template (QRT) 'IR.02.01.01 – Balance sheet' is included in Appendix 1. The table below summarises the SUK valuation, compared with the financial statements prepared in accordance with IFRS and a breakdown of the valuation of assets:

Solvency UK valuation	2025	Reclassify to aid comparison	2025	Net valuation movement	2025
	As reported IFRS Basis		Reclassified IFRS valuation		Solvency UK Valuation
	£'000	£'000	£'000	£'000	£'000
Total Assets	35,303	353	35,656	(3,763)	31,893
Total liabilities	14,487	353	14,840	(4,708)	10,132
Net assets	20,816	-	20,816	945	21,761
Breakdown of assets					
Technical provisions - Reinsurance recoverables	11,750	-	11,750	(3,443)	8,307
Deferred tax assets	-	315	315	(315)	-
Investments	20,790	31	20,821	-	20,821
Cash and cash equivalents	2,626	-	2,626	-	2,626
Insurance & intermediaries receivables	-	38	38	-	38
Receivables (trade, not insurance)	137	(31)	106	(5)	101
Total assets	35,303	353	35,656	(3,763)	31,893

The table includes reclassification of certain IFRS assets and liabilities to aid comparability. This has been done as items such as insurance debtors, which are included within Insurance liabilities in the annual financial statements, are included within the valuation of Insurance & intermediaries receivables for SUK. Moving this balance from liabilities to assets removes the need to disclose the same difference in both assets and liabilities.

Technical provisions - Reinsurance recoverables

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

Investments - Participations

The subsidiary undertaking is dormant, having not traded since incorporation and has been valued at cost. The Directors consider that cost approximates to its fair value.

Investments other than participations

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

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

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

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

All financial investments held by the Company and designated at fair value are classified as level 1 except for derivative financial instruments which are classified as level 2.

The fair value of investments in the SUK valuation includes accrued interest whereas the financial statements includes accrued interest within trade receivables.

Insurance & intermediaries receivables

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

Receivables (trade, not insurance)

This comprises trade debtor balances. Due to the short-term nature of the outstanding balances, their amortised cost is assumed to approximate to their fair value.

The valuation of non-insurance receivables for SUK excludes prepayments which have no fair value.

Cash and cash equivalents

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

D.2 Technical provisions

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

Under SUK the TPs are made up of:

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

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

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

Reserving estimates under IFRS and SUK bases, and the assumptions and bases underlying these, are subject to thorough review from the Group Chief Actuary together with further line 2 sign off from the Actuarial Risk department. Multiple review steps are in place, and the estimates are subject to external audit.

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

Modelling methodologies and assumptions

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

The following methods are used accordingly:

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

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

Valuation

Claims provisions, premium provisions and risk margin by class are reported on 'QRT IR.17.01.01 – Non-life technical provisions'. The two major contributors to the TPs are the 'general liability' and 'fire and other property damage' classes of business.

Risk margin

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

D.2.2 Level of uncertainty

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

Examples of uncertainty include:

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

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

Sensitivity analysis

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

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

SII net best estimate sensitivities to future scenarios		
Risk	Sensitivity applied	£k
Claims inflation	+ 1.0% each year applied cumulatively	625
Discount rate shift	- 1.0% to spot rate at all durations	313
Reinsurance default	All reinsurer ratings downgraded to BBB	138

The largest sensitivity considered is the inflationary shock, due to the materiality of net latent claims exposure, the cumulative impact over the full duration of the liabilities and judgmental nature of the assumption when considering the very long term.

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

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

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

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

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

A key SUK basis difference for the Company continues to be the allowance for future assumed profit commission income, giving reduced premium provision impact of £656,000 (2024: £641,000), and due to SUK best estimate claims reserves being £65,000 higher, driven by discounting (2024: £234,000). Further differences are driven by the SUK risk margin being lower than is used for the appetite for sufficiency held in the accounts.

D.2.4 Use of the matching adjustment, volatility adjustment, the transitional risk-free interest rate- term structure and use of the transitional deduction per the PRA Rulebook

The matching adjustment, volatility adjustment, use of the transitional risk-free interest rate-term structure and use of the transitional deduction are not applied to the non-life insurance TPs.

D.2.5 Recoverables from reinsurance contracts and special purpose vehicles

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

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

D.2.6 Material changes in the assumptions made in the calculation of technical provisions compared to the previous reporting period

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

D.3 Other liabilities

D.3.1 Solvency UK valuation of other liabilities

A copy of the QRT 'IR.02.01.01 – Balance sheet' is included in Appendix 1. The table below summarises the SUK valuation, compared with the financial statements prepared in accordance with IFRS and includes a breakdown of the valuation of liabilities:

Solvency UK valuation	2025	Reclassify to aid comparison	2025	Net valuation movement	2025
	As reported IFRS Basis		Reclassified IFRS valuation		Solvency UK Valuation
	£'000	£'000	£'000	£'000	£'000
Total Assets	35,303	353	35,656	(3,763)	31,893
Total liabilities	14,487	353	14,840	(4,708)	10,132
Net assets	20,816	-	20,816	945	21,761
Breakdown of liabilities					
Technical provisions - non-life	13,954	38	13,992	(4,707)	9,285
Deferred tax liabilities	-	315	315	-	315
Payables (trade, not insurance)	536	-	536	(1)	535
Other liabilities	(3)	-	(3)	-	(3)
Total liabilities	14,487	353	14,840	(4,708)	10,132

The table includes reclassification of certain IFRS assets and liabilities to aid comparability, as explained in section D.1.

Technical provisions – non-life

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

Reinsurance Payables

For SUK this only comprises creditor balances that are past due. Balances that are not past due are future cash flows that form part of reinsurers' share of TPs as covered in section D.2.

Deferred tax liabilities

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

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

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

Payables (trade, not insurance)

Trade payables consists of tax payable, amounts due to suppliers and accrued costs. The balances are all due within one year and due to their short-term nature their carrying value of amortised cost is deemed an appropriate approximation of fair value.

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

Any other Liabilities

An intercompany balance with the Company's dormant subsidiary is included in other liabilities. In light of its immateriality, the amortised cost is assumed to approximate to fair value.

D.4 Alternative methods for valuation

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

D.5 Any other information

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

E. Capital Management

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

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

Basic Own Funds	2025 £'000	2024 £'000
SUK Valuation of assets	31,893	33,793
SUK Valuation of liabilities	(10,132)	(11,732)
Excess of assets over liabilities	21,761	22,061
Subordinated debt	-	-
Foreseeable distributions	-	-
Basic own funds	21,761	22,061

Foreseeable distributions are future expense items such as dividends that have been approved for payment by the Board. The Company has no subordinated debt and no foreseeable distributions.

E.1 Own funds

E.1.1 Own funds - objectives, policies and processes

The overall responsibility for reviewing and approving the Capital Management Policy lies with The Board.

The responsibility for the Policy implementation resides with the Board through the IC who are involved in managing capital and solvency. It is the Company's policy to provide a robust framework for the management and control of capital that underpins business performance and supports strategic development. The Board, supported through the JAA on a day-to-day operational level will:

Regulatory and legislative

- Ensure current and future rules are monitored and understood, particularly regarding the definition of capital and various capital requirements;
- Ensure capital is maintained at a sufficient quality in order to meet current and future projected requirements over the business plan period;
- Ensure the Company has a defined risk appetite regarding the quality and tiering of capital required to meet its own internal appetite for solvency;
- Ensure there is sufficient capital held in order to satisfy capital requirements, regulatory or otherwise;

- Ensure that the level of capital available in the Company, regulatory or otherwise, is monitored on a regular basis in accordance with an agreed process; an
- Ensure there is regular monitoring and review of the quality and tiering of capital, in order to assess whether the above targets are being met on an ongoing basis.

Definition and monitoring of our solvency capital requirements

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

Principles around the distribution and raising of capital

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

Principles around the allocation and use of capital

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

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

Reports detailing performance against this policy or any business-critical changes will be reviewed periodically, but at least annually, by the ARCC.

Any breaches of the policy are escalated immediately to the Board Chair and Chair of the ARCC. The policy

is reviewed triennially, taking into account any new or changes to legislation, or more frequently should a significant change in the business, market or regulatory environment occur.

Capital planning is undertaken annually as part of the annual planning process, encompassing a three-year horizon.

E.1.2 Movement in own funds compared to prior period

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

Own Funds by Tier	Total	Tier 1		Tier 2	Tier 3
		Unrestricted	Restricted		
2025	£'000	£'000	£'000	£'000	£'000
Ordinary share capital	113	113	-	-	-
Deferred tax asset	-	-	-	-	-
Reconciliation reserve	21,648	21,648	-	-	-
	21,761	21,761	-	-	-
2024					
Ordinary share capital	113	113	-	-	-
Deferred tax asset	105	-	-	-	105
Reconciliation reserve	21,843	21,843	-	-	-
	22,061	21,956	-	-	105
Movement in own funds					
Ordinary share capital	-	-	-	-	-
Deferred tax asset	(105)	-	-	-	(105)
Reconciliation reserve	(195)	(195)	-	-	-
	(300)	(195)	-	-	(105)

The reconciliation reserve is comprised primarily of retained earnings from the financial statements adjusted for differences in valuation between the financial statements on an IFRS basis and SUK, as covered in section D. An analysis of the reconciliation reserve is included in Appendix 5.

No ancillary own funds have been recognised.

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

Movement in reconciliation reserve		£'000
Prior year balance		21,843
IFRS Retained earnings for year		(104)
Movement in SII valuations:		
Gross technical provisions		129
Reinsurance recoverables		95
Other		-
Movement in revaluation of deferred tax		(315)
Total movement for year		(195)
Current year balance		21,648

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

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

As all of the own funds are classified as unrestricted tier 1 capital, all are eligible to cover the SCR.

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

As all of the own funds are classified as unrestricted tier 1 capital, all are eligible to cover the MCR.

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

Reconciliation from IFRS net assets to Solvency UK own funds		2025	2024
		£'000	£'000
Equity as reported in IFRS Financial Statements		20,816	20,920
Revalue technical provisions:	Gross technical provisions	4,707	4,578
	Reinsurance recoverables	(3,443)	(3,538)
Remove prepayments and other assets with no fair value		(5)	(5)
Remove other liabilities with no fair value		1	1
Impact on deferred tax of revaluation		(315)	105
Solvency UK valuation of own funds		21,761	22,061

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

Some assets and liabilities such as prepayments are removed from the SUK valuation as they are inadmissible

or deemed to have no measurable fair value. This is covered in sections D.1 (assets) and D.3 (liabilities).

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

E.1.6 Transitional arrangements

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

E.1.7 Ancillary own funds

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

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

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

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

E.2.1 SCR and MCR

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

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

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

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

As at 31 December 2025 the SCR for the Company was £7,504k, and the MCR was £3,500k. Both amounts are still subject to supervisory assessment.

E.2.2 SCR by Risk Module

Movement in Capital Requirements	2025	2024	Change
	£'000	£'000	£'000
Market risk	6,648	5,717	931
Counterparty default risk	1,507	1,504	3
Non-life underwriting risk	831	953	(122)
Diversification	(1,491)	(1,518)	27
Basic SCR	7,495	6,656	839
Operational risk	323	325	(2)
Loss absorbing capacity of deferred tax	(314)	-	(314)
SCR	7,504	6,981	523
MCR	3,500	3,500	-

The most significant element of the Company's SCR is market risk. The remaining elements are comprised of smaller balances for counterparty default and non-life underwriting risk, partly offset by a diversification credit, and operational risk. Loss absorbing capacity of deferred tax is applied.

E.2.3 Use of simplified calculations

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

E.2.4 Undertaking specific parameters

Undertaking specific parameters are not employed.

E.2.5 Use of the option provided for in the PRA Rulebook

This option has not been utilised.

E.2.6 Impact of using undertaking specific parameters

Undertaking specific parameters are not employed.

E.2.7 Inputs used in the calculation of the MCR

A copy of the QRT 'IR.28.01.01 - Minimum Capital Requirement' showing the inputs used for the calculation of the MCR is included in Appendix 7.

E.2.8 Changes to the SCR and MCR compared to the prior period

The Company's SCR increased in the year by £523k primarily due to an increase in market risk driven by an increase in equity exposure following the upward market performance in the period and the subsequent increase to the symmetric adjustment, which is linked to market performance.

The MCR coverage ratio has decreased by 5% due to the decrease in the Own Funds, as described in the Executive Summary section. The absolute floor remains consistent with prior year, at £3.5m, as prescribed by the PRA.

The loss absorbing capacity of deferred tax has been included following a change in the valuation of reserves from IFRS to SUK, leading to a deferred tax liability.

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

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

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

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

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

E.5.1 MCR non-compliance

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

E.5.2 SCR non-compliance

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

E.6 Any other information

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

Appendix 1 – QRT IR.02.01.02 Balance Sheet

IR.02.01.02

Balance sheet

	Solvency II value
	C0010
Assets	
R0030 Intangible assets	
R0040 Deferred tax assets	
R0050 Pension benefit surplus	
R0060 Property, plant & equipment held for own use	0
R0070 Investments (other than assets held for index-linked and unit-linked contracts)	20,821
R0080 <i>Property (other than for own use)</i>	0
R0090 <i>Holdings in related undertakings, including participations</i>	1
R0100 <i>Equities</i>	12,588
R0110 <i>Equities - listed</i>	12,588
R0120 <i>Equities - unlisted</i>	
R0130 <i>Bonds</i>	6,714
R0140 <i>Government Bonds</i>	6,621
R0150 <i>Corporate Bonds</i>	93
R0160 <i>Structured notes</i>	0
R0170 <i>Collateralised securities</i>	0
R0180 <i>Collective Investments Undertakings</i>	1,429
R0190 <i>Derivatives</i>	90
R0200 <i>Deposits other than cash equivalents</i>	0
R0210 <i>Other investments</i>	0
R0220 Assets held for index-linked and unit-linked contracts	
R0230 Loans and mortgages	0
R0240 <i>Loans on policies</i>	0
R0250 <i>Loans and mortgages to individuals</i>	
R0260 <i>Other loans and mortgages</i>	
R0270 Reinsurance recoverables from:	8,307
R0280 <i>Non-life and health similar to non-life</i>	8,307
R0315 <i>Life and health similar to life, excluding index-linked and unit-linked</i>	
R0340 <i>Life index-linked and unit-linked</i>	
R0350 Deposits to cedants	0
R0360 Insurance and intermediaries receivables	38
R0370 Reinsurance receivables	
R0380 Receivables (trade, not insurance)	101
R0390 Own shares (held directly)	
R0400 Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410 Cash and cash equivalents	2,626
R0420 Any other assets, not elsewhere shown	
R0500 Total assets	31,893

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

	Solvency II value
	C0010
Liabilities	
R0505 Technical provisions - total	9,285
R0510 <i>Technical provisions - non-life</i>	9,285
R0515 <i>Technical provisions - life</i>	0
R0542 Best estimate - total	8,905
R0544 <i>Best estimate - non-life</i>	8,905
R0546 <i>Best estimate - life</i>	
R0552 Risk margin - total	380
R0554 <i>Risk margin - non-life</i>	380
R0556 <i>Risk margin - life</i>	
R0565 Transitional (TMTP) - life	
R0740 Contingent liabilities	
R0750 Provisions other than technical provisions	
R0760 Pension benefit obligations	
R0770 Deposits from reinsurers	
R0780 Deferred tax liabilities	315
R0790 Derivatives	1
R0800 Debts owed to credit institutions	
R0810 Financial liabilities other than debts owed to credit institutions	
R0820 Insurance & intermediaries payables	
R0830 Reinsurance payables	
R0840 Payables (trade, not insurance)	535
R0850 Subordinated liabilities	0
R0860 <i>Subordinated liabilities not in Basic Own Funds</i>	
R0870 <i>Subordinated liabilities in Basic Own Funds</i>	0
R0880 Any other liabilities, not elsewhere shown	-4
R0900 Total liabilities	10,132
R1000 Excess of assets over liabilities	21,761

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

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

	C0010	C0020	C0030	C0040	C0050	C0060	C0070																																																																																																																																																																								
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Appendix 3 – QRT IR.05.04.02 Non-life income and expenditure

IR.05.04.02

Non-life income and expenditure : reporting period

	All business (including annuities stemming from accepted non-life insurance and reinsurance contracts)		All non-life business (ie excluding annuities stemming from accepted insurance and reinsurance contracts)		Non-life insurance and accepted proportional reinsurance obligations											
	CO010	CO015	CO110	CO120	CO130	CO140	CO141	CO150	CO151	CO160	CO170	CO180				
Income																
Premiums written																
R0110 Gross written premiums		10,811												650		7,253
R0111 Gross written premiums - insurance (direct)		10,811												650		7,253
R0113 Gross written premiums - accepted reinsurance		0												0		0
R0160 Net written premiums		0												0		0
Premiums earned and provision for unearned																
R0210 Gross earned premiums		10,778												639		7,211
R0220 Net earned premiums		0												0		0
Expenditure																
Claims incurred																
R0410 Gross (undiscounted) claims incurred		2,913												428		2,624
R0411 Gross (undiscounted) direct business		2,913												408		2,917
R0412 Gross (undiscounted) reinsurance accepted		0												0		0
R0490 Net (undiscounted) claims incurred		28												0		0
R0720 Net (discounted) claims incurred		-37												0		0
Analysis of expenses incurred																
R0910 Technical expenses incurred net of reinsurance ceded		-1,579														
R0985 Acquisition costs, commissions, claims management costs		-1,967													2	-998
Other expenditure		0														
R1140 Other expenses		0														
R1310 Total expenditure		-1,615														

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

Non-life insurance and accepted proportional reinsurance obligations										Accepted non-proportional reinsurance				Annuities stemming from non-life insurance contracts		Annuities stemming from non-life accepted reinsurance contracts	
Employers Liability	General liability insurance			Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation and transport	Property	C0525	C0545				
	Public & products Liability	Professional indemnity	Other general liability														
C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0310	C0320	C0330	C0340						
604	1,624	481	0	0	94	0	538										
604	1,624	481	0	0	94	0	538										
0	0	0	0	0	0	0	0										
0	0	0	0	0	0	0	0										
619	1,634	481	0	0	92	0	538										
0	0	0	0	0	0	0	0										
71	-225	-1	0	0	0	0	22										
69	-98	-1	0	0	0	0	21										
0	0	0	0	0	0	0	0										
0	28	0	0	0	0	0	0										
-7	-798	0	0	0	1	0	-168										

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

IR.17.01.02
Non-Life Technical Provisions

	Direct business and accepted proportional reinsurance										Accepted non-proportional reinsurance					Total Non-life obligation		
	CO020	CO030	CO040	CO050	CO060	CO070	CO080	CO090	CO100	CO110	CO120	CO130	CO140	CO150	CO160		CO170	CO180
Best estimate																		
Premium provisions																		
RO040 Gross							1,132	-167		22	0	131						956
RO140 Total recoverable from reinsurance/GSV and finite re after the adjustment for expected losses due to counterparty default							2,782	87		-11	66							2,924
RO150 Net Best Estimate of Premium Provisions							-1,650	-254		-11	0	-54						-1,968
Claims provisions																		
RO160 Gross							2,982	-4,968		0	0	0						7,949
RO210 Total recoverable from reinsurance/GSV and finite re after the adjustment for expected losses due to counterparty default							2,978	2,464		0	0	0						5,382
RO250 Net Best Estimate of Claims Provisions							64	2,503		0	0	0						2,567
RO260 Total best estimate - gross							4,114	4,801		-22	13							8,935
RO270 Total best estimate - net							-1,586	2,250		-11	-54							599
RO280 Risk margin							226	140			4							380
RO320 Technical provisions - total							4,350	4,941		-22	0	17						9,285
RO330 Recoverable from reinsurance contract/GSV and finite re after the adjustment for expected losses due to counterparty default - total							5,700	2,552		-11	0	66						8,307
RO340 Technical provisions net recoverables from reinsurance/GSV and finite re - total							-1,350	2,389		-11	0	-49						979

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

IR.19.01.21
Non-Life insurance claims

Total Non-life business

Z0020 Accident year / underwriting year

Gross Claims Paid (non-cumulative) (absolute amount)														
Year	Development year										C0170 In Current year	C0180 Sum of years (cumulative)		
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100			C0110	
	0	1	2	3	4	5	6	7	8	9	10 & +			
R0100	Prior										405	405	405	
R0160	-9	1,202	679	176	2	75	-13	-2	-3	0	0	0	2,117	
R0170	-8	1,060	1,172	102	374	-5	22	13	0	0		0	2,737	
R0180	-7	1,675	1,391	-175	84	156	71	77	6			6	3,284	
R0190	-6	1,393	1,281	-49	257	52	37	36				36	3,006	
R0200	-5	1,039	811	91	11	101	3					3	2,055	
R0210	-4	1,798	1,767	189	139	198						198	4,091	
R0220	-3	1,150	1,883	474	155							155	3,662	
R0230	-2	1,105	1,903	641								641	3,649	
R0240	-1	1,604	1,814									1,814	3,418	
R0250	0	1,469										1,469	1,469	
R0260												Total	4,729	29,893

Gross Undiscounted Best Estimate Claims Provisions (absolute amount)													
Year	Development year										C0360 Year end (discounted data)		
	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290		C0300	
	0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											4,931	3,385
R0160	-9	2,217	966	435	300	180	130	125	102	102	108		76
R0170	-8	2,390	1,308	828	273	188	142	99	102	98			67
R0180	-7	2,810	1,134	464	410	294	196	145	140				101
R0190	-6	2,560	1,100	583	270	199	138	98					67
R0200	-5	1,837	537	296	433	255	188						133
R0210	-4	2,660	647	355	333	373							280
R0220	-3	3,084	1,319	800	833								726
R0230	-2	4,505	1,625	414									326
R0240	-1	2,798	761										596
R0250	0	2,488											2,193
R0260												Total	7,949

Gross premium			
	C0570	C0580	
	Gross earned premium at reporting reference date	Estimate of future gross earned premium	
R0160	N-9	9,375	0
R0170	N-8	9,053	0
R0180	N-7	8,700	0
R0190	N-6	8,841	0
R0200	N-5	9,046	0
R0210	N-4	9,111	0
R0220	N-3	8,984	0
R0230	N-2	9,382	0
R0240	N-1	10,067	0
R0250	N	10,288	0

Appendix 7 – QRT IR.25.04.21 Solvency Capital Requirement

IR.25.04.21

Solvency Capital Requirement

Net of loss absorbing capacity of technical provisions

	C0010
Market risk	
R0070 Interest rate risk	429
R0080 Equity risk	6,358
R0090 Property risk	0
R0100 Spread risk	36
R0110 Concentration risk	20
R0120 Currency risk	777
R0125 Other market risk	
R0130 Diversification within market risk	-971
R0140 Total Market risk	6,648
Counterparty default risk	
R0150 Type 1 exposures	1,221
R0160 Type 2 exposures	357
R0165 Other counterparty risk	
R0170 Diversification within counterparty default risk	-71
R0180 Total Counterparty default risk	1,507
Life underwriting risk	
R0190 Mortality risk	
R0200 Longevity risk	
R0210 Disability-Morbidity risk	
R0220 Life-expense risk	
R0230 Revision risk	
R0240 Lapse risk	
R0250 Life catastrophe risk	
R0255 Other life underwriting risk	
R0260 Diversification within life underwriting risk	
R0270 Total Life underwriting risk	0
Health underwriting risk	
R0280 Health SLT risk	
R0290 Health non SLT risk	
R0300 Health catastrophe risk	
R0305 Other health underwriting risk	
R0310 Diversification within health underwriting risk	
R0320 Total Health underwriting risk	0
Non-life underwriting risk	
R0330 Non-life premium and reserve risk (ex catastrophe risk)	831
R0340 Non-life catastrophe risk	0
R0350 Lapse risk	0
R0355 Other non-life underwriting risk	
R0360 Diversification within non-life underwriting risk	0
R0370 Non-life underwriting risk	831
R0400 Intangible asset risk	
Operational and other risks	
R0422 Operational risk	323
R0424 Other risks	
R0430 Total Operational and other risks	323
R0432 Total before all diversification	10,351
R0434 Total before diversification between risk modules	9,310
R0436 Diversification between risk modules	-1,491
R0438 Total after diversification	7,819
R0440 Loss absorbing capacity of technical provisions	
R0450 Loss absorbing capacity of deferred tax	-315
R0455 Other adjustments	
R0460 Solvency capital requirement including undisclosed capital add-on	7,504
R0472 Disclosed capital add-on - excluding residual model limitation	
R0474 Disclosed capital add-on - residual model limitation	
R0480 Solvency capital requirement including capital add-on	7,504
R0490 Biting interest rate scenario	
R0495 Biting life lapse scenario	

Appendix 8 – QRT IR.28.01.01 Minimum Capital Requirement

IR.28.01.01

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

Linear formula component for non-life insurance and reinsurance obligations		C0010	
R0010	MCR _{NI} Result	232	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	0	
R0030	Income protection insurance and proportional reinsurance	0	
R0040	Workers' compensation insurance and proportional reinsurance	0	
R0050	Motor vehicle liability insurance and proportional reinsurance	0	
R0060	Other motor insurance and proportional reinsurance	0	
R0070	Marine, aviation and transport insurance and proportional reinsurance	0	
R0080	Fire and other damage to property insurance and proportional reinsurance	0	
R0090	General liability insurance and proportional reinsurance	2,250	
R0100	Credit and suretyship insurance and proportional reinsurance	0	
R0110	Legal expenses insurance and proportional reinsurance	0	
R0120	Assistance and proportional reinsurance	0	
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	
R0140	Non-proportional health reinsurance	0	
R0150	Non-proportional casualty reinsurance	0	
R0160	Non-proportional marine, aviation and transport reinsurance	0	
R0170	Non-proportional property reinsurance	0	
	Linear formula component for life insurance and reinsurance obligations	C0040	
R0200	MCR _L Result	0	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits		
R0220	Obligations with profit participation - future discretionary benefits		
R0230	Index-linked and unit-linked insurance obligations		
R0240	Other life (re)insurance and health (re)insurance obligations		
R0250	Total capital at risk for all life (re)insurance obligations		
	Overall MCR calculation	C0070	
R0300	Linear MCR	232	
R0310	SCR	7,504	
R0320	MCR cap	3,377	
R0330	MCR floor	1,876	
R0340	Combined MCR	1,876	
R0350	Absolute floor of the MCR	3,500	
R0400	Minimum Capital Requirement	3,500	



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