

**METHODIST CHURCH**

# **Annual Report & Accounts**

31 December 2025

COMPANY REGISTRATION NUMBER: 00006369

# Methodist Insurance PLC

## Annual Report and Financial Statements 31 December 2025

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# Methodist Insurance PLC

## Officers and other Company Information

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### Directors and other company information

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

J. Jefferson (*Chair*)

L.C. Wilkins (*Senior Independent Director*)

M. G. Angell *ACII*

S.M. Baldwin (*retired on 19<sup>th</sup> June 2025*)

G. R. Caughey *FFA*

D. A. Rees (*died on 25<sup>th</sup> January 2026*)

I. S. Rutherford

J. I. Reid

### Company Secretary

R. J. Hall *FCG*

### Independent Auditors

Ernst & Young LLP

The Paragon

Counterslip

Bristol

BS1 6BX

United Kingdom

### Registered Office

Benefact House

2000 Pioneer Avenue

Gloucester Business Park

Brockworth

Gloucester

GL3 4AW

United Kingdom

**Company Registration Number** 00006369

# Methodist Insurance PLC

## Officers and other Company Information

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### **J. Jefferson, Chair**

*Member of the Audit, Risk and Compliance Committee, Member of the Nominations Committee and Investment Committee, first appointed to the Board in 2021*

During a career in banking John has served as a Non-Executive Director on a number of UK payment scheme company boards. In addition, he has been a senior executive and General Manager of the UK Faster Payments Service.

John is a member of the Methodist Church and has held a number of positions in local Churches and Circuits. Currently he is a Trustee and Chair of the Audit and Risk committee for the Trustees for Methodist Church Purposes. He is also a Trustee of the Northwest England District of the Methodist Church. Additionally, he is also Trustee and Non-Executive Director of Methodist Independent Schools Trust.

### **L. C. Wilkins Senior Independent Director**

*Chair of the Nominations Committee, Member of the Business and Development Committee and Climate Change Champion, first appointed to the Board in 2021*

Louise is a Chartered Legal Executive and currently works for the Architectural Association School of Architecture as their Head of Legal and Company Secretary.

Previously, Louise has been the Deputy General Counsel for Oxfam and spent eight years as Conference Officer for Legal and Constitutional Practice for the Methodist church. Louise has previously worked as a lawyer for the Baptist Union and started her career in family law.

Louise is an active member of her local Methodist church and member of the church council.

### **M. G. Angell ACII Chief Executive Officer**

*Member of the Business and Development Committee, Investment Committee and Nominations Committee, first appointed to the Board in 2015*

Michael, a qualified chartered insurer, is CEO of Methodist Insurance PLC and Church Operations Director of Benefact Group.

He has over 30 years of experience in the faith sector of the insurance industry. Michael is a director on the Board of Ecclesiastical Financial Advisory Services Limited and a former director of The Baptist Insurance Company PLC.

Outside work, Michael is a keen sportsman and is President of the Gloucestershire Lawn Tennis Association.

### **G. R. Caughey**

*Chair of the Audit, Risk and Compliance Committee and Member of the Investment Committee, first appointed to the Board in 2022*

Graeme has 20 years career experience within the asset management industry on top of early experience training as an actuary with Aviva in the general insurance industry. Graeme has experience as a professional pension trustee, which includes Chair of the Board and leading Investment Committees for the Church of Scotland Pension Schemes. Away from work Graeme is a supporter of hockey and a keen adult learner of the bagpipes.

# Methodist Insurance PLC

## Directors' Biographies

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### Revd. J. I. Reid

*Member of the Audit, Risk and Compliance Committee, first appointed to the Board in 2024*

Julia was ordained as a Methodist Minister in 2022 and is currently serving in the Cumbria Circuit, with pastoral charge of four Methodist churches and joint oversight of a Methodist/Anglican Local Ecumenical Partnership (LEP). She was a District Presbyteral rep in 2023 and 2024.

Prior to taking up her call to ordained ministry, Julia held various roles at Church and Circuit level alongside raising her family and a successful career, initially in General Insurance and later in Accountancy/Business Consultancy.

Outside work, Julia very much enjoys spending time with her three adult children and getting plenty of outdoor fresh air and exercise by walking her dog.

### Revd. I. S. Rutherford

*Chair of the Business and Development Committee and Consumer Duty Champion, first appointed to the Board in 2024*

Ian is a Methodist Presbyter and has been City Centre Minister at Methodist Central Hall Manchester since 2017. His first appointment was to Doncaster Methodist Circuit. He is Deputy Chair of the Connexional Mission Committee, serves on the Law and Policy Committee and is Convener of the Connexional Discipline, Pastoral and Appeal Committee.

Before entering the ordained ministry, Ian was a Commercial Solicitor for over 25 years. His final role was as the Legal Lead for Gateshead Council's landmark construction projects of Gateshead Millenium Bridge, Baltic - The Centre for Contemporary Art and The Glasshouse International Centre for Music. Ian's involvement in other projects included the building of five schools and an Energy-from-Waste Plant.

Ian's interests include architecture, art, rugby union, theatre, blues and roots music, Italian cuisine and Japanese culture.

Sue Baldwin retired from the Board 19 June 2025. Additionally, Debbie Rees passed away on 25<sup>th</sup> January 2026.

# Methodist Insurance PLC

## Chair's Statement

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The results for 2025 reflect strong performance in underwriting management and good investment performance during a year where markets were subject to geopolitical events and fluctuation. At the year end the Joint Administration Agreement (JAA) with Ecclesiastical Insurance Office PLC (EIO) was updated and agreed, extending the partnership which commenced in 1998.

### Key Results

The company recorded an operating profit for 2025 before tax and donations of £2,195,627 (2024: £3,255,457). After tax and charitable donations, a small loss of £102,845 was recorded (2024: £418,422 profit).

Gross written premium for the year were £10,811,204 (2024: £10,824,000), please refer to appendix 1 for further details.

Geopolitical events during the year caused some turbulence within investment markets resulting in a lower net investment return of £796,264 (2024: £2,003,481), for which I would thank our investment managers at Sarasin and Partners.

I would like to thank our finance team who have prepared these financial statements and maintained our accounts through the year.

### Capital Adequacy

The Company's capital position remains very strong with estimated and unaudited 'own funds' for Solvency II purposes of £21,761,000 (2024: £22,061,000). All prescribed capital requirements continue to be comfortably met.

### Charitable donations

The Company remains committed to supporting the Methodist Church and good causes through the donation of surplus profit, which is substantially through the Benefact Trust who are our principal Partner for charity work. During the course of the year we donated £2,300,000 (2024: £2,800,800). Over the course of the last ten years we have donated £26,617,650.

### Company Operations

At the heart of the Company operation is the JAA with EIO which underpins our longstanding relationship. Following a full review of the agreement, taking into account regulatory and financial accounting changes, the Board has finalised a revised agreement which commenced on the 1<sup>st</sup> January 2026. Activity carried out on our behalf under this agreement is monitored by the Board throughout the year and fully reviewed annually.

Whilst the JAA means that staff undertaking work for the Company are employed by EIO, our continued success is down to the dedication and hard work of those teams in Manchester and Gloucester led by our CEO Michael Angell. Yet again this year our customers tell us that service provided has been excellent, with an extraordinary 99% satisfaction level amongst customers who responded to the satisfaction survey.

During the course of the year we have continued to ensure that the Consumer Duty regulations are fully embedded, which ensure that we are treating all customers in a fair and consistent manner. We continue to ensure compliance with all other regulatory duties.

# Methodist Insurance PLC

## Chair's Statement

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### Directors

During 2025 Sue Baldwin resigned as a director of the company and we thank her for the time and commitment she gave to the Board.

In January 2026 the Board were saddened to learn of the sudden passing of Debbie Rees. Debbie had been a valued colleague and director since 2018 who was committed to the objectives of the company and is greatly missed.

The Board intend to recruit two new directors in 2026.



John Jefferson

Chair

27<sup>th</sup> March 2026

# Methodist Insurance PLC

## Strategic Report

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

### Objective and strategy

Methodist Insurance plc (the Company) is a public limited company incorporated and domiciled in the United Kingdom, authorised and regulated by the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA).

The objective of the Company is to be the first-choice insurer for Methodist church properties, by running an ethical and profitable general insurance company helping communities to create safe environments for worship, witness and service. This is achieved by underwriting its cost of risk and providing risk management advice. The Company looks to maintain its strong capital position allowing it to continue on an ongoing basis to provide these services at a competitive price along with reinvesting in the Methodist community via the provision of donations.

### Business model

The principal activity of the Company is the transaction of property and liability insurance. The Company provides insurance and risk management advice for churches.

All insurance risks undertaken by the Company since 1998 are reinsured with Ecclesiastical Insurance Office PLC (EIO) except eligible terrorism risks which are reinsured with a third party, Pool Re. It is anticipated that the activities of the Company will remain unchanged for the foreseeable future. All Physical and Sexual Abuse (PSA) claims pre 1998 are not reinsured and therefore borne by the Company.

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

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

### Review of business performance

The results of the Company for the year are shown in the Statement of Profit or Loss on page 28. Key performance indicators are included below.

The Company reported a loss before tax for 2025 of £(104,373) (2024: £455,457 profit). The decrease on the prior year was materially driven by the investment result which, although still favourable to expectations, delivered a lower return for the year, while the insurance services result saw an increased performance as explained below. Insurance revenue decreased by 0.7% to £10,778,316 (2024: £10,849,680) as a result of lapsed business and rate reduction, partly offset by positive midterm adjustments/indexation. The Company paid a donation of £2,300,000 which was slightly higher than the income generated from the insurance services and investment income in the year, resulting in a small loss.

The Company reported an insurance service result of £1,747,700 (2024: £1,462,406), the increase compared to the prior year is largely due to the underwriting performance, in particular seeing a lower level of large claims experienced again this year and reserving reductions following favourable experience.

The Company uses a number of alternative performance measures when managing and monitoring the performance of the general insurance businesses. These include gross written premium, underwriting result and the investment return, please refer to Appendix 1 for further details.

### Gross written premium

Gross written premiums (GWP) decreased to £10,811,204 (2024: £10,824,000) representing a fall of 0.1% on the previous year. This decrease was attributed to lapsed business through the year, as well as rate reductions, partly offset by the impact of the midterm adjustments and indexation.

# Methodist Insurance PLC

## Strategic Report

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### Claims ratio

Our claims ratio (insurance service expenses to insurance revenue) of 29% (2024: 37%) shows an 8-point decrease on the previous year. The key driver for this variance is a lower levels of large claims and reserving reductions following favourable experience.

### Profit commission

The reinsurance treaty with EIO continues. The profit commission receivable for the year based on the sharing of the net underwriting result was £1,891,164 (2024: £1,946,463) with the key driver being the favourable claims performance, ending ahead of budget for the year after another favourable year of experience, but offset slightly by higher expenses through the JAA for the year compared to the previous year. Profit commission is reported within the net expense from reinsurance contracts held.

### Investment return

The total revenue in respect of investments held for the year was £796,264 (2024: £2,003,481), with the previous year having seen exceptional high unrealised gains following positive market performance, as well as lower levels of income yielded on investment holdings during the current year. The Company continues to monitor and review the investment strategy to ensure a balance between potential reward and future losses.

### Donations

The aim of the Company and the directors continues to be to support Methodist organisations. Using forecasts available at the end of the year, the Company paid out £2,300,000 (2024: £2,800,800) in relation to specific donations to causes during the year. The donation was made available for circuits, districts and other bodies with Methodist values at their centre.

### Balance sheet and capital

After the impact of tax and dividends which are disclosed in note 13 and 14 respectively, the amount of retained earnings has decreased by £103,033 (2024: £418,234 increase). The Company remains well capitalised as disclosed in note 4 to the Financial Statements.

The directors consider that the Company is well placed to continue to operate in line with its objectives and strategy into the future.

### Regulatory, solvency and capital management

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

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

As at 31 December 2025, the estimated and unaudited solvency ratio, which is defined as Solvency II Own Funds as a proportion of the SCR, was 290% (2024: 316%). Coverage as a proportion of MCR, was 622% (2024: 627%).

### Principal risks and uncertainties

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

# Methodist Insurance PLC

## Strategic Report

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

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

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

Credit risk remains a principal risk for the Company, arising from the potential default of key counterparties, most notably its reinsurer EIO, as well as intermediaries, premium debtors and cash-holding institutions. The Company's operating model results in a significant concentration of credit risk through its reinsurance arrangements with EIO, under which all ongoing business (other than terrorism and flood) is fully reinsured, as mentioned in the Insurance risk section above. This creates reliance on a single counterparty. However, the Board considers this concentration acceptable given the benefits of the arrangement and the absence of any material change in exposure over the period. This risk is mitigated through regular monitoring of EIO's financial strength, oversight of pre-1998 liabilities by the ARCC, clearly defined risk appetite limits for counterparties and cash holdings, and the maintenance of a £2m letter of credit to provide short-term protection in the event of reinsurer default.

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

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

- SS11/24, which sets out the PRA's expectations for insurers to prepare for an orderly solvent exit as part of business-as-usual activities. Work will continue into 2026 to establish an appropriate Solvent Exit Analysis, leveraging work undertaken by EIO, including the consideration of the most relevant solvent exit scenario pathways for the Company.

# Methodist Insurance PLC

## Strategic Report

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- 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 3<sup>rd</sup> June 2026) to complete gap analysis and proportionality assessment. Actions identified through which, should be credible and ambitious.
- CP17/24 & CP24/28, sets out the PRA's and FCA's respective proposals to set requirements in rules and expectations for firms to report operational incidents and their material third-party arrangements, with the aim of enhancing systemic operational resilience through improved PRA risk oversight. Discovery workshops were completed in 2025, with EIO's Group Risk function providing input into Scope & Discovery Proposals documents for the two workstreams (operational incident reporting and Third-Party reporting). Further work continues, to ensure the Company is prepared for assumed implementation in late 2026.

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

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

### Climate Change and environment

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

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

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

### Non-financial and sustainability information statement

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

### Section 172 Statement

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

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

# Methodist Insurance PLC

## Strategic Report

### Our Approach to the Long-Term Success of the Company

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

### Stakeholder Engagement

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

<b>Shareholders</b>	
<p>The Board is responsible to its shareholders for the long-term success of the Company. The interests of the Company and its shareholders are aligned with the common purpose of benefiting the Methodist Community.</p> <p><i>What matters to them?</i></p> <ul style="list-style-type: none"> <li>- Financial performance</li> <li>- Strategy and business model</li> <li>- Environmental, Social and Governance (ESG) credentials aligned with the Methodist Church.</li> <li>- Reputation and business ethics</li> <li>- Strong leadership</li> </ul>	
<p><b>Customers and Methodist Community</b></p> <p>The Company has a strong reputation for delivering outstanding customer service.</p> <p><i>What matters to them?</i></p> <ul style="list-style-type: none"> <li>- Customer experience</li> <li>- Specialist expertise and guidance</li> <li>- Products that represent fair value and easy to understand</li> <li>- Fair pricing</li> <li>- Value for the benefit of the wider Methodist Community</li> <li>- Operational resilience</li> </ul>	<p><b>Community and Environment</b></p> <p>The Company exists to support the Methodist Church and Methodist charitable causes. It also seeks to make a positive contribution to the wellbeing of wider society and help reduce some of the harm brought about through climate change.</p> <p><i>What matters to them?</i></p> <ul style="list-style-type: none"> <li>- Charitable giving</li> <li>- Health and Safety</li> <li>- Employment, economic and societal contribution</li> <li>- Environmental impact of operations</li> </ul>
<b>Ecclesiastical Insurance Office plc (EIO)</b>	
<p>Day to day management services are provided to the Company by EIO under the terms of a Joint Administrative Agreement (JAA), therefore the Company has no employees. Individuals who undertake work on behalf of the Company are employed by EIO.</p> <p>Notwithstanding this, the Board appreciates that these individuals are the Company's greatest asset given their specialist skills and knowledge and propensity to go above and beyond.</p> <p><i>What matters to them?</i></p> <ul style="list-style-type: none"> <li>- Culture and purpose</li> <li>- Fair pay and reward</li> <li>- Flexible working</li> <li>- Making a positive impact on society</li> <li>- Health and wellbeing</li> <li>- Diverse and inclusive workplace</li> <li>- Training, practices development and progression</li> </ul>	
<p><b>Regulators</b></p> <p>The Board recognises the importance of open and honest dialogue with Regulators (including the Financial Conduct Authority and the Prudential Regulation Authority) and complying with applicable legislation and regulation.</p>	<p><b>Other Suppliers</b></p> <p>The Board appreciates the important role that suppliers play in ensuring a reliable service is delivered to clients and the need to have a strong working relationship.</p>

# Methodist Insurance PLC

## Strategic Report

<p><i>What matters to them?</i></p> <ul style="list-style-type: none"> <li>- Outcomes for customers</li> <li>- Openness and transparency</li> <li>- Operational and financial resilience</li> <li>- Compliance with legislation and regulation</li> </ul>	<p><i>What matters to them?</i></p> <ul style="list-style-type: none"> <li>- Collaborative approach</li> <li>- Open terms of business</li> <li>- Fair payment terms</li> <li>- Responsible supply chain</li> <li>- Communication</li> </ul>
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### Stakeholder engagement

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

<b>Key stakeholders</b>	<b>Methods of engagement and outcomes</b>
Shareholders and the Methodist Community	<p>There are open channels of communication between the Board and the Company's shareholders to facilitate the exchange of information and views or opinions. During 2025, the directors invited Company shareholders to engage through formal and informal means, including its Annual General Meeting (AGM) and the Methodist Conference.</p> <p>Throughout the year, at least half of the directors continued to be members of or on the community roll of the Methodist Church, in accordance with the Company's Articles of Association. This provides a mechanism for the views of the Methodist community to be communicated to the Board and be considered as part of its decision making.</p>
Customers	<p>During 2025, the Board received regular updates and actively challenged management on the delivery of the customer strategy. All Board members received a copy of the Company's monthly Business Report, specifically noting customer satisfaction scores and any complaints handling data. More detailed annual customer satisfaction scores were also considered by the Board. These scores informed certain business proposals presented to the Board for review during the year.</p> <p>The Directors regularly consider ways to improve and encourage active engagement with its customer base.</p>
Community and Environment	<p>The Board (via the Audit Risk and Compliance Committee (ARCC)) regularly reviews the risks associated with climate change through the Company's Risk Register. In June 2025, the directors attended a session on Underwriting Climate Risk. Furthermore, as EIO is part of the Benefact Group (BG), it has adopted BG's Climate Strategy. In this context, and given the Company's reliance on EIO for operational matters, BG's Impact Director provided the directors with an update on BG's Climate Strategy in June 2025.</p> <p>The Company's Investment Policy sets out the investment strategy, including the Company's stance on Environmental, Social and Governance (ESG) matters pertinent to its investment portfolio. During the year, and upon the recommendation of the Investment Committee (IC), the Board approved the updated Investment Policy. This Policy is considered regularly by the IC and reviewed and approved annually by the Board. Throughout 2025, the Board (via its Investment Committee) received regular reports from the Company's investment managers on the ESG rating of the companies within its investment portfolio to ensure these were aligned with the Company's Investment Policy. Furthermore, the Company's investment managers attended the Board's Strategy meeting in June 2025 to provide further information on the investment strategy and the approach adopted on behalf of the Company to invest responsibly for the benefit of the environment and wider community.</p> <p>The Company's long-term aim is to continue its charitable giving for the benefit of the Methodist community. Given the Company's association with the Methodist church, the Company aims to follow the current policy of the Methodist church regarding ethical or socially responsible investment.</p>

# Methodist Insurance PLC

## Strategic Report

<b>Key stakeholders</b>	<b>Methods of engagement and outcomes</b>
EIO	<p>EIO is accountable to the Board for all services undertaken in accordance with the JAA. The Board annually reviews the provision of services undertaken by EIO on the Company's behalf, providing rigorous challenge and oversight of management.</p> <p>2025 saw the contractual relationship between EIO and the Company under the JAA reach its 27<sup>th</sup> anniversary. Following an externally facilitated legal review of the JAA and Reinsurance Agreement (RIA) between the Company and EIO, updated versions of both agreements were approved by the Board in December 2025 and will take effect from 1 January 2026. The refreshed agreements incorporate recent legal and regulatory developments, ensuring continued compliance and operational alignment. These agreements remain central to the Company's relationship with EIO, a partnership founded on shared values and mutual respect. Engagement between the Company and EIO continues to be positive.</p> <p>The Company's Chief Executive Officer (CEO), Michael Angell, is an employee of EIO. Various members of EIO's management team and subject matter experts attended Board meetings throughout the year. Mark Hews, CEO of EIO, provided an annual update on EIO's strategic position to the Board in March 2025.</p> <p>Whilst the Company itself does not have any employees, there are a number of people employed by EIO who conduct business on the Company's behalf pursuant to the JAA (the Workforce). The Board recognises that the individuals in the Workforce are its most valuable asset, given their specialist knowledge and propensity to go above and beyond. The Board also understands the importance of engaging with the Workforce on a regular basis to ensure that they feel valued and motivated. Engagement took place through a range of formal and informal channels during the year. In December 2025, the directors invited members of the Workforce to attend an informal lunch with the directors where they were able to meet and discuss a range of topics with the directors.</p>
Regulators	<p>The Board (via the ARCC) receives regular updates on legal, regulatory and compliance matters, including the Company's regulatory interactions.</p> <p>Upon the recommendation of the ARCC, the Board approved the 2024 Annual Solvency Financial Condition Report (SFCR), in March 2025.</p> <p>The Board (via the ARCC) receives reports detailing the Company's regulatory interactions. The Board also receives regular reports on the evolving legal and regulatory landscape.</p>
Other Suppliers	<p>The Board does not generally directly interact with our suppliers; however, they receive reports and updates from Management allowing them to oversee associated relationships and to keep up to date on developments.</p> <p>The Board is also aware of its regulatory responsibilities under Supervisory Statement (SS) 2/21 Outsourcing and Third-Party Risk Management. EIO have a robust Supplier Management Framework in place and management are expected to manage Supplier Contracts in accordance with this. The Board review and challenge EIO on this to ensure that it continues to manage Supplier Contracts appropriately on its behalf.</p> <p>Group Risk is due to complete an annual performance review of the work undertaken by EIO on behalf of the Company during 2025 within the terms of the JAA. The outcome of this review is scheduled to be presented to the ARCC and the Board in 2026.</p>

# Methodist Insurance PLC

## Strategic Report

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### Stakeholder Engagement in Decision Making

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

The directors receive training on their duties as directors as part of their induction, and are regularly reminded of their statutory duties, which includes all aspects of section 172 of the Act. In addition, key paper writers have received paper writing training and are encouraged to ensure that a stakeholder analysis is included within the papers. This facilitates robust strategic discussions which considers the long-term success of the Company in addition to any direct and or indirect implications for stakeholders.

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

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

### Example of a key decision made by the Board in 2025:

In March 2025, the Board approved the Company's Operational Resilience Self-Assessment and updated Impact Tolerances in line with regulatory requirements under SS1/21 Operational Resilience: Impact tolerances for important business services. This decision demonstrates the Company's ability to remain within defined impact tolerances and maintain important business services (IBS), such as claims handling and policy administration, during severe but plausible disruptions. By embedding operational resilience into business-as-usual processes, the Board reinforced its commitment to protecting customers from harm, upholding regulatory compliance, and safeguarding the long-term sustainability of the business, thereby supporting the interests of customers and wider stakeholders.



By order of the board  
John Jefferson

Chair

27<sup>th</sup> March 2026

# Methodist Insurance PLC

## Directors' Report

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

### Future prospects

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

### Results and Dividend

The directors recommend the payment of dividends on the amounts paid up on the Company's ordinary shares, for the year ended 31 December 2025, distributing the sum of £188 (2024: £188). This equates to a dividend of 1p per share (2024: 1p per share).

### Going concern

The Company itself maintains a strong balance sheet position and good capital coverage, and it has no external loans. The Company reinsures all of its current business, except for terrorism cover, with EIO, which also provides administrative services within a profit share arrangement. Legacy claims pre-1998 however, are not reinsured and are borne by the Company. Therefore, most of its insurance risks are ultimately borne by EIO, which is well capitalised and has ratings of A2 and A with Moodys and AM Best respectively. The Company's assets excluding reinsurance contract assets are also greater than insurance contract liabilities. The directors have considered the impact of the economy and market conditions on the Company, and whilst it has impacted the investment returns, the solvency coverage and capital position has remained strong. The directors also consider they have provided adequately for risks not reinsured with EIO and, as such, after considering the stresses and any mitigating actions as well as the financial and operating capability of EIO, the directors believe the Company is well placed to manage such risks successfully and continue in operational existence for up to 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

### Political Donations

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

### Financial Instruments

Information about the use of financial instruments by the Company is given in note 4 to the financial statements.

### Board of Directors

The directors of the Company who served during the financial year and up to the date of this report are stated on page 3.

All directors served for the full year unless otherwise indicated. The Board records with deep regret the death of D. A. Rees and extends its condolences to her family and friends.

S. M. Baldwin retired on the 19th June 2025.

In accordance with the Company's Articles of Association, G. R. Caughey will retire by rotation at the forthcoming AGM, and being eligible, offer himself for re-election.

### Qualifying third-party provisions

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

# Methodist Insurance PLC

## Directors' Report

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### Statement of Directors' responsibilities

The directors are responsible for preparing the Financial Statements in accordance with applicable law and regulations.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

### Climate Change and environment

Information on the approach to climate change and the environment is provided on page 11.

### Auditor and the disclosure of information to the auditor

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

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

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



John Jefferson

Chair  
27<sup>th</sup> March 2026

# Independent auditors' report to the members of The Methodist Insurance PLC

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## Opinion

We have audited the financial statements of Methodist Insurance PLC ("the Company") for the year ended 31 December 2025 which comprise the Statement of Profit or Loss, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, and the related notes 1 to 22, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion, the financial statements:

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

## Basis for opinion

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

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

## Conclusions relating to going concern

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

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

# Independent auditors' report to the members of The Methodist Insurance PLC

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concern assessment from the EIO Group Financial Controller and critically assessing whether this provided comfort as to the robustness of the support in the going concern period; and

- assessing the appropriateness of the going concern disclosures by comparing the consistency with management's assessment and for compliance with the relevant reporting requirements.

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

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

## Overview of our audit approach

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Key audit matters	<ul style="list-style-type: none"><li>• Valuation of the Liabilities for Incurred Claims (pre-1998).</li><li>• Estimates involved in the calculation of profit commission income included within net expenses from reinsurance contracts held.</li></ul>
Materiality	<ul style="list-style-type: none"><li>• Overall materiality of £417k which represents 2% of net assets.</li></ul>

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## An overview of the scope of our audit

### Tailoring the scope

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

### Climate change

Stakeholders are increasingly interested in how climate change will impact Methodist Insurance PLC. The company has determined that the most significant future impacts from climate change on its operations will be from physical and transition risks. These are explained on page 11 in the Climate change and environment section of the Strategic Report, which form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information."

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

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

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition, and the resulting conclusion that there was no material impact from climate change and the adequacy of the company's disclosures on page 32 of the financial statements under the Going Concern section. As part of this evaluation, we performed our own risk

# Independent auditors' report to the members of The Methodist Insurance PLC

assessment to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

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

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

## Key audit matters

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Valuation of the Liabilities for Incurred Claims (pre-1998) (2025: £3,566k, 2024: £3,824k)</b></p> <p><i>Refer to the Accounting policies (page 34); and Note 19 of the Financial Statements (page 56)</i></p> <p>All business accepted by the Company post-1998 is fully reinsured by Ecclesiastical Insurance Office PLC ("EIO"). As such the economic exposure of the Company pertains to pre-1998 claims. The valuation of the liabilities for incurred claims (Pre-1998) is highly judgemental because it requires a number of assumptions such as average future annual inflation, number of new settlements in respect of pre-1998 exposures and average claim cost per settlement.</p> <p>Under IFRS17 the Liability for Incurred Claims (LIC) comprises the nominal reserves (incorporating the Allowance for Limited Historical Experience), discounting and a risk adjustment for non-financial risk. Our risk assessment focusses on the risk that the LIC has been determined</p>	<p>We performed walkthroughs to understand the claims liability valuation processes operated by MIC and identified the key controls in place.</p> <p>In conjunction with our actuarial specialists, we assessed the methodology, key assumptions and judgements used by Management, including the key sensitivities and uncertainties in the valuation of the LIC (pre-1998) and the application of discounting and risk adjustment. In particular, we:</p> <ul style="list-style-type: none"> <li>- Checked assumptions for reasonableness and compared them against MIC's recent historical claims experience and our market benchmarks.</li> <li>- Reviewed management's scenario analysis to show the sensitivity of the claims reserves to changes in claims experience.</li> <li>- Assessed management's determination of the discount rate and risk adjustment and considered the appropriateness of these based on our understanding of the business. For discounting, we also considered the appropriateness</li> </ul>	<p>We concluded that the methodology used by management in the valuation of Liabilities for Incurred Claims reserves (pre-1998) was in line with market practice and that it is appropriate for the size and complexity of the underlying risk exposure.</p> <p>We determined that the actuarial assumptions used by management in the valuation of the Liabilities for Incurred Claims (pre-1998) are reasonable based on the analysis of experience to date, industry practice and the financial reporting and regulatory requirements.</p>

# Independent auditors' report to the members of The Methodist Insurance PLC

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>through inappropriate assumptions. Due to the magnitude of the LIC and sensitivity to the key assumptions, a small manipulation of an assumption can have a significant impact on the result for the year hence we have designated it as a fraud risk.</p>	<p>of management's run-off patterns used to calculate the discounting impact.</p> <p>Other procedures performed in respect of pre-1998 LIC include:</p> <ul style="list-style-type: none"> <li>- Assessed MIC's methodology and verified the key outputs from the model and considered whether the methodology was in line with market practice and appropriate for the size and complexity of the underlying risk exposure.</li> <li>- Reviewed key metrics from the inputs to, and outputs from, the valuation models.</li> <li>- Reviewed Management's commentary on the change in the reserves for the National Children's Homes (NCH) and non-NCH portfolios, since 31 December 2024.</li> <li>- The reserving process is inherently reliant on the quality of data fed into the process. As a result, we tested the completeness and accuracy of incurred claims data used in the valuation process by reconciling back to the source system.</li> <li>- We analysed claim payment patterns for pre-1998 policies relative to historical trends to assess the reasonableness of the paid claims informing the year-end reserves.</li> <li>- We agreed a sample of pre-1998 exposures to the underlying claims files.</li> <li>- We read all current-year reserving reports and presentations provided to management detailing the actuarial reserve reviews; and</li> <li>- We read all legal correspondence and Board minutes and considered any</li> </ul>	

# Independent auditors' report to the members of The Methodist Insurance PLC

Risk	Our response to the risk	Key observations communicated to the Audit Committee
	<p>impact on insurance contract liabilities.</p>	
<p><b>Estimates involved in the calculation of profit commission income included within net expenses from reinsurance contracts held (2025: £1,891k, 2024: £1,946k)</b></p> <p>The Company has the contractual right to profit commission in respect of post-1998 claim reserves which have been fully reinsured to EIO and the Company. Profit commission is split 50:50 between EIO and the Company. The calculation of profit commission is dependent on the net underwriting result, which being dependent on the calculation of the post-1998 LIC, is based on significant judgements, and hence is susceptible to manipulation.</p> <p>This balance is subject to manipulation as MIC have an incentive to manipulate key assumptions to reduce the post 1998 LIC to improve the underwriting result which increases profit commission, whereas EIO have an incentive to increase post-1998 LIC to reduce underwriting result and profit commission payable.</p> <p>Our work focused on the key areas of judgement applied within the calculation, the most notable being the underlying assumptions used in reserving.</p>	<p>One of the inputs used in calculation of profit commission is the movement in post-1998 reserves. Hence, in conjunction with our actuarial specialists, we performed testing on the LIC calculation for accident years 1998 and post; in particular, we:</p> <ul style="list-style-type: none"> <li>- Gained an understanding of how management determine the nominal reserves, including the Allowance for Limited Historical Experience, and the source and application of discounting and Risk adjustment.</li> <li>- Engaged our actuarial specialists to undertake independent rejections of post-1998 books of business (property and casualty) based on our assessment of modelling and assumption risk and previous audit experience and assess the reasonableness of management's estimate with reference to our rejections.</li> <li>- Assessed and challenged MIC's approach to allowing for the inflationary environments in their reserves.</li> <li>- Performed testing to validate the data used in the actuarial projections is complete and accurate.</li> <li>- Assessed management's determination of the discount rate and Risk Adjustment and consider the appropriateness of these based on our understanding of the business and the wider market. In respect of discounting, we considered the appropriateness of management's run off patterns used to calculate the discounting impact.</li> </ul>	<p>We determined that the profit commission, which leverages the post-1998 reserves, is calculated in line with the terms agreed with EIO and not materially misstated in the Financial Statements.</p>

# Independent auditors' report to the members of The Methodist Insurance PLC

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Risk	Our response to the risk	Key observations communicated to the Audit Committee
	<p>- Reviewed the calculation of LIC and checked that this calculation is reasonable.</p> <p>Other procedures performed in respect of profit commission include:</p> <p>We obtained and reviewed the finalised reinsurance agreement to confirm alignment with our understanding, noting that the only change related to the gilt rate used in the profit commission calculation, and this was applied correctly.</p> <p>We reviewed the profit share agreement in place to obtain an understanding as to how it should operate and checked that the methodology used to calculate the profit share is in accordance with that agreement.</p> <p>We verified the mathematical accuracy of the calculation performed by management and tied back to the methodology set out in the agreement.</p> <p>We obtained a signed confirmation from EIO for the amount of profit commission for the year.</p> <p>We read the Board minutes where the final commission figure is agreed.</p> <p>We obtained proof of final payment of the commission income made post year end.</p>	

## Our application of materiality

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

# Independent auditors' report to the members of The Methodist Insurance PLC

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## Materiality

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

We determined materiality for the Company to be £417k (2024: £419k), which is 2% (2024: 2%) of net assets. We believe that net assets is the closest proxy for solvency, and therefore financial strength of the company, which we consider to be a key consideration of stakeholders of the entity and the ability to continue to make the grants and meet the entity's charitable objectives.

## Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2024: 75%) of our planning materiality, namely £313k (2024: £314k). We have set performance materiality at this percentage due to corrected and uncorrected misstatements being below 25% of materiality in the previous year and consistency of the accounting standards applied from prior year.

## Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £21k (2024: £21k), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

## Other information

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

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

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

We have nothing to report in this regard.

# Independent auditors' report to the members of The Methodist Insurance PLC

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## Opinions on other matters prescribed by the Companies Act 2006

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

the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

## Matters on which we are required to report by exception

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

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

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

## Responsibilities of directors

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

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

## Auditor's responsibilities for the audit of the financial statements

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

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

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

## Independent auditors' report to the members of The Methodist Insurance PLC

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

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

A further description of our responsibilities for the audit of the financial statements is located on the

Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Other matters we are required to address

Following the recommendation from the audit committee we were reappointed by the company on 15 August 2024 to audit the financial statements for the year ending 31 December 2024 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments is 7 years, covering the years ending 31 December 2019 to 31 December 2025.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting the audit.

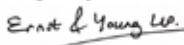
The audit opinion is consistent with the additional report to the audit committee.

# Independent auditors' report to the members of The Methodist Insurance PLC

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## Use of our report

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

Signed by:  
  
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Robin Enstone (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Bristol

Dated: 27 March 2026

## Methodist Insurance PLC

### Statement of Profit or Loss

For the year ended 31 December 2025

	Notes	2025 £	2024 £
Insurance revenue	5	<b>10,778,316</b>	10,849,680
Insurance service expenses	6	<b>(3,159,931)</b>	(4,004,659)
Insurance service result before reinsurance contracts held		<b>7,618,385</b>	6,845,021
Net expense from reinsurance contracts held	19	<b>(5,870,685)</b>	(5,382,615)
<b>Insurance service result</b>		<b>1,747,700</b>	1,462,406
Interest revenue calculated using the effective interest method	8	<b>120,256</b>	206,939
Net Investment Result	8	<b>676,008</b>	1,796,542
Insurance finance expense for insurance contracts issued	7	<b>(531,000)</b>	(72,000)
Reinsurance finance income for reinsurance contracts held	7	<b>439,000</b>	88,000
Other operating expenses	9	<b>(2,556,337)</b>	(3,026,430)
<b>(Loss)/profit before tax</b>		<b>(104,373)</b>	455,457
Tax income / (expense)	13	<b>1,528</b>	(37,035)
<b>(Loss)/profit attributable to equity holders</b>		<b>(102,845)</b>	418,422

All the amounts above are in respect of continuing operations.

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

# Methodist Insurance PLC

## Statement of Financial Position

At 31 December 2025

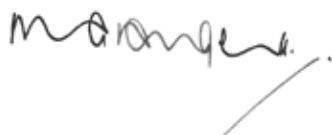
	Notes	31 December 2025 £	31 December 2024 £
<b>Assets</b>			
Cash and cash equivalents	17	2,626,104	3,412,452
Financial investments	15	20,789,801	20,445,538
Current tax recoverable		10	-
Reinsurance contract assets	19	11,750,458	13,221,576
Other receivables	16	137,207	130,800
<b>Total assets</b>		<b>35,303,580</b>	<b>37,210,366</b>
<b>Liabilities</b>			
Insurance contract liabilities	19	13,953,518	15,578,836
Current tax liabilities		-	37,027
Other payables	20	533,016	674,424
<b>Total liabilities</b>		<b>14,486,534</b>	<b>16,290,287</b>
<b>Equity</b>			
Share Capital	18	112,500	112,500
Retained Earnings		20,704,546	20,807,579
<b>Total Equity</b>		<b>20,817,046</b>	<b>20,920,079</b>
<b>Total liabilities and equity</b>		<b>35,303,580</b>	<b>37,210,366</b>

The financial statements of Methodist Insurance Company PLC, company registration number 00006369, on pages 28 to 66, were approved and authorised for issue by the Board of Directors on 27<sup>th</sup> March 2026 and signed on its behalf by:



John Jefferson

Chair



Michael Angell

Director

# Methodist Insurance PLC

## Statement of Changes in Equity

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For the year ended 31 December 2025

	Notes	Share Capital £	Retained Earnings £	Total £
<b>Balance 1 January 2024</b>		<b>112,500</b>	<b>20,389,345</b>	<b>20,501,845</b>
Profit for the period			418,422	418,422
Dividends	14		(188)	(188)
<b>Balance at 31 December 2024</b>		<b>112,500</b>	<b>20,807,579</b>	<b>20,920,079</b>
(Loss) for the period		-	(102,845)	(102,845)
Dividends	14		(188)	(188)
<b>Balance at 31 December 2025</b>		<b>112,500</b>	<b>20,704,546</b>	<b>20,817,046</b>

# Methodist Insurance PLC

## Statement of Cash Flows

For the year ended 31 December 2025

	2025	2024
	£	£
<b>(Loss) / Profit for the year before tax</b>	<b>(104,373)</b>	455,457
<i>Adjustments for:</i>		
Net fair value (gains) on financial investments	<b>(371,086)</b>	(1,457,422)
Income from investments	<b>(425,179)</b>	(546,059)
<i>Changes in operating assets and liabilities:</i>		
Net (decrease) in insurance contract liabilities	<b>(1,625,318)</b>	(997,827)
Net decrease / (increase) in reinsurance contract assets	<b>1,471,118</b>	(279,577)
Net (increase) in other receivables	<b>(6,407)</b>	(11,319)
Net (decrease) / increase in other payables	<b>(30,946)</b>	(70,443)
<b>Cash used by operations</b>	<b>(1,092,191)</b>	(2,907,190)
Corporation tax paid	<b>(35,507)</b>	(96,018)
<b>Net cash used by operating activities</b>	<b>(1,127,698)</b>	(3,003,208)
<b>Cash flows from investing activities</b>		
Sale of financial investments	<b>9,604,133</b>	12,781,224
Purchases of financial investments	<b>(9,687,772)</b>	(11,312,021)
Dividends received	<b>142,155</b>	163,569
Interest received	<b>283,022</b>	382,491
<b>Net cash from investing activities</b>	<b>341,538</b>	2,015,263
<b>Cash flows from financing activities</b>		
Dividends paid to company's shareholders	<b>(188)</b>	(188)
<b>Net cash used by financing activities</b>	<b>(188)</b>	(188)
<b>Net decrease in cash and cash equivalents</b>	<b>(786,348)</b>	(988,133)
Cash and cash equivalents at beginning of year	<b>3,412,452</b>	4,400,585
<b>Cash and cash equivalents at end of year</b>	<b>2,626,104</b>	3,412,452

# Methodist Insurance PLC

## Notes to the Financial Statements

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### 1 Accounting policies

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

#### Basis of preparation

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

The exemption in CA 2006 s402 and s405(2) has been taken as the subsidiary is not material to the financial statements. The Company has elected not to produce consolidated financial statements. The subsidiary disclosed in note 22 is dormant, having not traded since incorporation.

#### Going concern

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

In preparing these financial statements the directors have considered the impact of the physical and transition risks of climate change and identified this a key and continued emerging risk as set out on page 9, but have concluded that it does not have a material impact on the recognition and measurement of the assets and liabilities in these financial statements as at 31 December 2025. This is because the financial investments which are comprised of debt and equity instruments, are reported at fair value under UK-adopted International Financial Reporting Standards (IFRS) and as set out in this note below therefore utilise market prices at the period end. These market prices will include the current expectations of the impact of climate change on these investments. Insurance liabilities are accrued based on past insurable events so will not be impacted by any future impact of climate change. However, we recognise that government and societal responses to climate change risks are still developing and the future impact cannot be predicted. Future valuations of assets may therefore differ as the market responds to these changing impacts or assesses the impact of current requirements differently and the frequency / magnitude of future insurable events linked to the effect of climate risks could change.

#### Presentational currency

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

# Methodist Insurance PLC

## Notes to the Financial Statements

### 1 Accounting policies (continued)

#### New and revised standards

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

#### Standards issued but not yet effective

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

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

#### Other standards and amendments in issue but not yet effective:

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

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

# Methodist Insurance PLC

## Notes to the Financial Statements

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### 1 Accounting policies (continued)

#### Use of estimates

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

#### Foreign currency translation

Transactions in foreign currencies are translated into sterling using an average exchange rate, as a proxy for the foreign exchange rate ruling at the date of the transaction. The average exchange rate is calculated as the arithmetic mean of the exchange rates for the reporting period only, this will therefore include the opening position, with the month end exchange rates for the subsequent twelve month end periods. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

#### Net investment result

Investment income consists of dividends and interest receivable for the year, realised gains and losses, unrealised gains and losses including currency translation movements on fair value investments.

Dividends on equity securities are recorded as revenue on the ex-dividend date, interest income is recognised on the effective interest rate basis.

Realised gains or losses represent the difference between the net sales proceeds and purchase price. Unrealised gains or losses represent the difference between the valuation of investments at the year end date and their purchase price. The movement in unrealised gains and losses therefore comprises the increase or decrease in the year, together with the reversal of previously recognised unrealised gains and losses on investments disposed of in the year. These are shown collectively within fair value gains/losses on investments as disclosed within note 8.

#### Insurance contract liabilities

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

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

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

#### General insurance and reinsurance contracts

##### (i) Classification

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

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

# Methodist Insurance PLC

## Notes to the Financial Statements

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### 1 Accounting policies (continued)

#### ***(ii) Separating components***

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

#### ***(iii) Level of aggregation***

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

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

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

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

#### ***(iv) Recognition and derecognition***

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

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

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

The Company derecognises insurance contracts when:

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

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

Reinsurance contracts are recognised on the same basis.

# Methodist Insurance PLC

## Notes to the Financial Statements

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### 1 Accounting policies (continued)

#### **(v) Contract boundaries**

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

#### **Insurance contracts**

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

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

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

#### **Reinsurance contracts**

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer. A substantive right to receive services from the reinsurer ends when the Company is no longer compelled to pay amounts to the reinsurer and if the reinsurer:

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

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

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

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

#### **Insurance contracts:**

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

# Methodist Insurance PLC

## Notes to the Financial Statements

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### 1 Accounting policies (continued)

#### **Reinsurance contracts held:**

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

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

#### **Initial recognition**

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

#### **Subsequent measurement**

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

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

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

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

The Company also establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held representing the expected recovery of the losses.

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

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

# Methodist Insurance PLC

## Notes to the Financial Statements

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### 1 Accounting policies (continued)

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

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

The change in the LIC due to the effects of the time value of money and financial risk is recognised within the Insurance finance Income/(expenses) for insurance contracts issued in the statement of profit or loss.

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

#### **(vii) Risk adjustment**

The risk adjustment for non financial risk represents the compensation the Company requires for bearing the uncertainty in the amount and timing of cash flows arising from non financial risks as it fulfils its insurance contracts. The Company determines the risk adjustment using a combination of confidence level techniques and scenario based analyses that reflect its approach to assessing insurance risk. Further information on the methodology and its application is provided in Note 19 (vi).

#### **(viii) Insurance acquisition cash flows**

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

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

#### **(ix) Insurance revenue**

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

#### **(x) Insurance service expenses**

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

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

# Methodist Insurance PLC

## Notes to the Financial Statements

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### 1 Accounting policies (continued)

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

#### **(xi) Net income or expense from reinsurance contracts**

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

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

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

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

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

#### **(xii) Net insurance financial result**

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

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

#### **Reinsurance**

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

The Company has protection cover with EIO that limits the Company's liability to adverse development in relation to pre-1998 claims.

Reinsurance commission relates to a profit share receivable on the Reinsurance agreement between the Company and EIO. The profit commission receivable is calculated based on the net underwriting result of the related contracts during the year in accordance with the terms of the Reinsurance Agreement. Profit commission is reported within the net expense from reinsurance contracts held.

# Methodist Insurance PLC

## Notes to the Financial Statements

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### 1 Accounting policies (continued)

#### Financial Instruments

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

##### *(i) Classification and measurement*

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

#### Debt instruments

The Company classifies its debt instruments using the following measurement categories:

- FVTPL: Financial assets in this category are those that are managed in a fair value business model, or that have been designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. In order to eliminate or significantly reduce an accounting mismatch, an irrevocable election can be made (on an instrument-by-instrument basis) to classify and measure debt instruments at FVTPL instead of amortised cost or FVOCI. The fair value gain or loss on a debt investment that is measured at FVTPL is recognised in profit or loss and presented within 'net investment result'.

#### Equity instruments

- FVTPL: By default as mandatory requirements, the Company classifies and measures equity investments at FVTPL. Changes in the fair value of equity instruments at FVTPL are recognised in 'net investment result' in the statement of profit or loss as they arise.

Cash and cash equivalents, other receivables, and short-term deposit accounts within financial investments are measured at amortised cost using the effective interest rate (EIR) method, less allowance for impairment.

##### *(ii) Impairment*

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

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

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

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

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

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

# Methodist Insurance PLC

## Notes to the Financial Statements

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### 1 Accounting policies (continued)

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

#### **(iv) Derivative financial instruments**

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

All derivatives are initially recognised in the statement of financial position at their fair value on the date on which the derivative contract is entered into, which usually represents their cost, including any premium paid. They are subsequently remeasured at their fair value, with the method for recognising changes in the fair value depending on whether they are designated as hedges of net investments in foreign operations. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

#### **Offset of financial assets and financial liabilities**

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

#### **Cash and cash equivalents**

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

#### **Provisions and contingent liabilities**

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

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

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

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

#### **Taxation**

Income tax comprises current and deferred tax.

Current tax is the expected tax payable/(receivable) on the taxable result for the period and any adjustment to the tax payable in respect of previous periods.

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

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

Deferred tax assets and liabilities are not discounted.

Note 13 provides details of the expected tax payable for the year.

#### **Dividends Paid**

Dividends on ordinary shares are recognised in equity in the period in which they are approved by members.

#### **Use of Alternative Performance Measures (APM)**

As detailed in the Strategic Report, the Company uses certain key performance indicators which, although not defined under IFRS, provide useful information and aim to enhance understanding of the Company's performance.

The key performance indicators should be considered complementary to, rather than a substitute for, financial measures defined under IFRS. Appendix 1 provides details of how these key performance indicators reconcile to the results reported under IFRS.

# Methodist Insurance PLC

## Notes to the Financial Statements

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### 2 Critical accounting estimates, and judgements in applying accounting policies

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

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

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

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

The estimation of the ultimate liability arising from quantification of the critical estimates, which relate to both the insurance contract liabilities and reinsurance contract assets, as detailed in Note 19 is a critical accounting estimate. The amount that the Company will ultimately pay with respect to such contracts is uncertain and will vary with the total number of claims made on each class of business, the amounts that claims settle for and the timings of payments.

The uncertainties surrounding the estimates of claims payments for the various classes of business are discussed further in note 3. General business insurance liabilities include a margin for risk and uncertainty in addition to the best estimates for future claims. The sensitivity of profit or loss in changes to the ultimate settlement cost of insurance contract liabilities is presented in note 19 (xi).

##### **Discount rates**

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

The Company selected to continue to apply its previous practice for non-life business of using the 'bottom up' approach which requires the use of risk-free rate curves and adding the illiquidity premium. The Company derives illiquidity by reference to the illiquidity estimated to apply to a suitable reference portfolio of assets with similar liquidity characteristics. The published yields on Government bonds in each territory are used as a reference for risk-free rates. Further details on the application of this methodology is included in note 19 (viii).

##### **Level of aggregation**

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

##### **Risk adjustment**

A risk adjustment for non-financial risk is determined to reflect the compensation that the Company would require for bearing non-financial risk and its degree of risk aversion. The risk adjustment for non-financial risk has been determined using a combination of confidence level techniques, and scenarios, with the judgement made that the techniques previously used for quantifying reserve risk appetite and setting reserves explicitly above the best estimate represent the most appropriate mechanism for quantifying compensation required. Further details on the application of this methodology is included in note 19 (vi).

# Methodist Insurance PLC

## Notes to the Financial Statements

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### 3 Insurance risk

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

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

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

#### General insurance risks

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

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

#### Frequency and severity of claims

##### *(i) Property classes*

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

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

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

The greatest likelihood of an aggregation of claims arises from weather related events.

##### *(ii) Liability classes*

For liability insurance contracts, the frequency and severity of claims can be affected by several factors. The most significant are the increasing level of awards for damages suffered and the increase in the number of cases that were latent for a long period of time. Inflation, from these and other sources, is a significant factor due to the long period typically required to settle these claims.

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

# Methodist Insurance PLC

## Notes to the Financial Statements

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### 3 Insurance risk (continued)

#### Concentrations of risk

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

	Type of risk			Total £000
	Property £000	Liability £000	Accident £000	
<b>Insurance revenue</b>				
<b>2025</b>	<b>8,100</b>	<b>2,301</b>	<b>377</b>	<b>10,778</b>
2024	8,170	2,301	379	10,850

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

The quantitative assessment of the key risks relating to both insurance contract liabilities and reinsurance assets is disclosed in the relevant balances in Note 19.

#### Sources of uncertainty in the estimation of future claim payments

##### (i) Property classes

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

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

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

##### (ii) Liability classes

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

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

Claims that may arise from the liability class of business include damage to third party property, physical injury, physical and sexual abuse, disease and psychological trauma. The exposure profile of the Company is different from most other commercial lines insurance companies as it has lower exposure to industrial risks, where uncertainty is higher. Therefore, claims for industrial diseases are less common for the Company than injury claims such as slips, trips and back injuries.

# Methodist Insurance PLC

## Notes to the Financial Statements

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### 3 Insurance risk (continued)

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

Note 19 presents the development of the estimate of ultimate claim cost that includes public and employers' liability claims occurring in a given year. This gives an indication of the accuracy of the estimation technique for incurred claims.

#### *(iii) Sources of uncertainty*

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

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

#### *(iv) Special provisions for latent claims*

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

### 4 Financial risk and capital management

The Company is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The Company is exposed to market risk arising from fluctuations in values, including from movements in market prices and interest rates. The most important components of financial and market risk are credit risk, liquidity risk, equity price risk and interest rate risk, as set out further below.

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

# Methodist Insurance PLC

## Notes to the Financial Statements

### 4 Financial risk and capital management (continued)

#### Categories of financial instruments

#### Categories applying IFRS 9

#### Categories of financial instruments

	Financial assets				Total
	Fair value through profit or loss	Amortised cost	Financial liabilities at amortised cost	Non-financial assets and liabilities	
	£	£	£	£	£
At 31 December 2025					
Financial investments	20,788,803	-		998	20,789,801
Other receivables		132,509		4,698	137,207
Cash and cash equivalents		2,626,104			2,626,104
Other payables	(851)		(403,672)	(128,493)	(533,016)
Net insurance contract provisions				(2,203,060)	(2,203,060)
Current tax (liabilities) / assets				10	10
<b>Total</b>	<b>20,787,952</b>	<b>2,758,613</b>	<b>(403,672)</b>	<b>(2,325,847)</b>	<b>20,817,046</b>
At 31 December 2024					
Financial investments	20,444,540	-		998	20,445,538
Other receivables		126,011		4,789	130,800
Cash and cash equivalents		3,412,452			3,412,452
Other payables	(111,313)		(427,913)	(135,198)	(674,424)
Net insurance contract provisions				(2,357,260)	(2,357,260)
Current tax assets / (liabilities)				(37,027)	(37,027)
<b>Total</b>	<b>20,333,227</b>	<b>3,538,463</b>	<b>(427,913)</b>	<b>(2,523,698)</b>	<b>20,920,079</b>

Within financial assets classified as fair value through profit or loss are £7,031,199 (2024: £7,313,415) of financial investments designated at FVTPL. The remainder of the assets within this category pertain to those mandatorily classified as FVTPL.

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

	2025			2024		
	SPPI financial assets	Other financial assets	Total financial assets	SPPI financial assets	Other financial assets	Total financial assets
	£	£	£	£	£	£
Financial Investments	7,031,199	13,757,604	20,788,803	7,313,415	13,131,125	20,444,540
Cash and cash equivalents	2,626,104		2,626,104	3,412,452		3,412,452
Other financial assets	132,509		132,509	126,011		126,011
<b>Total fair value</b>	<b>9,789,812</b>	<b>13,757,604</b>	<b>23,547,416</b>	<b>10,851,878</b>	<b>13,131,125</b>	<b>23,983,003</b>

# Methodist Insurance PLC

## Notes to the Financial Statements

### 4 Financial risk and capital management (continued)

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

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

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

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

All financial 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.

#### Analysis of fair value measurement bases

	Fair value measurement at the end of the reporting period based on			
	Level 1 £	Level 2 £	Level 3 £	Total £
<b>As at 31 December 2025</b>				
Financial investments				
Equity securities	13,668,020			13,668,020
Debt securities	7,031,199			7,031,199
Derivatives		89,584		89,584
	<u>20,699,219</u>	<u>89,584</u>	<u>-</u>	<u>20,788,803</u>
<b>As at 31 December 2024</b>				
Financial investments				
Equity securities	13,129,807			13,129,807
Debt securities	7,313,415			7,313,415
Derivatives		1,318		1,318
	<u>20,443,222</u>	<u>1,318</u>	<u>-</u>	<u>20,444,540</u>

The derivative financial instruments are foreign currency forward contracts and are valued using observable exchange rates and rates corresponding to the maturity of the contract. At 31 December 2025, £89,584 (2024: £1,318) of derivative financial assets were included in financial investments and £851 (2024: £111,313) of derivative financial liabilities included in Other Payables.

#### Credit and operational risk

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

- reinsurance contract assets due from reinsurers;
- amounts due from insurance intermediaries and policyholders;
- corporate bond counterparty default;
- cash and short term deposits held with banks; and
- amounts due from EIO under the Joint Administration Agreement and Reinsurance Treaty.

# Methodist Insurance PLC

## Notes to the Financial Statements

### 4 Financial risk and capital management (continued)

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

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

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

Where available the Company manages its exposure to credit risk in relation to credit risk ratings. Investment grade financial assets are classified within the range AAA to BBB ratings, where AAA is the highest possible rating. Financial assets which fall outside this range are classified as sub-investment grade. 'Not-rated' assets capture assets not rated by external rating agencies. The following table provides information regarding the credit risk exposure of financial assets with credit ratings from Standard & Poor's or from a similar agency. This includes financial assets that meet the definition of 'solely payments of principal and interest' (SPPI).

As at 31 December 2025	SPPI			Total SPPI	Non-SPPI
	Debt instruments	Cash and cash equivalents	Other financial assets		Financial Investments
AAA	149,405	-	-	149,405	-
AA	6,295,663	-	-	6,295,663	-
A	-	2,626,104	-	2,626,104	89,584
BBB	144,173	-	-	144,173	-
Below BBB	-	-	-	-	-
Not rated	441,958	-	132,509	574,467	13,668,020
	<u>7,031,199</u>	<u>2,626,104</u>	<u>132,509</u>	<u>9,789,812</u>	<u>13,757,604</u>

As at 31 December 2024	SPPI			Total SPPI	Non-SPPI
	Debt instruments	Cash and cash equivalents	Other financial assets		Financial Investments
AAA	140,727	-	-	140,727	-
AA	6,513,729	-	-	6,513,729	-
A	-	3,412,452	-	3,412,452	1,318
BBB	140,030	-	-	140,030	-
Below BBB	-	-	-	-	-
Not rated	518,929	-	126,011	644,940	13,129,807
	<u>7,313,415</u>	<u>3,412,452</u>	<u>126,011</u>	<u>10,851,878</u>	<u>13,131,125</u>

# Methodist Insurance PLC

## Notes to the Financial Statements

### 4 Financial risk and capital management (continued)

The Company outsources its day-to-day operations to EIO. Inadequate oversight of daily operational administration, potentially resulting in inadequate record keeping, incorrect payments to customers or general poor underwriting and administrative performance, may lead to regulatory censure and customer dissatisfaction. This operational risk is managed by having dedicated resources within EIO, with close monitoring of performance against agreed service levels and specific business continuity plans.

#### Liquidity risk

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

Financial liabilities of the Company all mature within one year. An estimate of the timing of the net cash outflows resulting from insurance contracts is provided in note 19.

#### Market risk

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

##### (i) Interest rate risk

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

Interest rate risk maturity table

	Maturing within:			Total
	1 year	1-5 years	>5 years	
	£	£	£	£
<b>As at 31 December 2025</b>				
Debt securities	1,860,507	2,143,832	3,026,860	7,031,199
Cash and cash equivalents	2,626,104	-	-	2,626,104
	<u>4,486,611</u>	<u>2,143,832</u>	<u>3,026,860</u>	<u>9,657,303</u>
<b>As at 31 December 2024</b>				
Debt securities	705,509	2,212,198	4,395,708	7,313,415
Cash and cash equivalents	3,412,452	-	-	3,412,452
	<u>4,117,961</u>	<u>2,212,198</u>	<u>4,395,708</u>	<u>10,725,867</u>

General business insurance liabilities and reinsurers' share of insurance liabilities are sensitive to the level of market interest rates, as discount rates reflect the present value of these liabilities and assets. However, these liabilities and assets do not have maturity dates hence are not included in the above tables.

The sensitivity of Company's profit or loss and other equity reserves to interest rate risk, included as part of the of the discount rate used for the measurement of insurance liabilities, is provided in note 19(xi).

##### (ii) Currency risk

The Company operates in the UK. Its exposure to foreign exchange risk arises from recognised assets and liabilities denominated in euros and US dollars.

The Company's exposure to foreign currency risk within the investment portfolios arises from purchased investments that are denominated in currencies other than sterling. The Company's primary currency risks are designated in euros and US dollars. The carrying amount of those net assets before the mitigating effect of forward currency transactions are summarised below:

# Methodist Insurance PLC

## Notes to the Financial Statements

### 4 Financial risk and capital management (continued)

	<b>2025</b>	<b>2024</b>
<b>US Dollar</b>	<b>\$12,610,858</b>	\$12,039,867
<b>Euro</b>	<b>€1,134,907</b>	€1,182,894

This exposure is reduced through the use of currency forward contracts. The underlying value of these instruments are \$10,633,628 (2024: \$9,030,291) and €867,217 (2024: €1,414,440).

#### **(iii) Equity price risk**

The Company is exposed to equity securities price risk from its investments which are classified at fair value through profit or loss.

Further details of the value of each type of investment that is exposed to equity price risk is included in note 15 to the financial statements.

#### **(iv) Market risk sensitivity analysis**

The sensitivity of profit to movements on market risk variables (comprising interest rate, currency and equity price risk), each considered in isolation, is shown in the following table:

Variable	Change in variable	Potential increase/ (decrease) in profit after tax and equity	
		2025	2024
		£	£
<b>Interest rate risk</b>	-100 basis points	(35,948)	81,123
	+100 basis points	(357,529)	(330,319)
<b>Currency risk</b>	-10.0%	(252,963)	(211,737)
	+10.0%	252,963	211,737
<b>Equity price risk</b>	-10.0%	(1,025,101)	(984,736)
	+10.0%	1,025,101	984,736

The following assumptions have been made in preparing the above sensitivity analysis: the value of fixed income investments will vary inversely with changes in interest rates; currency gains and losses will arise from a change in the value of sterling against all other currencies moving in concert; and change in profit is stated net of tax at the rate of 25% (2024: 25%).

#### **Capital management**

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

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

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

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

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

# Methodist Insurance PLC

## Notes to the Financial Statements

### 5 Insurance Revenue

	2025 £	2024 £
Contracts measured under PAA	10,778,316	10,849,680
Total insurance revenue	<u>10,778,316</u>	<u>10,849,680</u>

### 6 Insurance Service Expenses

	Notes	2025 £	2024 £
Incurring claims and benefits		3,794,995	4,828,472
Other directly attributable expenses	9	301,335	265,419
Insurance acquisition cash flows recognised when incurred	19	48,281	60,885
Changes that relate to past service	19	<u>(984,680)</u>	<u>(1,150,117)</u>
Total insurance service expenses		<u>3,159,931</u>	<u>4,004,659</u>

### 7 Net insurance financial result

	2025 £	2024 £
<b>Insurance finance income/(expense) from insurance contracts issued</b>		
Interest accreted	(140,000)	355,000
Effect of changes in interest rates and other financial assumptions	<u>(391,000)</u>	<u>(427,000)</u>
Total	<u>(531,000)</u>	<u>(72,000)</u>
<b>Reinsurance finance income/(expense) from reinsurance contracts held</b>		
Interest accreted	356,000	87,000
Effect of changes in interest rates and other financial assumptions	<u>83,000</u>	<u>1,000</u>
Total	<u>439,000</u>	<u>88,000</u>
Net insurance financial result	<u>(92,000)</u>	<u>16,000</u>

The net insurance financial expense of £92,000 (2024: income of £16,000) recognised in the statement of profit or loss has been impacted by movements in discount rate which naturally fluctuate year on year, as well as accretion on reserves which have had a more significant impact compared to the previous year. Due to the high level of reinsurance contracts held, the net amount is diluted in both periods. The impact of discount rates on the net insurance financial income is mitigated by movements in the investment return as can be seen within the respective returns.

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

# Methodist Insurance PLC

## Notes to the Financial Statements

### 8 Net Investment Result

	2025 £	2024 £
<i>Income from financial assets calculated using the effective interest rate method:</i>		
- cash and cash equivalents income	30,727	102,156
- other income received	89,529	104,783
<b>Total investment income calculated using the effective interest rate method</b>	<b>120,256</b>	206,939
<i>Income from financial assets at fair value through the statement of profit or loss:</i>		
- dividend income	142,155	163,568
- interest income	162,767	175,552
<b>Total investment income calculated at fair value through the statement of profit or loss:</b>	<b>304,922</b>	339,120
Fair value gains on investments at fair value through the statement of profit or loss	371,086	1,457,422
<b>Net Investment Return</b>	<b>676,008</b>	<b>1,796,542</b>

Within the net investment return are gains/(losses) arising from financial investments designated at FVTPL of £704,355 gain (2024: £(63,374) loss). The remainder of the investment return pertains to those mandatorily classified as FVTPL.

Included within cash and cash equivalents income are exchange gains of £9 (2024: £8 losses).

### 9 Expenses

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

	2025 £			2024 £		
	Other directly attributable expenses	Other operating expenses	Total	Other directly attributable expenses	Other operating expenses	Total
Directors' fees and expenses	88,939	88,939	<b>177,878</b>	89,325	89,325	178,650
Professional fees	33,280	32,828	<b>66,108</b>	8,135	4,500	12,635
Charitable grants	-	2,300,000	<b>2,300,000</b>	-	2,800,800	2,800,800
Other operating expenses	179,116	10,853	<b>189,969</b>	167,959	14,964	182,923
Investment expenses	-	123,717	<b>123,717</b>	-	116,841	116,841
<b>Total operating expenses</b>	<b>301,335</b>	<b>2,556,337</b>	<b>2,857,672</b>	<b>265,419</b>	<b>3,026,430</b>	<b>3,291,849</b>

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

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

# Methodist Insurance PLC

## Notes to the Financial Statements

### 10 Auditor's Remuneration

	2025 £	2024 £
Fees payable to the Company's auditor for:		
- The audit of the Company's annual accounts	128,364	116,300
<b>Total audit fees</b>	<b>128,364</b>	<b>116,300</b>

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

Amounts disclosed are exclusive of VAT.

### 11 Employee Information and Directors remuneration

As all management services are provided by EIO under the terms of the Joint Administration Agreement, the Company had no employees in either the current or prior year.

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

### 12 Charitable donations

	2025 £	2024 £
Charitable donations to Methodist funds and organisations	2,300,000	2,800,800
<b>Charitable donations paid or accrued</b>	<b>2,300,000</b>	<b>2,800,800</b>

Actual monies paid amounted to £2,300,000 (2024: £2,800,800).

### 13 Taxation

	2025 £	2024 £
UK corporation tax for the current financial year	-	37,035
Adjustment in respect of prior periods	(1,528)	
<b>Tax (credit) / expense</b>	<b>(1,528)</b>	<b>37,035</b>
Deferred taxation credit	-	-
<b>Tax credit / (charge)</b>	<b>(1,528)</b>	<b>37,035</b>
	2025 £	2024 £
(Loss) / Profit before tax	(104,373)	455,457
Tax (credit) / expense calculated at the UK standard rate for the year of 25%	(26,093)	113,864
Factors affecting charge for the period:		
Dividends from UK companies	(72,740)	(75,950)
Impact of differential between current and deferred tax rate	-	-
Expenses not deductible for tax purposes	98,833	-
Adjustments to tax charge in respect of prior periods	(1,528)	-
Losses utilised	-	(879)
<b>Tax (credit) / expense</b>	<b>(1,528)</b>	<b>37,035</b>

Current tax has been provided at a rate of 25% for the current year (2024: 25%).

# Methodist Insurance PLC

## Notes to the Financial Statements

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### 14 Dividends Paid

	2025 £	2024 £
<i>Amounts recognised as distributions to equity holders in the period:</i>		
Dividends	<u>188</u>	<u>188</u>

This equates to a dividend of 1p per share (2024: 1p).

### 15 Financial Investments

Financial investments summarised by measurement category are as follows:

	2025 £	2024 £
<i>Financial investments at fair value through the statement of profit or loss</i>		
Equity securities:		
- listed	13,668,020	13,129,807
Debt securities:		
- government bonds	6,589,241	6,794,486
- listed	441,958	518,929
Derivative financial instruments	<u>89,584</u>	<u>1,318</u>
	<u>20,788,803</u>	<u>20,444,540</u>
<i>Investments in group undertakings</i>		
Shares in subsidiary undertakings (see note 22)	<u>998</u>	<u>998</u>
	<u>998</u>	<u>998</u>
<b>Total financial investments</b>	<b><u>20,789,801</u></b>	<b><u>20,445,538</u></b>

Other than investments in group undertakings, all financial investments are current.

# Methodist Insurance PLC

## Notes to the Financial Statements

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### 16 Other Receivables

	<b>2025</b>	<b>2024</b>
	£	£
Other receivables	45,334	15,660
Prepayments & accrued income	91,873	115,140
	<u>137,207</u>	<u>130,800</u>

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

No impairment charges have been recognised in the current or prior year.

### 17 Cash and cash equivalents

	<b>2025</b>	<b>2024</b>
	£	£
Cash held at bank and in hand	838,368	1,594,066
Short term bank deposits	1,787,736	1,818,386
	<u>2,626,104</u>	<u>3,412,452</u>

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

### 18 Called up share capital

	<b>2025</b>	<b>2024</b>
	£	£
<i>Issued, allotted and fully paid:</i>		
18,750 ordinary shares of £6, each fully paid	112,500	112,500
	<u>112,500</u>	<u>112,500</u>

The Company has one class of ordinary shares which carry no right to fixed income.

On winding up of the Company, shareholders are only entitled to receive the amount paid-up in cash, excluding any amount credited as paid-up resulting from the capitalisation of any reserves or profits of the Company. They have no further right to participate in the surplus assets of the Company.

The remaining surplus is to be distributed to or for the benefit of the Methodist Church, as defined and constituted under the Methodist Church Act 1976 or the Methodist Church in Ireland, as the company, in general meeting on the recommendation of the directors, shall determine.

# Methodist Insurance PLC

## Notes to the Financial Statements

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### 19 Insurance liabilities and reinsurance assets

	2025 £	2024 £
<b>Gross</b>		
Insurance contract liabilities for incurred claims	9,594,023	11,035,343
Insurance contract liabilities for remaining coverage	4,359,495	4,543,493
Total gross insurance contract liabilities	<u>13,953,518</u>	<u>15,578,836</u>
<b>Recoverable from reinsurers</b>		
Reinsurance contract assets for incurred claims	6,028,100	7,211,353
Reinsurance contract assets for remaining coverage	5,722,358	6,010,223
Total reinsurers' share of insurance liabilities	<u>11,750,458</u>	<u>13,221,576</u>
<b>Net</b>		
Insurance contract liabilities for incurred claims	3,565,923	3,823,990
Insurance contract liabilities for remaining coverage	(1,362,863)	(1,466,730)
Total net insurance liabilities	<u>2,203,060</u>	<u>2,357,260</u>
<b>Maturity analysis of insurance liabilities and reinsurance assets</b>		
<b>Gross insurance liabilities</b>		
Current (less than one year)	5,538,130	6,220,797
Non-current (greater than one year)	8,415,388	9,358,039
Total gross insurance liabilities	<u>13,953,518</u>	<u>15,578,836</u>
<b>Reinsurance assets</b>		
Current (less than one year)	6,571,993	7,262,527
Non-current (greater than one year)	5,178,465	5,959,049
Total reinsurers' share of insurance liabilities	<u>11,750,458</u>	<u>13,221,576</u>

# Methodist Insurance PLC

## Notes to the Financial Statements

### 19 Insurance liabilities and reinsurance assets (continued)

	Insurance contract liabilities		Re-Insurance contract assets		Total £
	Liabilities for remaining coverage £	Liabilities for incurred claims £	Assets for remaining coverage £	Assets for incurred claims £	
<b>At 1 January 2024</b>	<b>4,725,933</b>	<b>11,850,730</b>	<b>(4,860,100)</b>	<b>(8,081,899)</b>	<b>3,634,664</b>
<b>Insurance revenue</b>	<b>(10,849,680)</b>	-	-	-	<b>(10,849,680)</b>
Incurred claims and other insurance service expenses	-	5,093,890	-	-	5,093,890
Changes that relate to past service	-	(1,150,116)	-	-	(1,150,116)
Insurance acquisition cash flows expensed	60,885	-	-	-	60,885
<b>Insurance service expenses</b>	<b>60,885</b>	<b>3,943,774</b>	-	-	<b>4,004,659</b>
<b>Insurance service result before reinsurance contracts held</b>	<b>(10,788,795)</b>	<b>3,943,774</b>	-	-	<b>(6,845,021)</b>
Allocation of reinsurance premiums	-	-	10,765,379	-	10,765,379
Recoveries of incurred claims and other insurance service expenses	-	-	-	(6,406,881)	(6,406,881)
Changes that relate to past service	-	-	-	1,024,117	1,024,117
<b>Net expense/(income) from reinsurance contracts</b>	-	-	<b>10,765,379</b>	<b>(5,382,764)</b>	<b>5,382,615</b>
Finance income from reinsurance contracts held	-	-	-	(88,000)	(88,000)
Finance expense from insurance contracts issued	-	72,000	-	-	72,000
<b>Net insurance financial result</b>	-	<b>72,000</b>	-	<b>(88,000)</b>	<b>(16,000)</b>
<b>Total amounts recognised in statement of profit or loss</b>	<b>(10,788,795)</b>	<b>4,015,774</b>	<b>10,765,379</b>	<b>(5,470,764)</b>	<b>(1,478,406)</b>
Premiums received	10,667,240	-	-	-	10,667,240
Insurance acquisition cash flows	(60,885)	-	-	-	(60,885)
Claims and other directly attributable expenses paid	-	(4,831,161)	-	-	(4,831,161)
Premiums paid	-	-	(11,915,501)	-	(11,915,501)
Amounts received	-	-	-	6,341,310	6,341,310
<b>Total cash flows</b>	<b>10,606,355</b>	<b>(4,831,161)</b>	<b>(11,915,501)</b>	<b>6,341,310</b>	<b>201,003</b>
<b>At 31 December 2024</b>	<b>4,543,493</b>	<b>11,035,343</b>	<b>(6,010,223)</b>	<b>(7,211,353)</b>	<b>2,357,261</b>
<b>Insurance revenue</b>	<b>(10,778,316)</b>	-	-	-	<b>(10,778,316)</b>
Incurred claims and other insurance service expenses	-	4,096,330	-	-	4,096,330
Changes that relate to past service	-	(984,680)	-	-	(984,680)
Insurance acquisition cash flows expensed	48,281	-	-	-	48,281
<b>Insurance service expenses</b>	<b>48,281</b>	<b>3,111,650</b>	-	-	<b>3,159,931</b>
<b>Insurance service result before reinsurance contracts held</b>	<b>(10,730,035)</b>	<b>3,111,650</b>	-	-	<b>(7,618,385)</b>
Allocation of reinsurance premiums	-	-	10,711,717	-	10,711,717
Recoveries of incurred claims and other insurance service expenses	-	-	-	(5,780,712)	(5,780,712)
Changes that relate to past service	-	-	-	939,680	939,680
<b>Net expense/(income) from reinsurance contracts</b>	-	-	<b>10,711,717</b>	<b>(4,841,032)</b>	<b>5,870,685</b>
Finance income from reinsurance contracts held	-	-	-	(439,000)	(439,000)
Finance expense from insurance contracts issued	-	531,000	-	-	531,000
<b>Net insurance financial result</b>	-	<b>531,000</b>	-	<b>(439,000)</b>	<b>92,000</b>
<b>Total amounts recognised in statement of profit or loss</b>	<b>(10,730,035)</b>	<b>3,642,650</b>	<b>10,711,717</b>	<b>(5,280,032)</b>	<b>(1,655,700)</b>
Premiums received	10,594,318	-	-	-	10,594,318
Insurance acquisition cash flows	(48,281)	-	-	-	(48,281)
Claims and other directly attributable expenses paid	-	(5,083,970)	-	-	(5,083,970)
Premiums paid	-	-	(10,423,852)	-	(10,423,852)
Amounts received	-	-	-	6,463,285	6,463,285
<b>Total cash flows</b>	<b>10,546,037</b>	<b>(5,083,970)</b>	<b>(10,423,852)</b>	<b>6,463,285</b>	<b>1,501,500</b>
<b>At 31 December 2025</b>	<b>4,359,495</b>	<b>9,594,023</b>	<b>(5,722,358)</b>	<b>(6,028,100)</b>	<b>2,203,060</b>

# Methodist Insurance PLC

## Notes to the Financial Statements

### 19 Insurance liabilities and reinsurance assets (continued)

#### i) Reconciliation of the liability for remaining coverage

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

#### ii) Reconciliation of the liability for incurred claims

	Estimates of present value of future cash flows £	Risk adjustment for non- financial risk £	Total £
<b>At 1 January 2024</b>	<b>9,607,730</b>	<b>2,243,000</b>	<b>11,850,730</b>
Incurred claims and other insurance service expenses	4,747,890	346,000	5,093,890
Changes that relate to past service	(698,116)	(452,000)	(1,150,116)
<b>Insurance service expenses</b>	<b>4,049,774</b>	<b>(106,000)</b>	<b>3,943,774</b>
<b>Insurance service result before reinsurance contracts held</b>	<b>4,049,774</b>	<b>(106,000)</b>	<b>3,943,774</b>
Finance expense from insurance contracts issued	72,000		72,000
<b>Net insurance financial result</b>	<b>72,000</b>	<b>-</b>	<b>72,000</b>
<b>Total amounts recognised in statement of profit or loss</b>	<b>4,121,774</b>	<b>(106,000)</b>	<b>4,015,774</b>
<b>Exchange differences</b>	<b>-</b>		<b>-</b>
Claims and other directly attributable expenses paid	(4,831,161)		(4,831,161)
<b>Total cash flows</b>	<b>(4,831,161)</b>	<b>-</b>	<b>(4,831,161)</b>
<b>At 31 December 2024</b>	<b>8,898,343</b>	<b>2,137,000</b>	<b>11,035,343</b>
Incurred claims and other insurance service expenses	3,785,330	311,000	4,096,330
Changes that relate to past service	(547,680)	(437,000)	(984,680)
<b>Insurance service expenses</b>	<b>3,237,650</b>	<b>(126,000)</b>	<b>3,111,650</b>
<b>Insurance service result before reinsurance contracts held</b>	<b>3,237,650</b>	<b>(126,000)</b>	<b>3,111,650</b>
Finance expense from insurance contracts issued	531,000		531,000
<b>Net insurance financial result</b>	<b>531,000</b>	<b>-</b>	<b>531,000</b>
<b>Total amounts recognised in statement of profit or loss</b>	<b>3,768,650</b>	<b>(126,000)</b>	<b>3,642,650</b>
<b>Exchange differences</b>	<b>-</b>		<b>-</b>
Claims and other directly attributable expenses paid	(5,083,970)		(5,083,970)
<b>Total cash flows</b>	<b>(5,083,972)</b>	<b>-</b>	<b>(5,083,972)</b>
<b>At 31 December 2025</b>	<b>7,583,023</b>	<b>2,011,000</b>	<b>9,594,023</b>

# Methodist Insurance PLC

## Notes to the Financial Statements

### 19 Insurance liabilities and reinsurance assets (continued)

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

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

In £000	2025						Total
	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	
Property	1,718	525	268	166	113	241	<b>3,031</b>
Liability	570	628	578	340	287	2,149	<b>4,552</b>
<b>Estimates of present value of future cash flows</b>	<b>2,288</b>	<b>1,153</b>	<b>846</b>	<b>506</b>	<b>400</b>	<b>2,390</b>	<b>7,583</b>

In £000	2024						Total
	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	
Property	2,185	666	341	211	143	313	<b>3,859</b>
Liability	695	761	703	410	338	2,133	<b>5,040</b>
<b>Estimates of present value of future cash flows</b>	<b>2,879</b>	<b>1,427</b>	<b>1,044</b>	<b>620</b>	<b>482</b>	<b>2,446</b>	<b>8,898</b>

# Methodist Insurance PLC

## Notes to the Financial Statements

### 19 Insurance liabilities and reinsurance assets (continued)

#### iii) Reconciliation of the asset for remaining coverage

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

#### iv) Reconciliation of the asset for incurred claims

	Estimates of present value of future cash flows £	Risk adjustment for non- financial risk £	Total £
<b>At 1 January 2024</b>	<b>6,954,899</b>	<b>1,127,000</b>	<b>8,081,899</b>
Recoveries of incurred claims and other insurance service expenses	6,060,881	346,000	6,406,881
Changes that relate to past service	(589,117)	(435,000)	(1,024,117)
<b>Net expense/(income) from reinsurance contracts</b>	<b>5,471,764</b>	<b>(89,000)</b>	<b>5,382,764</b>
Finance income from reinsurance contracts held	88,000		88,000
<b>Net insurance financial result</b>	<b>88,000</b>	<b>-</b>	<b>88,000</b>
<b>Total amounts recognised in statement of profit or loss</b>	<b>5,559,764</b>	<b>(89,000)</b>	<b>5,470,764</b>
Amounts received	(6,341,310)		(6,341,310)
<b>Total cash flows</b>	<b>(6,341,310)</b>	<b>-</b>	<b>(6,341,310)</b>
<b>At 31 December 2024</b>	<b>6,173,353</b>	<b>1,038,000</b>	<b>7,211,353</b>
Recoveries of incurred claims and other insurance service expenses	5,469,713	311,000	5,780,713
Changes that relate to past service	(537,680)	(402,000)	(939,680)
<b>Net expense/(income) from reinsurance contracts</b>	<b>4,932,033</b>	<b>(91,000)</b>	<b>4,841,033</b>
Finance income from reinsurance contracts held	439,000		439,000
<b>Net insurance financial result</b>	<b>439,000</b>	<b>-</b>	<b>439,000</b>
<b>Total amounts recognised in statement of profit or loss</b>	<b>5,371,033</b>	<b>(91,000)</b>	<b>5,280,033</b>
Amounts received	(6,463,286)		(6,463,286)
<b>Total cash flows</b>	<b>(6,463,286)</b>	<b>-</b>	<b>(6,463,286)</b>
<b>At 31 December 2025</b>	<b>5,081,100</b>	<b>947,000</b>	<b>6,028,100</b>

# Methodist Insurance PLC

## Notes to the Financial Statements

### 19 Insurance liabilities and reinsurance assets (continued)

#### (v) Reserving methodology

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

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

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

#### (vi) Confidence level of risk adjustment

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

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

Overall, it is estimated that the booked net Risk Adjustment provides for a confidence level of approximately 85% (2024: 90%), which is established by comparing the uplift for the booked net Risk Adjustment to the uncertainty distribution. Percentile estimates for loss distributions are highly uncertain as they contain a large number of judgements on possible future outcomes. This means that the percentile may see some fluctuation year on year due to inherent volatility.

#### (vii) Calculation of provisions for latent claims

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

#### (viii) discount rate

Geographical territory	Discount rate		Mean term of discounted liabilities (years)	
	2025	2024	2025	2024
UK	3.8% to 6.1%	4.6% to 6.2%	8	7

The above rates of interest are based on government bond yields of the relevant currency and term at the reporting date. Adjustments are made, where appropriate, to reflect the illiquidity of the liabilities. The illiquidity premium is determined by reference to observable market rates. At the year end, the undiscounted gross outstanding claims liability was £12,441,326 (2024: £13,951,343).

At 31<sup>st</sup> December 2025, it is estimated that a fall of 1% in the discount rates used would increase the Company's net liabilities for incurred claims and decrease profit before tax and equity by £122,000 (2024: £107,000). Financial investments backing these liabilities are not hypothecated across general insurance classes of business.

# Methodist Insurance PLC

## Notes to the Financial Statements

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### 19 Insurance liabilities and reinsurance assets (continued)

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

#### (ix) Assumptions

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

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

#### (x) Changes in assumptions

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

#### (xi) Sensitivity of results

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

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

	2025		2024	
	Gross £	Net £	Gross £	Net £
Liability	410,000	410,000	440,000	440,000
Property	350,000	200,000	440,000	230,000

#### (xii) Claims development tables

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

# Methodist Insurance PLC

## Notes to the Financial Statements

### 19 Insurance liabilities and reinsurance assets (continued)

#### MIC Claims Development

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Estimate of ultimate claims:											
At end of year	3,765	3,666	4,757	4,169	2,979	4,826	4,558	6,078	4,660	4,177	
One year later	2,953	3,689	4,338	3,825	2,412	4,296	4,479	4,789	4,270		
Two years later	2,488	3,278	3,427	3,253	2,260	4,125	4,369	4,100			
Three years later	2,354	2,954	3,446	3,165	2,419	4,245	4,580				
Four years later	2,303	2,871	3,455	3,133	2,311	4,501					
Five years later	2,239	2,843	3,406	3,100	2,254						
Six years later	2,237	2,805	3,421	3,101							
Seven years later	2,212	2,798	3,428								
Eight years later	2,212	2,810									
Nine years later	2,218										
Current estimate of ultimate claims	2,218	2,810	3,428	3,101	2,254	4,501	4,580	4,100	4,270	4,177	35,440
Cumulative payments to date	(2,114)	(2,710)	(3,281)	(3,001)	(2,049)	(4,091)	(3,662)	(3,649)	(3,418)	(1,469)	(29,445)
Outstanding liability	104	100	147	100	205	410	918	451	852	2,708	5,995
Effect of Discounting											(934)
Present Value											5,060
Discounted liability in respect of earlier years											4,534
Total discounted gross liability											9,594
Reinsurers' share of contract provisions											(6,028)
Total discounted net liability included in insurance liabilities in the statement of financial position											3,566

# Methodist Insurance PLC

## Notes to the Financial Statements

### 20 Other Payables

	2025 £	2024 £
Other creditors	402,674	426,915
Amounts owed to related parties - Subsidiaries	998	998
Accruals and deferred income	128,493	135,198
Derivative liabilities	851	111,313
	<u>533,016</u>	<u>674,424</u>
Current	532,018	673,426
Non-current	998	998
	<u>533,016</u>	<u>674,424</u>

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

Subsidiaries are Methodist Insurance Services Limited.

### 21 Related party transactions

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

The Company operates a Joint Administration Agreement with EIO under which all administration expenses are borne by EIO.

The Company ceded premiums net of claims paid and commissions to the value of £6,136,444 (2024: £6,301,588) during the year to EIO, which also bore expenses of the Company's business of £2,478,848 (2023: £2,389,406). The reinsurance contract assets due from EIO as at 31 December 2025 is £14,393,965 (2024: £15,586,335) which consists of £6,516,864 (2024: £6,483,982) of assets for remaining coverage and £7,877,101 (2023: £9,102,353) of assets for incurred claims. At 31 December 2025 £760,516 was due to EIO (2024: £479,579).

Information about key management personnel compensation is provided in note 9 to the financial statements.

Transactions and services with related parties are made on commercial terms. During the year the Company had a letter of credit with EIO in respect of reinsurance amounts recoverable for £2,000,000. This was renewed in December 2025. Other amounts outstanding are unsecured, are not subject to guarantees, and will be settled in cash. No provisions have been made in respect of these balances.

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

### 22 Subsidiary undertakings

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

	Share Capital	Holding
Methodist Insurance Services Limited	Ordinary shares	99.8%

The proportion of ownership rights equals the voting rights. The subsidiary is incorporated in England and Wales, is dormant, having not traded since incorporation, and is not material to the Company's accounts.

# Methodist Insurance PLC

## Appendices to the Financial Statements

### Appendix 1: Reconciliation of Alternative Performance Measures

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

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

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

	<b>2025</b>
	<b>£</b>
<b>Gross written premiums</b>	10,811,204
Change in the gross unearned premium provision	(32,882)
Instalment Handling Charge	(6)
Bad Debt Expense	-
<b>Insurance revenue</b>	<b>[1] 10,778,316</b>
<b>Net written premiums</b>	-
Outward reinsurance premiums written	10,811,204
Change in the gross unearned premium provision	(32,882)
Instalment Handling Charge	(6)
Bad Debt Expense	-
<b>Insurance revenue</b>	<b>[1] 10,778,316</b>

	<b>2025</b>				
	General insurance	Investment return	Corporate costs	Other income and charges	Total
	£	£	£	£	£
<b>Revenue</b>					
Insurance Revenue	10,778,316	-	-	-	<b>10,778,316</b>
Insurance service expenses	(3,159,931)	-	-	-	<b>(3,159,931)</b>
Insurance service result before reinsurance contracts held	7,618,385	-	-	-	<b>7,618,385</b>
Net expense from reinsurance contracts	(5,870,685)	-	-	-	<b>(5,870,685)</b>
<b>Insurance service result</b>	<b>1,747,700</b>	-	-	-	<b>1,747,700</b>
Net insurance financial result	-	(92,000)	-	-	<b>(92,000)</b>
Net investment result	-	796,264	-	-	<b>796,264</b>
Other operating expenses	-	(123,717)	(132,620)	(2,300,000)	<b>(2,556,337)</b>
<b>Profit/(loss) before tax</b>	<b>[2] 1,747,700</b>	<b>580,547</b>	<b>(132,620)</b>	<b>(2,300,000)</b>	<b>(104,373)</b>

#### Reconciliation to net earned premiums

<b>Insurance Revenue</b>	<b>[1] 10,778,316</b>
Change in the gross unearned premium provision	32,882
Instalment Handling Charge	6
<b>Gross earned premiums</b>	<b>[3] 10,811,204</b>
<b>Gross combined operating ratio = ( [3] - [2] ) / [3]</b>	<b>83.8%</b>

# Methodist Insurance PLC

## Appendices to the Financial Statements

### Appendix 1: Reconciliation of Alternative Performance Measures (continued)

	<b>2024</b>
	<b>£</b>
<b>Gross written premiums</b>	10,824,000
Change in the gross unearned premium provision	25,813
Instalment Handling Charge	(40)
Bad Debt Expense	(93)
<b>Insurance revenue</b>	<b>[1] 10,849,680</b>
<b>Net written premiums</b>	<b>-</b>
Outward reinsurance premiums written	10,824,000
Change in the gross unearned premium provision	25,813
Instalment Handling Charge	(40)
Bad Debt Expense	(93)
<b>Insurance revenue</b>	<b>[1] 10,849,680</b>

	<b>2024</b>				
	General insurance	Investment return	Corporate costs	Other income and charges	<b>Total</b>
	£	£	£	£	£
<b>Revenue</b>					
Insurance Revenue	[1] 10,849,680	-	-	-	<b>10,849,680</b>
Insurance service expenses	(4,004,659)	-	-	-	<b>(4,004,659)</b>
Insurance service result before reinsurance contracts held	6,845,021	-	-	-	<b>6,845,021</b>
Net expense from reinsurance contracts	(5,382,615)	-	-	-	<b>(5,382,615)</b>
<b>Insurance service result</b>	<b>1,462,406</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,462,406</b>
Net insurance financial result	-	16,000	-	-	<b>16,000</b>
Net investment result	-	2,003,481	-	-	<b>2,003,481</b>
Other operating expenses	(1,542)	(116,841)	(107,247)	(2,800,800)	<b>(3,026,430)</b>
<b>Profit before tax</b>	<b>[2] 1,460,864</b>	<b>1,902,640</b>	<b>(107,247)</b>	<b>(2,800,800)</b>	<b>455,457</b>
<b>Reconciliation to net earned premiums</b>					
<b>Insurance Revenue</b>	<b>[1] 10,849,680</b>				
Change in the gross unearned premium provision	(25,813)				
Instalment Handling Charge	40				
<b>Gross earned premiums</b>	<b>[3] 10,823,907</b>				
<b>Gross combined operating ratio = ( [3] - [2] ) / [3]</b>					<b>86.5%</b>

The underwriting profit of the Company is defined as the operating profit of the general insurance business, shown above within profit before tax. The Company uses gross combined operating ratio as a measure of underwriting efficiency. The COR expresses the total of net claims costs, commission and underwriting expenses as a percentage of gross earned premiums. It is calculated as  $( [3] - [2] ) / [3]$ .



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