COMPANY REGISTRATION NUMBER: 00006369

METHODIST INSURANCE PLC

ANNUAL REPORT AND ACCOUNTS 31 DECEMBER 2021

Methodist Insurance PLC

Report and Accounts 31 December 2021

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Methodist Insurance plc specialises in the insurance of property and liability risks carried by churches belonging to the Methodist community and its associated organisations.

The Company aims to provide a first class service to all clients, to satisfy their needs and expectations and to deal promptly and responsibly with their claims.

As part of its Christian witness, the Company's investment portfolio is constructed on a basis consistent with the moral stance and teachings of the Methodist Church.

Officers and company information

Directors	Revd. P. H. Davis BA *Interim Chair* M. G. Angell ACII Revd. L. J. Barriball J. M. Coates ACII D. M. Crompton ACII J. Jefferson D. A. Rees L. C. Wilkins
Company Secretary	Mrs R. J. Hall FCIS
Chief Executive Officer	M. G. Angell ACII
Auditor	Ernst & Young LLP
Bankers	National Westminster Bank plc
Registered Office	Benefact House, 2000 Pioneer Avenue, Gloucester Business Park, Brockworth, Gloucester, GL3 4AW
Company Registration Number	00006369

Directors' Biographies

Revd. P. H. Davis BA Interim Chair

Interim Chair and Business and Development Committee and Nominations Committee member

First appointed to the Board in 2006

Paul has served as the Chair of the Lancashire District of the Methodist Church since 2013. He is also Superintendent of Banks and Hesketh Bank circuit. Previously he has served in five circuits in Lancashire and the Midlands. Within his ministry, he has always been interested in how Methodist property can be used in the best way to fulfil the churches calling for Worship, Service, Learning and Evangelism. Paul is a director of Benefact Trust Limited. He sits on the Board of Trustees for Methodist Church Purposes and is a Representative to the Methodist Conference and therefore a Trustee of the Connexional Methodist Church. Away from ministry activities, he enjoys cycling and walking and trips to live theatre.

M. G. Angell ACII

Chief Executive Officer

First appointed to the Board in 2015

Michael, a qualified Chartered Insurer, is Chief Executive Officer of Methodist Insurance plc and Business Director for Church Operations of Ecclesiastical Insurance Office plc. 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. He is also actively involved in his local church.

Revd. L. J. Barriball

Audit, Risk and Compliance Committee member

First appointed to the Board in 2005

Linda is Superintendent Minister of Camelford & Week St Mary Methodist Circuit. Her specialties include building projects and grant making in local churches as part of Mission and Ministry in developing church life. Her background was in accountancy and business management before becoming a Methodist Minister.

J. M. Coates ACII

Business and Development Committee and Investment Committee member

First appointed to the Board in 2009

John is a Chartered Insurer and worked most recently as Director of Church Operations for Ecclesiastical Insurance Office plc. He was also General Manager for Methodist Insurance plc before he retired in 2015 and was appointed as a non-executive director. John is an Honorary Lay Canon at Gloucester Cathedral and a member of The Dean and Chapter. He is also a Director of Gloucester Cathedral Enterprises Limited.

D. M. Crompton ACII

Chair of the Business and Development Committee, Nominations Committee member

First appointed to the Board in 2009

David is a Chartered Insurance Broker and an Associate of the Chartered Insurance Institute. He is the owner and Managing Director of an insurance broking company. David has a lifelong involvement with the Methodist Church and serves both his local Methodist Church and Circuit.

J. Jefferson

Chair of the Audit, Risk and Compliance Committee, Nominations Committee and Investment Committee member

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 Faster Payments Scheme Limited. 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.

Directors' Biographies

D. A. Rees

Chair of the Investment Committee, Audit, Risk and Compliance Committee and Nominations Committee member

First appointed to the Board in 2018

Deborah has retired from a career in the City where she worked primarily for Kleinwort Benson, Merrill Lynch and Barclays. Having served on the Investment Committee of the Leprosy Mission International (TLMI) for many years she was elected to their Board and following completion of her term on that she is now a Pension Fund Trustee for TLMI. She is a member of the Board and Audit and Risk Committee of CBF Funds Trustee Ltd and a member of the Board, Audit and Risk, and Investment Committees of The Land Trust. In 2021, she joined the Board of the London Pensions Fund Authority. She is also warden of her local church where she manages the mission team.

L. C. Wilkins

Business and Development Committee member

First appointed to the Board in 2021

Louise is a Chartered Legal Executive and currently works for Oxfam as their Deputy General Counsel having spent 8 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 and Trustee of her local Methodist church, member of the church council and Parent Governor at her daughter's primary school. She is also a Trustee of Manchester Central Hall.

Chair's Statement

Chair's review of business operations

Last year it was reported that 2020 had been an exceptionally successful year for the Company, following an exceptional 2019 performance as well. Even after the developing pandemic and economic impact, the Company has demonstrated another resilient performance recording an annual profit (before grants and tax) of of £3,920,540 (2020: £5,028,478).

The Covid-19 pandemic has impacted our customers, our colleagues and the communities we serve. The first priority was dealing with the public health crisis, but the economic crisis that unfolded simultaneously has also been unprecedented in recent times. While the economy experienced a strong rebound in 2021 and we expect 2022 to bring better economic conditions, there are persistent risks from the pandemic and inflationary pressure.

In common with the rest of the UK economy that has remained open, our business has been conducted remotely, with staff working from home and meetings being conducted over the internet and by telephone. It is pleasing to report that operational efficiency has been maintained to a very high standard with no impact on customer service and customer satisfaction. We now begin to transition to more office working however using a more hybrid model to encourage flexible working and considering the best location for our tasks on any given day.

The Russian invasion of Ukraine in February 2022 brought war onto the European continent for the first time in nearly eighty years. It will without doubt affect the UK economy in 2022. Whilst not directly affecting the company, the effects and reports have affected all our lives. Support for refugees has come from every quarter including churches and our policyholders. As with other UK companies we have made sure there are no investments supporting Russian companies at this time.

Financial results

The detailed financial results show a turnover of £9,603,898 (2020: £9,613,240) and an operating profit before grants and tax of £3,920,540 (2020: £5,028,478). This is made up of a positive result on underwriting of £1,847,227 (2020: £2,476,948) complemented by an investment return of £2,073,313 (2020: £2,551,530).

There was a positive contribution from each of the three sources which make up the underwriting profit.

1. The low claims experience during the period led to a high profit commission on the year's insurance underwriting. However, profit commission is lower than 2020 due to this year having exceptionally low claims experience.
2. There was a very high total return on the Company's investments.
3. There was a net release of provisions previously made against claims on our business in run-off, that is, on the claims incurred prior to 1998, the effective date of the Reinsurance Agreement with Ecclesiastical Insurance.

In addition there was a receipt of £16,457 in commission from the introduction to Ecclesiastical Insurance of business in the Republic of Ireland, following £173,181 received in 2020.

Capital Adequacy

At 31 December 2021, as has been the case for many years, the Company's capital position remained very strong with estimated and unaudited 'Own Funds' for Solvency ll purposes of £20,078,000 (2020: £19,650,000). All the prescribed capital requirements were comfortably exceeded.

Our Core Business – Insurance Underwriting

Our core business is, and will remain, the provision of insurance services to the Methodist Church and community. As a Board, we have examined closely the terms upon which we offer our policies to our customers and have provisionally concluded that our pricing, largely based on existing rates, appears, overall, fair and reasonably consistent. In recent years, however, our claims experience has been exceptionally favourable, and, we were able to again in 2021 record another very strong underwriting result. As a consequence, a thorough pricing review is being carried out and will be concluded next year.

Investments

The Company's financial investments and the cash available for long term investment are managed by Sarasin & Partners, who are given discretion in the choice of investments and in asset allocation within parameters set and varied periodically by the Board. In 2021, the performance of the investment managers against the relevant benchmarks was broadly in line for bonds and the Company's Global equities.

In 2021 the value of the financial investments decreased slightly to £21,490,583 (2020: £21,591,783). The benchmark index for Global equities rose by 19.6% while conventional gilts declined by 5.2%. After allowing for net disposals in the year, the overall investment return, inclusive of investment income, capital appreciation and exchange gains and net of investment expenses, was £2,073,313 (2020: £2,551,530). The return for the year on the whole portfolio was measured at 9.8% (2020: 11.5%).

Rolling three year return

The Company aims to secure a positive return on its investments, expressed as the compound average annualised net return after expenses over rolling three year periods. The compound average annualised return for the last three calendar years to 31 December 2021 has been positive at 11.8%. (2020: 7.4%).

Asset allocation

At the year end, of the funds held by the Investment Manager, 32% (2020: 33%) were invested in fixed interest (primarily short and medium dated conventional and index linked gilts, together with some corporate and overseas bonds), 62% (2020: 56%) in global equities and 6% (2020: 11%) in cash and other investments.

Chair's Statement

Year End Provisions

The Board has a substantial provision in place for historic (1998) claims that precede the settlement with AXA Insurance and the initiation of reinsurance cover with EIO, to cover Run-Off claims in aggregate over £12million and up to £25 million. At the moment the combined total of Run-Off claims paid and provisions is £8.0 million. It is the Board's duty to ensure that the provision that the Company has made for claims, including those that may have been incurred but not reported, is appropriate. We are helped in this by our independent Actuary. The current reserves relating to our past liabilities (Run-Off Claims) amount to £5.2 million.

Joint Administration Agreement

At the heart of the operation of the Company lies the Joint Administration Agreement with Ecclesiastical Insurance Office plc. The Board is satisfied that this arrangement, first entered into in 1998 and reviewed and revised in 2021, is working well. It recognises that the operational success of the Company depends on the continuing satisfactory implementation of the terms of the Agreement.

Grants

In 2021, a grant was made of £3,500,000 (2020: £3,000,000) resulting in a profit before tax of £419,040 (2020: £2,028,478).

The grant of £3.5 million was made to a designated fund within the Benefact Trust, which is then available for use in support of property, specific and general purposes within the Methodist Churches in Great Britain. The Benefact Trust Ltd has constituted a Committee to administer this Fund, which has now been operating satisfactorily for six years.

Thanks

The offices in Manchester and Gloucester may not have been at full capacity, with homeworking this past year but we are grateful as ever for the consistently high service the staff have maintained in another pandemic year. They have received much praise from our customers. We thank Graham Searle for his work as CFO and welcome Steve O'Dwyer into that role. As always we are grateful for the contribution of Michael Angell our CEO and his wisdom at all our meetings. We cannot ignore Toni Nelson and her team who have done so much to prepare for the sesquicentennial celebrations.

Directors

This past year has been a year of considerable change and some challenge for the directors. The planned changes included the retirement of Andrew Gibbs and Malcolm Hamilton at the AGM. The challenge was the sudden death of Colin Boothman who had replaced Andrew Gibbs as Chair. I am grateful for the confidence of the remaining directors in proposing my appointment as Chair, subject to regulatory approval. I hope that I can fulfil their confidence. The appointment in early 2021 of two new members to the Board, John Jefferson and Louise Wilkins, has already been seen to be a value and both are already making significant contributions. The Board now has a mix of long serving and new members, and we hope to add to the Board in the near future. We look forward to celebrating our 150th Anniversary in 2022.

I would like to place on record my heartfelt appreciation to my fellow directors for their support during this past year.

Revd. P. H. Davis
Interim Chair on behalf of the Directors

Strategic Report

The directors present their strategic report for the year ended 31 December 2021.

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 grants.

Business model

The principal activity of the Company is the transaction of fire, accident and ancillary 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.

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 outsourced 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 19. Key performance indicators are included below.

Premium growth

Gross written premiums decreased to £9,603,898 (2020: £9,613,240) representing a decrease of 0.1% on the previous year. This decrease can be attributed to the cessation of the remaining Irish business in preparation for Brexit and an increased number of lapses following the Covid-19 pandemic.

Claims ratio

Our claims ratio (incurred claims to earned premiums) of 35.1% (2020: 14.5%) shows a 20.6 point increase on the previous year. The key driver for this variance is higher large and weather claims in 2021, with 2020 being an exceptionally good year for claims.

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 £1,864,338 (2020: £2,488,875) with the key driver being claims performance. Although slightly decreased performance in 2021, performances in both years were favourable to expectations.

Investment return

2021 has turned out to be another good year for investment despite Covid-19, as global stock markets finished on a high. The Company's underlying investments therefore delivered a positive return. The Company continues to monitor and review the investment strategy to ensure a balance between potential reward and future losses. The net investment return was a profit of £2,073,313 (2020: £2,551,530).

Grants

The aim of the Company and the directors continues to be to support Methodist organisations. During 2021, charitable grants of £3,501,500 (2020: £3,000,000) were paid. This sum is largely made available as grants for circuits, districts and other bodies with Methodist values at their centre.

Retained profits

The factors outlined above have all had an influence on the results for the year, a profit before tax of £419,040 (2020: £2,028,478). After the impact of tax and dividends, the amount of retained earnings has increased by £418,802 (2020: £1,692,047). The Company remains well capitalised as disclosed in note 4 to the Financial Statements.

The directors consider that the Company is well placed to perform satisfactorily in the future.

Regulatory, solvency and capital management

The Company is required to comply with rules issued by the PRA and FCA. With effect from 1 January 2016 a Europe-wide regulatory capital regime (Solvency II) was adopted by the PRA. Both quarterly and annual quantitative returns are submitted to the PRA in addition to a qualitative report, the Regular Supervisory Report (RSR) which is submitted periodically. A further report, the Solvency and Financial Condition Report (SFCR) is produced annually and must be published on the Company's website.

The Company adopts the Solvency II standard formula approach to determine its solvency capital requirement (SCR). The Company is required to maintain its regulatory capital above 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 SCR.

As at 31 December 2021, the estimated and unaudited solvency ratio, which is defined as Solvency II Own Funds as a proportion of the SCR, was 252% (2020: 290%).

Principal risks and uncertainties

The principal risks and uncertainties are:

- the Company has adverse development protection cover from EIO in relation to pre-1998 claims. The Company is exposed to the risk of claims being incurred above the current level of provisions, up to the point at which the reinsurance cover takes effect;
- the impact on profit commission if there are underwriting losses or significantly adverse claims experience. This is disclosed further under note 3 – Insurance risk;
- investment returns and the security of the investment portfolio. Financial risk is discussed in more detail in note 4 - Financial risk and capital management;
- the reliance on EIO from an operational perspective. This is highlighted further in note 4;
- The impacts of climate change provide some of the greatest challenges facing the world, both now and in the future. The risks arising from climate change will emerge over various time horizons and their nature will depend on actions that are taken from now onwards. The Board recognises the importance of understanding and managing these risks and has set up a strong governance framework to facilitate this process. The Board oversees the Company's overall position and key management positions have responsibilities for managing risks arising from climate change embedded within their roles.
  The key risks identified for the Company are:
  (a) 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 of the reinsurer; and
  (b) 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.
- The Covid-19 pandemic and effect on the economy has created an additional uncertainty to the business during 2021. Through the administration agreement with EIO, measures have been put in place to protect and maintain operational resilience and to date, the business continuity plans are working effectively with no adverse impact to customers or staff having arisen. There have been a number of policy lapses, mainly in relation to the Commercial niche and credit control has been slightly impacted with the number of first defaults increasing. The risks arising from this have been assessed and are being carefully monitored. The potential impact on premiums and claims have been minimal. Following the pandemic, we are seeing increased inflation and rising interest rates and expect the investment markets to show further volatility, but there is not expected to be any significant adverse impact on the operations of the business, and the solvency, liquidity and financial outlook of the Company remain sufficient to withstand this.

Non-financial 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, and has not prepared the non financial information statement in the strategic report as it has no employees.

Strategic Report

Section 172 Statement

This section of the Strategic Report provides an overview of how the directors have fulfilled their duties to promote the success of the Company and had regard to the matters set out in section 172(1) (a) to (f) Companies Act 2006 as detailed below:

A director of a company must act in the way he/she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to-

a) the likely consequences of any decision in the long term;
b) the interests of the company's employees;
c) the need to foster the company's business relationships with suppliers, customers and others;
d) the impact of the company's operations on the community and the environment;
e) the desirability of the company maintaining a reputation for high standards of business conduct; and
f) the need to act fairly as between members of the company.

This also forms the directors' statement required under section 414CZA of the Companies Act 2006.

The Company's stakeholders

The Company's stakeholders are identified in the Governance Framework and are at the core of all decision making. Key stakeholders are: (1) customers; (2) the Methodist Community; (3) shareholders; (4) Ecclesiastical Insurance Office plc (EIO); (5) intermediary partners (including suppliers); (6) regulators; and (7) the environment and community groups. Examples of the way the Board has engaged with some of these stakeholder groups throughout the year are set out below.

Our approach to the long term success of the company

The Board recognises that the long-term success of the Company is dependent upon having regard to the interests of its stakeholders. This is achieved by engaging with stakeholders and taking steps 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 strategies that are aligned with stakeholder interests.

Covid-19 response

As the world begins to return to some form of normality, we understand that the effects of the Covid-19 pandemic remain with us all. As a Company, we set out our initial response to Covid-19 in the 2020 Report and Accounts. As such, the Board has continued to make decisions this year to ensure that the Company remains strong and able to support its stakeholders. The ongoing pandemic has also encouraged the Company and its stakeholders to consider and embrace new and innovative methods of engagement.

This impact and how the Board has responded to protect the Company and manage the expectations of its stakeholders has been included in the stakeholder engagement overview below.

The Company's 150 year celebrations

In November 2021, the Board approved the plan and budget for the Company's sesquicentennial celebrations which will take place throughout 2022. The Board recognises the valuable role its customers have played in reaching this momentous milestone and have worked to plan various events and celebrations to thank them for their support and loyalty. These celebrations also demonstrate and reinforce the positive contribution the Company makes to the Methodist community and church.

Stakeholder engagement in decision making

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

The Board considers a variety of information to understand the impact of the Company's operations and also the interests and views of its 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 board meeting. In addition, EIO employees 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 any other relevant issues that arise. Following committee meetings, the board receives oral reports from the Chair of each committee at the next Board meeting. As a consequence of this, the Board has an appreciation of engagement with stakeholders and other relevant matters, which enables the directors to comply with their legal duty under section 172 of the Companies Act 2006.

Strategic Report

Below is a summary of key decisions and actions the Board has taken during the year in respect of strategic and Company performance and how it has had regard to the interests of, and impact on a selection of its stakeholders.

Engagement with shareholders and the Methodist community:
The Board is accountable 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.

Engagement with customers:
The Company has a strong reputation for delivering outstanding customer service. The Board regularly receives updates and actively challenges management on the delivery of the Customer strategy. All Board members receive 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 are also considered. Members of the Board also actively engage with the Company's customer base, which usually includes attendance at the annual Methodist Conference.

Engagement with EIO:
Day to day management services are provided by EIO on the Company's behalf under the terms of the Joint Administration Agreement (JAA). The Company has no employees of its own.

Engagement with suppliers:
The directors recognise the important role that suppliers play in ensuring a reliable service is delivered to customers. Consequently, EIO's Group Risk Committee oversees the Procurement, Purchasing and Outsourcing Policy on the Company's behalf, in accordance with the JAA. Updates are provided to the Board as and when required.

Engagement with the community and environment:
The Board (via the Audit, Risk and Compliance Committee) regularly reviews the risk associated with climate change. Michael Angell (CEO) has the Senior Management Functions responsibility for managing climate change risk on behalf of the Company.

The Investment Committee continued with their Environmental, Social and Governance investing throughout the year.

In addition, the Board is focused on its long term charitable giving to the Methodist community and continued to make charitable grants throughout 2021.

Engagement with regulators:
The Board recognises the importance of open and honest dialogue with regulators and complying with applicable legislation and regulation. The Board (via its committees) receives regular reports detailing the Company's regulatory interactions.

The Board (via its committees) also receives regular reports on the evolving legal and regulatory landscape, incorporating detailed impact and progress assessments which have undergone a rigorous cross-departmental challenge process before being presented to the Board.

By order of the board

Mrs R. J. Hall
Secretary
5 April 2022

Directors' Report

The directors present their annual report and financial statements for the year ended 31 December 2021.

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 2021, absorbing the sum of £188 (2020: £188). This equates to a dividend of 1p per share (2020: 1p per share).

Going concern

The Company reinsures all of its current business, except for terrorism cover, with EIO, who also provide administrative services within a profit share arrangement. Therefore, except for investment, credit and counterparty risk, and the adverse development of certain pre-1998 insurance risks, its financial risks are ultimately borne by EIO. The Directors have considered the impact of Covid-19 on the Company, which as seen from the 2021 experience has not materially impacted the Company, and have considered stresses to the solvency and liquidity of the Company to 31 December 2023. The Directors also considered the impact that Covid-19 has had on the financial and operating capability of EIO as well as the economic effect of the pandemic on inflation and interest rates. The Directors were satisfied that the stresses were appropriate (and 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 to 31 December 2023. 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 Financial Statements.

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 at the date of this report are stated on page 2.

J. Jefferson and L. C. Wilkins were appointed as directors on 20 January 2021 and 3 March 2021 respectively. Andrew Gibbs and Malcolm Hamilton resigned as directors on 20 May 2021. C. Boothman’s appointment as a director was terminated on 12 November 2021 by reason of his death.

The following Directors shall retire by rotation and, being eligible, offers themselves for re-election:
J. M. Coates
D. M. Crompton
D. A. Rees

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.

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 Accounting Standards (IAS). 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 IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in UK-adopted International Accounting Standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the financial position and financial performance;
- state whether UK-adopted international accounting standards 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.

Directors' Report

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 8.

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:

Mrs R. J. Hall
Secretary
5 April 2022

Independent auditor's report to the members of Methodist Insurance PLC

Opinion

We have audited the financial statements of Methodist Insurance PLC for the year ended 31 December 2021 which comprise the Statement of Profit or Loss, the Statement of Financial Position, the Statement of Changes in Equity and Statement of Cash Flows and the related notes 1 to 26, including a summary of significant accounting policies. 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 2021 and of its profit for the year
- 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 to 31 December 2023;
• assessing the accuracy of management's analysis by testing the reasonableness of the inputs 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, assessed 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 to result in the elimination of solvency and liquidity headroom and concluded it to be remote;
• 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;
• holding a meeting with the Ecclesiastical Insurance (EIO) Group Financial reporting manager to understand the going concern assessment performed at EIO as the Company's ability to continue its operations are fully dependent on EIO under the joint administration agreement; 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 the period to 31 December 2023.

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.

Independent Auditor's Report

Overview of our audit approach

Key audit matters	- Valuation of Pre-1998 insurance contract liabilities - Estimates involved in the calculation of profit commission income
Materiality	- Overall materiality of £380k which represents 2% of net assets.

An overview of the scope of our audit

Tailoring the scope
Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls 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
There has been increasing interest from stakeholders as to how climate change will impact companies. Methodist Insurance PLC has determined that the physical and transition risks from climate change do not currently pose a material risk to the Company. This is explained on page 8 in the principal risk and uncertainties section within the Strategic report, which form part of the "Other information" rather than the audited financial statements. Our procedures on these 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.

Our audit effort in considering climate change was focused on challenging management's risk assessment of the impact of physical and transition risks and the resulting conclusion that there was no material impact from climate change and the adequacy of the Company's disclosures on page 23 of the financial statements which explain the rationale.

Key audit matters
Key audit matters are those matters that, in our professional judgment, 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
Valuation of the pre-1998 insurance contract liabilities (2021: £5.5m, 2020: £6.5m) *Refer to the Accounting policies (page 24); and Note 21 of the Financial Statements (page 40)* The valuation of provision of insurance contract liabilities is highly judgemental because it requires a number of assumptions to be made with the estimation uncertainty covering both frequency and severity of claims. Pre-July 1998 claims includes notified and IBNR elements of claims. Since Pre-1998 claims include PSA claims therefore there is significant uncertainty in the calculation of these liabilities.	We performed walkthroughs to understand the claims liability valuation processes and identified key controls in place; 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 pre-1998 reserves; In particular we: - Assessed the Company's methodology and verified the key outputs from the model. - Reviewed key metrics from the inputs to, and outputs from the valuation models. - Checked assumptions for reasonableness and compared against the recent historical claim experience and against our market benchmarks. - Performed sensitivity testing to the main assumptions to determine the sensitivity of the claims reserves to changes in these parameters.	We concluded that the methodology used by management in the valuation of the pre-1998 insurance contract liabilities was in line with market practice and that it is appropriate for the size and complexity of the underlying risk exposure. We determined that the the actuarial assumptions used by management in the valuation of the pre-1998 IBNR are reasonable based on the analysis of experience to date, industry practice and the financial reporting and regulatory requirements

	We read Management’s commentary on the change in the reserves for the National Children’s Homes (NCH) and non-NCH portfolios, since 31 December 2020; The reserving process is inherently reliant on the quality of the data fed into the process. As a result, we tested the completeness and accuracy of incurred claims data used; We analysed claim payments patterns for pre-1998 policies versus historical trends to assess the reasonableness of the paid claims that inform the year end reserves. We agreed a sample of pre-1998 PSA outstanding claims to the underlying claims files. We read all legal correspondence and considered any impact on insurance contract liabilities.	
Risk	**Our response to the risk**	**Key observations**
Estimates involved in the calculation of profit commission income (2021: £1.9m, 2020: £2.5m) *Refer to the Accounting policies (page 24); and Note 6 of the Financial Statements (page 36*) Profit share commission is split 50:50 between EIO and the company. The calculation of profit commission is dependent on the underwriting result, which includes the movement in the claims provisions during the year. The calculation of post 1998 IBNR, which requires management judgment, is therefore integral to the commission calculation. Any misstatement in the post 1998 IBNR would result in an incorrect commission income being reported in the financial statements. MIC have an incentive to reduce IBNR to improve underwriting result which increases profit commission whereas EIO have an incentive to increase IBNR to reduce underwriting result and profit commission payable.	We read the profit share agreement in place to obtain an understanding as to how it should operate; We verified the mathematical accuracy of the calculation performed by management and tied back to the methodology set out in the agreement; In conjunction with our actuarial specialists, we performed testing on the IBNR calculation for accident years 1998 and post; in particular we: - Assessed the methodology for reasonableness and identified the key assumptions in the analysis. We audited the reasonableness of those key assumptions by comparing against the Company's recent historical claim experience and against our market benchmarks. - Tested the calculation of reinsurance recoveries on IBNR and checked that this calculation was reasonable given the EIO reinsurance program in place; - Performed independent claims reprojections of the post-1998 property and liability excluding PSA classes of business. We obtained a confirmation from EIO for the amount of profit commission for the year. We read the Board minutes where the final commission figure is agreed and obtained final payment of the commission income made post year end.	We determined that the profit commission is calculated correctly in line with the terms agreed with EIO and reported accurately in the Financial Statements.

Our application of materiality

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

Materiality

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

We determined materiality for the Company to be £380k (2020: £393k), which is 2% (2020: 2%) of net assets. We believe that net assets provides us with both the regulatory strength of the entity and the ability to continue to make the grants and meet the entities 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% (2020: 75%) of our planning materiality, namely £285k (2020: £294k). We have set performance materiality at this percentage due to corrected and uncorrected misstatements being below 25% of performance materiality in the previous year and the expectation that corrected and uncorrected misstatements will be below 25% of performance materiality in the current 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 £19k (2020: £19k), 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received
- 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 11 and 12, 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 dete in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements
resulting from error, as fraud may involve deliberate concealment by, for example, forgery or
intentional mis in respect to irregularities, considered to be non-compliance with laws and regulations, are to obtain
of detecting irregularities, including fraud is detailed below.

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are direct laws and regulations related to elements of the Companies Act 2006 and tax legislation, and the financial reporting framework. Our considerations of other laws and regulations that may have a material effect on the financial statements included permissions and supervisory requirements of the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').
- We understood how Methodist Insurance PLC is complying with those frameworks by making enquiry of those charged with governance and senior management for their awareness of any non-compliance of 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.

Independent Auditor's Report

- 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 tied back all the gross premium income received to cash received during the year and additional procedures included testing a sample of manual journals. We have also agreed the monthly journal upload of investment income into the general ledger to 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 enquiry of senior management and the Audit Committee for their awareness of any non-compliance of laws or regulations, inquiring about the policies that have been established to prevent noncompliance 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. We have also reviewed minutes of the Board and its committees, the complaints log and the quartery 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 appointed by the company on 14 November 2019 to audit the financial statements for the year ending 31 December 2019 and subsequent financial periods.
  The period of total uninterrupted engagement including previous renewals and reappointments is 3 years, covering the years ending 31 December 2019 to 31 December 2021.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

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

Andy Blackmore (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol
Date: 6 April 2022

Statement of Profit or Loss

for the year ended 31 December 2021

	Notes	2021	2020
Revenue		**£**	£
Gross written premiums	5	**9,603,898**	9,613,240
Outward reinsurance premiums	5	**(9,603,898)**	(9,613,240)
Net earned premiums	5	**-**	-
Commission income	6	**1,948,899**	2,763,686
Net investment return	7	**2,073,313**	2,551,530
Total revenue		**4,022,212**	5,315,216
Expenses			
Claims and change in insurance liabilities	8	**(3,332,649)**	(1,436,318)
Reinsurance recoveries	8	**3,590,851**	1,477,300
Commissions and other acquisition costs	9	**(52,237)**	(63,125)
Other operating and administrative expenses	10	**(307,637)**	(264,596)
Total operating expenses		**(101,672)**	(286,739)
Operating profit	11	**3,920,540**	5,028,478
Charitable grants	14	**(3,501,500)**	(3,000,000)
Profit/(loss) before tax		**419,040**	2,028,478
Tax expense	15	**(50)**	(336,243)
Profit after tax, being total comprehensive income for the year, attributable to equity holders		**418,990**	1,692,235

All of the amounts above are in respect of continuing operations.

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

Statement of Financial Position

at 31 December 2021

	Notes	2021	2020
Assets		**£**	£
Financial investments	17	**21,491,581**	21,592,781
Reinsurers' share of insurance contract liabilities	21	**13,413,742**	12,914,555
Current tax recoverable		**9,646**	-
Other assets	18	**1,575,140**	1,581,535
Cash and cash equivalents	19	**2,654,314**	3,261,778
Total assets		**39,144,423**	39,350,649
Equity			
Share capital	20	**112,500**	112,500
Retained earnings		**19,192,192**	18,773,389
Total shareholders' equity		**19,304,692**	18,885,889
Liabilities			
Insurance contract liabilities	21	**18,941,769**	19,398,547
Current tax liabilities		**-**	359,609
Other liabilities	23	**897,962**	706,603
Total liabilities		**19,839,731**	20,464,759
Total shareholders' equity and liabilities		**39,144,423**	39,350,649

The financial statements of Methodist Insurance plc, company registration number 00006369, on pages 19 to 45 were approved and authorised for issue by the Board of Directors on 4 April 2022 and signed on its behalf on 5 April 2022 by:

Revd. P. H. Davis *Interim Chair*

M.G.Angell *Director*

Statement of Changes in Equity

for the year ended 31 December 2021

	Notes	Share capital £	Retained earnings £	Total £
At 1 January 2020		112,500	17,081,342	17,193,842
Profit for the year and total comprehensive income		-	1,692,235	1,692,235
Dividends	16	-	(188)	(188)
At 31 December 2020		112,500	18,773,389	18,885,889
Profit for the year		**-**	**418,990**	**418,990**
Dividends	16	**-**	**(188)**	**(188)**
At 31 December 2021		**112,500**	**19,192,192**	**19,304,692**

Statement of Cash Flows

for the year ended 31 December 2021

	Notes	2021	2020
		£	£
Profit before tax		**419,040**	2,028,478
Adjustments for:			
Net fair value gains on financial investments		**(1,909,248)**	(2,327,670)
Income from investments		**(312,406)**	(321,614)
Taxation expense	15	**(50)**	(336,243)
Changes in operating assets and liabilities:			
Net decrease in insurance contract provisions	21	**(456,778)**	(1,831,468)
Net (increase)/decrease in reinsurers' share of contract provisions	21	**(499,188)**	1,399,888
Net increase in other assets		**(69,326)**	(203,391)
Net increase in current tax recoverable		**(9,646)**	-
Net increase in other liabilities		**179,982**	42,016
Cash used by operations		**(2,657,620)**	(1,550,005)
Corporation tax paid		**(369,305)**	(31,500)
Net cash used by operating activities		**(3,026,925)**	(1,581,505)
Cash flows from investing activities			
Dividends received		**249,301**	166,165
Interest received		**138,825**	177,235
Sale of financial investments		**8,803,250**	16,088,516
Purchases of financial investments		**(6,771,728)**	(14,491,005)
Net cash from investing activities		**2,419,648**	1,940,911
Cash flows from financing activities			
Dividends paid to company's shareholders	16	**(188)**	(188)
Net cash used by financing activities		**(188)**	(188)
Net (decrease)/increase in cash and cash equivalents		**(607,464)**	359,219
Cash and cash equivalents at beginning of year		**3,261,778**	2,902,559
Cash and cash equivalents at end of year	19	**2,654,314**	3,261,778

Notes to the Financial Statements

1 Accounting policies

The principal accounting polices 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 with accounting policies applied in accordance with UK-adopted International Accounting Standards (IAS) and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments.

The Company reinsures all of its current business, except for terrorism cover, with EIO, who also provide administrative services within a profit share arrangement. Therefore, except for investment, credit and counterparty risk, and the adverse development of certain pre-1998 insurance risks, its financial risks are ultimately borne by EIO. The Directors have considered the impact of Covid-19 on the Company, which as seen from the 2020 and 2021 experience has not materially impacted the Company, and have considered stresses to the solvency and liquidity of the Company to 31 December 2023. The Directors also considered the impact that Covid-19 has had on the financial and operating capability of EIO. The Directors were satisfied that the stresses were appropriate (and 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 to 31 December 2023. 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 as a principal risk as set out on page 8, 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 2021. This is because the assets are reported at fair value under UK-adopted International Accounting Standards (IAS) as set out in note 1 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.

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 25 is dormant, having not traded since incorporation.

In accordance with IFRS 4, *Insurance Contracts*, the Company has applied existing accounting practices for insurance contracts, modified as appropriate to comply with UK-adopted IAS.

New and revised standards

On 31 December 2020, EU adopted IFRS at that date was brought into UK law and became UK adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. A number of amendments and improvements to accounting standards have been issued by the International Accounting Standards Board (IASB), and endorsed by UKEB, with an effective date of on or after 1 January 2021, and are therefore applicable for the 31 December 2021 financial statements. None had a significant impact on the Company.

IFRS 9, *Financial Instrument,* is effective for periods beginning on or after 1 January 2018. However the Company has taken the option available to insurers to defer the application of IFRS 9 as permitted by the amendments to IFRS 4, applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts* issued in September 2016. The Company qualifies for temporary exemption, which is available until annual periods beginning on or after 1 January 2023, because at 31 December 2015 the Company's gross liabilities arising from contracts within the scope of IFRS 4 represented 98% of the total carrying amount of all its liabilities. There have been no significant changes to the Company's operations since that date and as a result there is no requirement to reassess the use of the temporary exemption, and therefore the Company will continue to apply IAS 39, *Financial Instruments.*

The following Standards were in issue and have not been applied in these financial statements.

Notes to the Financial Statements

IFRS 9, Financial Instruments

Key requirements

Provides a new model for the classification and measurement of financial instruments, a single, forward-looking ‘expected loss’ impairment.

Effective date

Annual periods beginning on or after 1 January 2018. Although can be deferred until 2023 for insurers inline with the effective date of IFRS 17.

Expected impact on financial statements

It is expected that equity instruments will continue to be measured at fair value through profit or loss. There is a possibility that the measurement of certain debt instruments will change to amortised cost or fair value through other comprehensive income, although this is being assessed. The Company is eligible for and has applied the deferral approach, which gives a temporary exemption from applying IFRS 9 until the effective date of 'IFRS 17, Insurance contracts'.

IFRS 17, Insurance Contracts

Key requirements

Requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts.

Effective date

Applicable to annual reporting periods beginning on or after 1 January 2023. The final standard remains subject to endorsement in the UK by the UK Endorsement Board. The UK endorsement process has commenced and it is expected to complete in time for the 1 January 2023 effective date.

Expected impact on financial statements

IFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts that was issued in 2005. The Company expects to use the premium allocation approach for the majority of its general business insurance contracts, and for which the deferral of expected future profits and initial recognition of losses are not expected to represent a significant change. The Company is developing accounting policies for the key accounting judgements. The company is in the process of finalising the approach to be taken to the new requirements and assessing the impact that this will have on the financial statements in preparation for the expected implementation on 1 January 2023.

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

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. 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.

Product 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.

Notes to the Financial Statements

Premium income

Premiums are shown gross of commission paid to intermediaries and accounted for in the period in which the risk commences. The proportion of premiums written in a year which relates to periods of risk extending beyond the end of the year are carried forward as unearned premiums.

Premiums written are shown net of insurance premium taxes. Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance.

Fee and commission income

Fee and commission income primarily comprises reinsurance commissions receivable and is recognised as revenue in the same manner as direct business. Non-insurance commissions receivable are accounted for in accordance with IFRS 15 *Revenue from contracts with customers*, and are recognised at the point at which the Company satisfies its performance obligation. Where this income is variable, it is recognised at the point at which it is reasonably certain that no significant reversal of the amount recognised would occur.

Reinsurance commission relates to a profit share receivable on the Reinsurance agreement between Methodist Insurance Company and EIO. The profit commission receivable is calculated based on the net underwriting result of the related contracts during the year.

Net investment return

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, less investment expenses and charges. Dividends on equity securities are recorded as revenue on the ex-dividend date, interest income is recognised as it accrues.

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.

Claims

General insurance claims incurred include all losses occurring during the year, whether reported or not, related handling costs, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Insurance contract liabilities

(i) *Outstanding claims provisions*

General insurance outstanding claims provisions are based on the estimated ultimate cost of all claims incurred but not settled at the year end date, whether reported or not. Significant delays are experienced in the notification and settlement of certain types of general insurance claims, particularly in respect of liability business, the ultimate cost of which cannot be known with certainty at the year end date. Any estimate represents a determination within a range of possible outcomes. Claims provisions are not discounted.

(ii) *Provision for unearned premiums*

The proportion of written premiums, gross of commission payable to intermediaries, attributable to subsequent periods is deferred as a provision for unearned premiums. The change in this provision is taken to the statement of profit or loss in order that revenue is recognised over the period of risk.

(iii) *Liability adequacy*

Provision for unexpired risks is made where it is anticipated, on the basis of information available at the year end date, that claims and administrative expenses are expected to exceed unearned premiums, after taking account of future investment income. Unexpired risks are assessed separately for each class of business. Surpluses and deficits are offset where business classes are considered to be managed together. No such provision was made at 2021 or 2020 year-ends.

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 provision for claims incurred but not reported.

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

If a reinsurance asset is impaired, the Company reduces the carrying amount accordingly and recognises that impairment loss in the statement of profit or loss. A reinsurance asset is impaired if there is objective evidence that, as a result of an event occurring after initial recognition, the Company may not receive all the amounts due to it under the terms of the contract, and the impact of the event on the amounts that the Company will receive can be reliably measured.

Financial instruments

IAS 39 *Financial Instruments: Recognition and Measurement* requires the classification of certain financial assets and liabilities into separate categories for which the accounting requirement is different.

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

- Financial instruments designated as at fair value through profit or loss are subsequently carried at fair value. Changes in fair value are recognised through profit or loss in the period in which they arise; and
- All other financial assets and liabilities are held at amortised cost, using the effective interest method.

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

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.

Financial investments

The Company classifies its quoted investments as financial assets designated at fair value through profit or loss, as these investments are managed, and their performance evaluated, on a fair value basis.

Purchases and sales of investments are recognised on the trade date, which is the date that the Company commits to purchase or sell the assets, at their fair value adjusted for transaction costs. Investments classified at fair value through profit or loss are subsequently carried at fair value, with changes in fair value recognised through profit or loss in the period in which they arise.

The fair values of investments are based on quoted bid prices.

Derivative financial investments

Derivative financial instruments include foreign exchange contracts. All derivatives are initially recognised in the statement of financial position at their fair value, which usually represents their cost, if any, including any premium paid, and are subsequently remeasured at their fair value. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

The notional or contractual amounts associated with derivative financial instruments are not recorded as assets or liabilities in the statement of financial position as they do not represent the fair value of these transactions.

Receivables arising from insurance and reinsurance contracts

Receivables arising from insurance and reinsurance contracts are initially recognised at fair value and subsequently measured at amortised cost. Interest income on receivables is recognised on the effective interest rate basis.

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms.

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.

Notes to the Financial Statements

Provisions and contingent liabilities

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, 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 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.

Income tax

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.

Appropriations

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

2 Critical accounting estimates, and judgements in applying accounting policies

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. 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.

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

The estimation of the ultimate liability arising from claims made under general business insurance contracts is a critical accounting estimate. 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 claims reserves is presented in note 21.

Notes to the Financial Statements

3 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount 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.

General business 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. 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.

Concentrations of risk

The underwriting strategy is designed to ensure that the underwritten risks are well diversified by type, amount of risk and geographical spread. 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 and after reinsurance by territory in relation to the type of risk accepted is summarised below, with reference to written premiums:

		Type of risk			
		Property	**Liability**	**Accident**	**Total**
		£	**£**	**£**	**£**
2021					
United Kingdom	Gross	**7,168,957**	**2,103,406**	**331,535**	**9,603,898**
	Net	**-**	**-**	**-**	**-**
Republic of Ireland	Gross	**-**	**-**	**-**	**-**
	Net	**-**	**-**	**-**	**-**
Total	Gross	**7,168,957**	**2,103,406**	**331,535**	**9,603,898**
	Net	**-**	**-**	**-**	**-**
2020					
United Kingdom	Gross	7,112,934	2,088,121	330,024	9,531,079
	Net	-	-	-	-
Republic of Ireland	Gross	50,107	30,216	1,838	82,161
	Net	-	-	-	-
Total	Gross	7,163,041	2,118,337	331,862	9,613,240
	Net	-	-	-	-

The Company agreed to introduce EIO to its customers so as to enable EIO to offer to renew the relevant Republic of Ireland policies at an arm's length market price in preparation for the UK leaving the EU. This process commenced in March 2020 and explains the reduction in Republic of Ireland premiums written during the period.

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, business interruption, weather damage, 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 event that gives rise to the claim, 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 claims volume over time. The ultimate settlements can be small or large with a risk of settled claims 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 portfolios include damage to third party property, physical injury, 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.

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 21 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) *Prudence in the provisions for outstanding claims*

The Company has taken into account the uncertain nature of claims reporting and settlement when provisioning for outstanding claims.

(v) *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. They typically emerge slowly over many years. The Company has taken a prudent approach to reflect 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 most important components of financial risk are interest rate risk, credit risk, liquidity risk, currency risk, and equity price risk.

As at the balance sheet date, there has been no change from the prior period in the financial risks that the Company was exposed to, or the manner in which it manages and measures these risks. The Covid-19 pandemic created an additional uncertainty to the business during 2020 and 2021. There have been a number of policy lapses, mainly in relation to the Commercial niche and credit control has been slightly impacted with the number of first defaults increasing. Following the pandemic, we are seeing increased inflation and rising interest rates and expect the investment markets to show further volatility, but there is not expected to be any significant adverse impact on the operations of the business, and the solvency, liquidity and financial outlook of the Company remain sufficient to withstand this.

Categories of financial instruments

	Financial assets		Financial liabilities		Non-financial	
	Designated at fair value	Loans and receivables	Designated at fair value	At cost	assets and liabilities	Total
As at 31 December 2021	**£**	**£**	**£**	**£**	**£**	**£**
Financial investments	**21,490,583**	**-**	**-**	**-**	**998**	**21,491,581**
Other assets	**-**	**1,570,095**	**-**	**-**	**5,045**	**1,575,140**
Cash and cash equivalents	**-**	**2,654,314**	**-**	**-**	**-**	**2,654,314**
Other liabilities	**-**	**-**	**(409,505)**	**(111,962)**	**(376,494)**	**(897,961)**
Total	**21,490,583**	**4,224,409**	**(409,505)**	**(111,962)**	**(370,451)**	**24,823,074**
Net other liabilities						**(5,518,382)**
Net assets						**19,304,692**
As at 31 December 2020	£	£	£	£	£	£
Financial investments	21,591,783	-	-	-	998	21,592,781
Other assets	-	1,577,242	-	-	4,293	1,581,535
Cash and cash equivalents	-	3,261,778	-	-	-	3,261,778
Other liabilities	-	-	(256,646)	(77,157)	(372,800)	(706,603)
Total	21,591,783	4,839,020	(256,646)	(77,157)	(367,509)	25,729,491
Net other liabilities						(6,843,602)
Net assets						18,885,889

As disclosed in the accounting policies, the Company has chosen to defer application of IFRS 9 and classifies and measures financial instruments using IAS 39. To facilitate comparison with entities applying IFRS 9, the table below sets out the Company's financial assets at the balance sheet date, split between those which have contractual cash flows that are solely payments of principal and interest on the principal outstanding (SPPI) and all other financial assets.

		2021			2020	
	SPPI financial assets	**Other financial assets**	**Total financial assets**	SPPI financial assets	Other financial assets	Total financial assets
	£	**£**	**£**	£	£	£
Financial Investments	**7,107,430**	**14,383,153**	**21,490,583**	7,766,815	13,824,968	21,591,783
Cash and cash equivalents	**2,654,314**	**-**	**2,654,314**	3,261,778	-	3,261,778
Other financial assets	**1,570,095**	**-**	**1,570,095**	1,577,242	-	1,577,242
Total fair value	**11,331,838**	**14,383,153**	**25,714,991**	12,605,835	13,824,968	26,430,803

There has been a £1,273,997 decrease (2020: increase £677,886) in the fair value of SPPI financial assets of the Company , and a £558,185 increase (2020: increase £558,185) in the fair value of other financial assets of the Company during the year.

Notes to the Financial Statements

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**
	£	**£**	**£**	**£**
As at 31 December 2021				
Financial investments				
Equity securities	14,221,134	-	-	14,221,134
Debt securities	7,107,430	-	-	7,107,430
Derivatives	-	162,019	-	162,019
	21,328,564	162,019	-	21,490,583
As at 31 December 2020				
Financial investments				
Equity securities	13,702,474	-	-	13,702,474
Debt securities	7,766,815	-	-	7,766,815
Derivatives	-	122,494	-	122,494
	21,469,289	122,494	-	21,591,783

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 2021, £162,019 (2020: £122,494) of derivative financial instruments were included in financial investments and £21,073 (2020: £nil) included in Other Liabilities.

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.

	Maturing within:			
	1 year	**1-5 years**	**More than 5 years**	**Total**
	£	**£**	**£**	**£**
As at 31 December 2021				
Debt securities	**298,320**	**3,726,905**	**3,082,205**	**7,107,430**
Other assets including insurance receivables	**1,247,381**	**-**	**-**	**1,247,381**
Cash and cash equivalents	**2,654,314**	**-**	**-**	**2,654,314**
	4,200,014	**3,726,905**	**3,082,205**	**11,009,124**
As at 31 December 2020				
Debt securities	319,989	4,016,412	3,430,414	7,766,815
Other assets including insurance receivables	1,173,122	-	-	1,173,122
Cash and cash equivalents	3,261,778	-	-	3,261,778
	4,754,889	4,016,412	3,430,414	12,201,715

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

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:

- reinsurers' share of insurance liabilities (excluding provision for unearned premiums) and amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance intermediaries and policyholders;
- corporate bond counterparty default; and
- amounts due from EIO under the Joint Administration Agreement and Reinsurance Treaty.

The carrying amount of financial assets represents the Company's maximum exposure to credit risk.

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 A- (stable outlook) with Standard and Poors, and A (stable outlook) with AM Best.

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

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

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

As at 31 December 2021	SPPI				Non-SPPI
	Debt instruments	Cash and cash equivalents	Other financial assets	Total SPPI	Financial Investments
AAA	**258,644**	**-**	**-**	**258,644**	**-**
AA	**6,069,467**	**-**	**-**	**6,069,467**	**-**
A	**-**	**2,654,314**	**-**	**2,654,314**	**162,019**
BBB	**-**	**-**	**-**	**-**	**-**
Below BBB	**-**	**-**	**-**	**-**	**-**
Not rated	**779,319**	**-**	**1,570,095**	**2,349,414**	**14,221,134**
	7,107,430	**2,654,314**	**1,570,095**	**11,331,838**	**14,383,153**

As at 31 December 2020	SPPI				Non-SPPI
	Debt instruments	Cash and cash equivalents	Other financial assets	Total SPPI	Financial Investments
AAA	138,631	-	-	138,631	-
AA	6,142,327	-	-	6,142,327	-
A	-	3,261,778	95,578	3,357,356	122,494
BBB	142,279	-	-	142,279	-
Below BBB	-	-	-	-	-
Not rated	1,343,578	-	1,481,664	2,825,242	13,702,474
	7,766,815	3,261,778	1,577,242	12,605,835	13,824,968

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. The insurance contract liabilities of the company are reinsured by EIO. The timing of significant outflows are matched by corresponding reinsurance inflows. The Company is exposed to the risk of claims being incurred above the current level of provisions up to the point at which reinsurance cover takes effect.

Currency risk

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

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:

	2021	2020
US Dollar	**11,615,416**	11,024,464
Euro	**3,192,364**	2,577,167

This exposure is reduced through the use of currency forward contracts. The underlying value of these instruments are $8,337,581 (2020: $7,821,216) and €2,393,977 (2020: €1,983,490)

The Company's exposure to foreign currency risk also arises from cash holdings by currency. The Company's primary risk is designated in euros. This balance at 31 December 2021 was €317,042 (31 December 2020: €330,308).

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 17 to the financial statements.

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	
		2021	2020
		£	£
Interest rate risk	-100 basis points	**291,757**	181,381
	+100 basis points	**(329,999)**	(347,516)
Currency risk	-10.0%	**(325,387)**	(342,764)
	+10.0%	**325,387**	342,764
Equity price risk	-10.0%	**(1,151,912)**	(1,109,900)
	+10.0%	**1,151,912**	1,109,900

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 19.00% (2020: 19.00%).

Notes to the Financial Statements

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.

The Company is required to comply with rules issued by the PRA and FCA. With effect from 1 January 2016 a Europe-wide regulatory capital regime (Solvency II) was adopted by the PRA. Both quarterly and annual quantitative returns are submitted to the PRA in addition to a qualitative report, the Regular Supervisory Report (RSR) which is submitted periodically. A further report, the Solvency and Financial Condition Report (SFCR) is produced annually and must be published on the company website.

The Company has adopted the Solvency II standard formula approach to determine its solvency capital requirement (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 Report (ORSA) which is a private, internal forward looking assessment of own risk, as required as part of the Solvency II regime. Risk appetite is set such that the target level of economic capital is always higher than the regulatory SCR.

5 Net insurance premium

	2021	2020
	£	£
Gross written premiums	9,603,898	9,613,240
Change in the gross provision for unearned premiums	(102,463)	287,008
Gross earned premiums	9,501,435	9,900,248
Outward reinsurance premiums	(9,603,898)	(9,613,240)
Change in the provision for unearned premiums, reinsurers' share	102,463	(287,008)
Reinsurers' share of earned premiums	(9,501,435)	(9,900,248)
Net written premiums	-	-
Change in the net provision for unearned premiums	-	-
Net earned premiums	-	-

6 Commission income

	2021	2020
	£	£
Reinsurance commissions and profit commission	1,932,308	2,580,469
Other commissions	16,591	183,217
	1,948,899	2,763,686

During the year the Company received commission income of £nil (2020: £6,677) from its contracts with customers, which was recognised in respect of performance obligations satisfied at a point in time.

The company also recognised £16,547 (2020: £173,181) from EIO in respect of the sale of the introducer rights of the Irish business in preparation for Brexit, of which £nil (2020: £87,598) was included in other prepayments and accrued income, note 18.

Notes to the Financial Statements

7 Net investment return

	2021	2020
Investments at fair value through profit or loss:	£	£
- dividend income	166,771	155,774
- interest income	140,923	155,870
Other investments:		
- cash and cash equivalents (expense)/income	(17,371)	31,577
- other income received	3,765	4,073
Investment income	294,088	347,294
Fair value gains on investments at fair value through profit or loss	1,909,248	2,327,670
Investment expenses	(130,023)	(123,434)
Net investment return	2,073,313	2,551,530

Included within cash and cash equivalents income are exchange losses of £18,318 (2020: £25,680 gains).

8 Claims and change in insurance liabilities and reinsurance recoveries

	2021	2020
	£	£
Gross claims paid	3,882,397	2,999,863
Gross change in the provision for claims	(549,749)	(1,563,545)
Claims and change in insurance liabilities	3,332,649	1,436,318
Reinsurers' share of claims paid	(3,184,634)	(2,609,265)
Reinsurers' share of change in the provision for claims	(406,217)	1,131,965
Reinsurance recoveries	(3,590,851)	(1,477,300)
Claims and change in insurance liabilities, net of reinsurance	(258,202)	(40,982)

9 Commissions and other acquisition costs

	2021	2020
	£	£
Commission paid	52,237	63,126

10 Other operating and administrative expenses

	2021	2020
	£	£
Directors' emoluments	129,165	103,090
Legal and professional fees	84,557	61,455
Other expenses	93,914	100,051
	307,637	264,596

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

11 Operating profit

	2021	2020
Operating profit has been arrived at after charging/(crediting):	£	£
- Net foreign exchange losses/(gains)	18,318	(25,680)
- Directors' emoluments	129,165	103,090

Notes to the Financial Statements

12 Auditor's remuneration

	2021	2020
	£	£
Fees payable to the company's auditor for:		
- The audit of the Company's annual accounts	**72,100**	70,000
	72,100	70,000

13 Employee information

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.

14 Charitable grants

	2021	2020
	£	£
Charitable grants to Methodist funds and organisations	**3,500,000**	3,000,000
Charitable grants to other organisations	**1,500**	-
	3,501,500	3,000,000

15 Tax

	2021	2020
	£	£
UK corporation tax for the current financial year	**-**	369,255
Adjustment in respect of prior periods	**50**	(5,302)
Total current tax charge	**50**	363,953
Deferred taxation charge/(credit)	**-**	(27,710)
Tax charge	**50**	336,243

Tax on the Company's profit before tax differs from the United Kingdom rate of corporation tax of 19.00% (2020: 19.00%) for the reasons set out in the following reconciliation:

	2021	2020
	£	£
Profit before tax	**419,040**	2,028,478
Tax calculated at the UK rate of 19.00% (2020: 19.00%).	**79,618**	385,411
Factors affecting charge for the period:		
Income not taxable	**(79,618)**	(33,487)
Unrealised gains on investments crystallising	**-**	2
Excess charitable donations and expenses not deductible for tax purposes	**-**	(13,644)
Impact of change in deferred tax rate	**-**	3,263
Adjustments in respect of prior periods	**50**	(5,302)
Tax charge	**50**	336,243

Current tax has been provided at a rate of 19% for both the current and prior year.

It was announced in the UK Government's budget on 3 March 2021 that the UK corporation tax rate will increase to 25% with effect from 1 April 2023. This change was substantively enacted on 24 May 2021.

Notes to the Financial Statements

16 Appropriations

	2021	2020
Amounts recognised as distributions to equity holders in the period:	**£**	£
Dividends	**188**	188

This equates to a dividend of 1p per share (2020: 1p).

17 Financial investments

	2021	2020
Financial investments at fair value through profit or loss	**£**	£
Equity securities:		
- listed	**14,221,134**	13,702,474
Debt securities:		
- government bonds	**6,328,111**	6,423,237
- listed	**779,319**	1,343,578
Derivative financial instruments	**162,019**	122,494
Investments in group undertakings at amortised cost		
Shares in subsidiary undertakings (see note 25)	**998**	998
Total financial investments	**21,491,581**	21,592,781

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

18 Other assets

	2021	2020
Receivables arising from insurance and reinsurance contracts:	**£**	£
- due from contract holders	**1,482,445**	1,409,602
- due from agents, brokers and intermediaries	**8,687**	12,956
Other receivables:		
- accrued interest	**51,316**	44,506
- other prepayments and accrued income	**32,692**	114,471
	1,575,140	1,581,535

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.

19 Cash and cash equivalents

	2021	2020
	£	£
Cash at bank and in hand	**339,392**	272,847
Short term bank deposits	**2,314,921**	2,988,931
	2,654,314	3,261,778

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

20 Called up share capital

Issued, allotted and fully paid:	2021 £	2020 £
18,750 ordinary shares of £6, each fully paid	**112,500**	112,500

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.

21 Insurance liabilities and reinsurance assets
Claims outstanding

	2021 £	2020 £
Gross		
Claims outstanding	**13,122,233**	13,681,386
Unearned premiums	**5,819,536**	5,717,161
Total gross insurance liabilities	**18,941,769**	19,398,547
Recoverable from reinsurers		
Claims outstanding	**7,594,206**	7,197,394
Unearned premiums	**5,819,536**	5,717,161
Total reinsurers' share of insurance liabilities	**13,413,742**	12,914,555
Net		
Claims outstanding	**5,528,026**	6,483,992
Unearned premiums	**-**	-
Total net insurance liabilities	**5,528,026**	6,483,992
Gross insurance liabilities		
Current	**8,847,574**	7,662,208
Non-current	**10,094,195**	11,736,339
	18,941,769	19,398,547
Reinsurance assets		
Current	**8,847,574**	7,662,208
Non-current	**4,566,169**	5,252,347
	13,413,742	12,914,555

General business insurance contracts

(i) *Reserving methodology*

Reserving for 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 chain ladder, stochastic models and the Bornhuetter-Ferguson methods.

Chain ladder methods extrapolate paid amounts, incurred amounts (paid claims plus case estimates), the number of claims or average cost of claims, to ultimate claims based on the development of previous years. This method assumes that previous patterns are a reasonable guide to future developments. Where this assumption is felt to be unreasonable, adjustments are made or other methods such as Bornhuetter-Ferguson 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.

(ii) *Calculation of uncertainty margins*

To reflect the uncertain nature of the outcome of the ultimate settlement cost of claims, and to ensure prudent provisions are made, an addition is made to the most likely outcome. The addition for prudence is assessed primarily by the Thomas Mack actuarial method, based on at least the 75th percentile confidence level for each portfolio. For smaller portfolios where the Thomas Mack method cannot be applied, provisions have been calculated at a level intended to be equally prudent. For claims where a stochastic model is used the 75th percentile of the total cost distribution is used. Where the standard methods cannot allow for changing circumstances then additional uncertainty margins are added and are typically expressed as a percentage of outstanding claims. In addition to this mathematical approach, from time to time the management may elect to reflect short term uncertainties using scenario analyses. 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, as shown in part (viii) of the note.

(iii) *Calculation of special provisions for latent claims*

The Company adopts commonly used industry methods including those based on stochastic models. Stochastic models are statistical models used to derive a distribution of potential outcomes for frequency and severity. When data is sparse benchmarking is used instead.

(iv) *Assumptions*

The Company follows a process of reviewing its reserves for outstanding claims on a quarterly basis. This involves an appraisal of each portfolio 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 on each portfolio is subject to an internal peer review and management sign-off process.

The most significant assumptions in determining 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 terms of the reinsurance treaties, the anticipated time taken to settle a claim and the incidence of large individual and aggregated claims.

The technical provisions for claims have been estimated in accordance with the methods set out in the accounting policies note 1. Claims outstanding are affected by significant uncertainties in relation to the calculation of child abuse claims in children's homes. Such claims, relating to incidents over the last sixty years have emerged during the last twenty years and are likely to take some years to resolve. The methods used to calculate these provisions are stochastic in nature due to the high level of uncertainty and they include an estimate for claims incurred but not reported.

Of the total claims provision £2,171,615 (2020: £2,884,864) gross and £2,171,615 (2020: £2,884,864) net after assumed reinsurance recoveries relate to this matter.

The claims provision is particularly sensitive to the number of assumed abuse claims that are incurred but not reported. Some sensitivity exists over the calculation of the amount of such claims, however, there is less uncertainty over the amount compared with the number because of the experience of the cost of settled claims.

(v) *Change in assumptions*

There are no significant changes in assumptions.

(vi) *Sensitivity of results*

The ultimate amount of claims settlement is uncertain and the Company's aim is to reserve at a prudent level.

The table below shows the impact on the result before tax considering an increase in gross loss ratio of 10%:

	2021		2020	
	Gross	**Net**	Gross	Net
	£000	**£000**	£000	£000
Liability	**207**	**-**	220	-
Property	**703**	**-**	727	-

(vii) *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. Due to the reinsurance arrangements in place, no meaningful net claims development can be provided.

	2012 £000	2013 £000	2014 £000	2015 £000	2016 £000	2017 £000	2018 £000	2019 £000	2020 £000	2021 £000	Total £000
Estimate of ultimate claims:											
At end of year	6,205	4,289	5,158	7,472	3,765	3,666	4,757	4,169	2,979	4,826	
One year later	4,914	3,208	4,064	6,667	2,953	3,689	4,338	3,825	2,412		
Two years later	4,518	3,466	3,596	5,858	2,488	3,278	3,427	3,253			
Three years later	3,967	2,807	3,547	5,539	2,354	2,954	3,446				
Four years later	3,706	3,029	3,413	5,238	2,303	2,871					
Five years later	3,648	2,758	3,374	5,256	2,239						
Six years later	3,679	2,665	3,376	5,421							
Seven years later	3,680	2,718	3,374								
Eight years later	3,674	2,718									
Nine years later	3,664										
Current	3,664	2,718	3,374	5,421	2,239	2,871	3,446	3,253	2,412	4,826	34,223
Cumulative payments to date	(3,544)	(2,536)	(3,259)	(4,663)	(2,119)	(2,668)	(2,971)	(2,618)	(1,842)	(1,798)	(28,018)
Outstanding liability	121	181	115	757	120	203	475	635	570	3,028	6,205

Liability in respect of earlier years	6,629
Claims handling reserve	288
Total gross liability included in insurance liabilities in the balance sheet	13,122
Reinsurers' share of contract provisions	(7,594)
Total net liability	5,528

Notes to the Financial Statements

(viii) *Movements in insurance liabilities and reinsurance assets*

	Gross £	Reinsurance £	Net £
Claims outstanding			
At 1 January 2021	**13,681,386**	**(7,197,394)**	**6,483,992**
Exchange differences	**(9,405)**	**9,405**	**-**
Cash (paid)/received for prior year claims settled in the year	**(2,084,134)**	**1,386,370**	**(697,764)**
Change in prior year liabilities/reinsurance assets	**(1,493,652)**	**1,235,450**	**(258,202)**
Prior year liabilities/(reinsurance assets) at 31 December 2021	**10,094,195**	**(4,566,169)**	**5,528,026**
Current year claims/(recoveries)	**4,826,301**	**(4,826,301)**	**-**
Cash (paid)/received for current year claims settled in the year	**(1,798,264)**	**1,798,264**	**-**
Current year liabilities/(reinsurance assets) at 31 December 2021	**3,028,037**	**(3,028,037)**	**-**
At 31 December 2021	**13,122,233**	**(7,594,206)**	**5,528,026**
Provision for unearned premiums			
At 1 January 2021	**5,717,161**	**(5,717,161)**	**-**
Exchange differences	**(88)**	**88**	**-**
Movement in the year	**102,463**	**(102,463)**	**-**
At 31 December 2021	**5,819,536**	**(5,819,536)**	**-**
Claims outstanding			
At 1 January 2020	15,233,412	(8,317,840)	6,915,572
Exchange differences	11,520	-	11,520
Cash (paid)/received for prior year claims settled in the year	(1,966,240)	1,575,642	(390,598)
Change in prior year liabilities/reinsurance assets	(1,542,353)	1,489,851	(52,502)
Prior year liabilities/(reinsurance assets) at 31 December 2020	11,736,339	(5,252,347)	6,483,992
Current year claims/(recoveries)	2,978,670	(2,978,670)	-
Cash (paid)/received for current year claims settled in the year	(1,033,623)	1,033,623	-
Current year liabilities/(reinsurance assets) at 31 December 2020	1,945,047	(1,945,047)	-
At 31 December 2020	13,681,386	(7,197,394)	6,483,992
Provision for unearned premiums			
At 1 January 2020	5,996,603	(5,996,603)	-
Exchange differences	7,566	(7,566)	-
Movement in the year	(287,008)	287,008	-
At 31 December 2020	5,717,161	(5,717,161)	-

The net liability for unearned premium is £nil as the Company's provision is exactly matched by the corresponding reinsurers' share asset.

Notes to the Financial Statements

22 Deferred tax

An analysis and reconciliation of the movement of the key components of the net deferred tax liability during the current and prior reporting period is as follows:

	Financial assets at fair value through profit or loss	Capital allowances in excess of depreciation	Total
	£	£	£
At 1 January 2020	22,242	5,468	27,710
Credit to income	(22,242)	(5,468)	(27,710)
At 31 December 2020	-	-	-
Charge to income	-	-	-
At 31 December 2021	-	-	-

23 Other liabilities

	2021	2020
	£	£
Creditors arising out of direct insurance operations	20,631	20,062
Creditors arising out of reinsurance operations	365,675	232,625
Derivative liabilities	21,073	-
Other creditors	377,622	375,761
Amounts owed to related parties	998	998
Accruals	111,962	77,157
	897,962	706,603
Current	896,964	705,605
Non-current	998	998

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

The creditors arising out of reinsurance operations comprises £2,236,916 (2020: £2,728,984) payables net of £1,871,241 (2020: £2,506,339) receivables.

24 Related party transactions

The Company has a reinsurance treaty with EIO whereby all post 1998 business accepted by the Company is fully reinsured with Ecclesiastical 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 provision for claims incurred but not reported.

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 £6,299,761 (2020: £6,867,971) during the year to EIO, which also bore expenses of the Company's business of £1,995,417 (2020: £1,985,660). The reinsurers' share of technical provisions due from ElO as at 31 December 2021 is £13,413,742 (2020: £12,914,555) which consists of £5,819,536 (2020: £5,717,161) of unearned premium and £7,594,206 (2020: £7,197,394) of outstanding claims. At 31 December 2021 £358,845 was due to EIO (2020: £209,486). Information about key management personnel compensation is provided in note 10 to the financial statements. The company also received £16,547 (2020: £173,181) from EIO in respect of the sale of the introducer rights of the Irish business in preparation for Brexit, of which £nil (2020: £87,598) is included in other prepayments and accrued income, note 18, as at 31 December 2021.

Transactions and services with related parties are made on commercial terms. The Company has a letter of credit with EIO for £2,000,000 (2020: £2,000,000) in respect of reinsurance amounts recoverable. 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 2021, £998 was due to Methodist Insurance Services Limited (2020: £998).

25 Subsidiary undertakings

The Company's interest in subsidiary undertakings at 31 December 2021 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.

26 Post balance sheet events

The Company is continuing to monitor developments regarding the conflict between Russia and Ukraine. The Company has no direct exposure to Russia and Ukraine in either its underwriting or investment portfolio.