BaptistInsurance

Experts in church and home insurance

Annual Report

2018

THE BAPTIST INSURANCE COMPANY PLC

Company Registration Number 00083597

REPORT AND ACCOUNTS 31 DECEMBER 2018

Report and Accounts 31 December 2018

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Officers and Professional Advisers

Directors	M. N. Hayes BSc, FI Chem. E, FCII *Chairman* M. R. Buttrick FCCA, FCT *Deputy Chairman* Mrs A. Bishop MBA M. A. Broad MBE D. Lane B.Comm (Hons), Certified Insurance Director A. M. Lawrence BSc, FCA T. J. Rose MBA, C Dir M. H. Tripp BSc, ARCS, FIA
Company Secretary	Mrs R. J. Hall FCIS
Chief Executive Officer	D. Lane B.Comm (Hons), Certified Insurance Director
Auditor	Deloitte LLP, Statutory Auditor Bristol United Kingdom
Registered Office	Beaufort House, Brunswick Road, Gloucester, GL1 1JZ
Company Registration Number	00083597

Directors' Biographies

M. N. Hayes BSc, F I Chem. E, FCII Chairman
Born 1946
Appointed to the board in 2006. Managing director of a business and financial consultancy. Formerly a director of Zurich Commercial Business UK. Qualified engineer and chartered insurer. Non-executive director of a niche Christian bank, a renewable energy business, two property management companies and chairman of Langley House Trust, a Christian charity. Member of Chipping Campden Baptist Church.

M. R. Buttrick FCCA, FCT Deputy Chairman
Born 1952
Appointed to the board in 2008. Formerly on the executive of a major UK building society. Qualified accountant and corporate treasurer. Former treasurer and trustee of Tearfund. Non-executive director of the board and Chair of the Audit, Risk & Compliance Committee of a Christian bank. Trustee of the Royal Shakespeare Theatre Pension Scheme. Member of Chipping Campden Baptist Church.

Mrs A. Bishop MBA
Born 1961
Appointed to the board in 2015. Formerly CEO of a regional Christian charity, following a career in marketing and public relations, and currently MD of a company importing Fair Trade products from Sri Lanka. Extensive governance experience underpinned by an Advanced Certificate in Corporate Governance. Currently Chair of a local Christian homelessness charity. Active member of a local Baptist church.

M. A. Broad MBE
Born 1950
Appointed to the board in 2011. Retired senior commercial manager at HSBC Bank plc. Former treasurer of the Baptist Union of Great Britain and former moderator of the Baptist Pension Scheme Employers Group. Treasurer of the Bristol Baptist College and treasurer. Deacon of Keynsham Baptist Church, Trustee and director of the Wellsway Multi Academy Trust, Keynsham and chair of its Finance Estates Committee. Governor of St Patrick's Catholic Primary School, Bristol. Trustee of Bristol Zoological Society, and Chair of its Audit and Risk Committee. In 2016 appointed a National Leader of Governance by the Department of Education. Awarded an MBE in the 2008 New Year Honors list for services to Education in Bristol.

D. Lane B.Comm (Hons), Certified Insurance Director
Born 1967
Appointed to the board in 2017. CEO of the Baptist Insurance Company plc and Managing Director of Ecclesiastical Insurance in Ireland. Previously held a number of senior executive roles across UK, Ireland and Europe. Member of the National Development Council of the Wexford Festival of Opera and the Non-life Council of Insurance Ireland.

A. M. Lawrence BSc, FCA
Born 1964
Appointed to the board in 2015. Chairman of Bron Afon Community Housing, a dynamic social enterprise focused on improving the quality of life and the life chances of the people of Torfaen, South Wales. Chairman of the Audit & Risk Committee of the Intellectual Property Office. Chairman of the Risk and Assurance Committee of Stonewater Limited. Chairman of Finance and Audit Committee and director of both Samaritans Purse and Billy Graham Evangelistic Association. A chartered accountant and formerly finance director within the commercial and international development sectors. Member of Albany Road Baptist Church, Cardiff.

T. J. Rose MBA, C Dir
Born 1959
Appointed to the board in 2002. Managing director of a corporate finance boutique. Formerly director of a major City broking house specialising in wholesale financial instruments. A qualified chartered director and non-executive director of the Bible Society Resources Ltd. Deacon of Colchester Baptist Church.

M. H. Tripp BSc, ARCS, FIA
Born 1955
Appointed to the board in 2015. Currently a partner with City Advisory and accountancy firm Mazars LLP and chair of the Institute and Faculty of Actuaries General Insurance Board. Formerly Group CEO Ecclesiastical Insurance and before that partner at Ernst & Young, and actuarial firm Watson Wyatt LLP. Now also non-executive chair of Unity, a specialist insurance broker belonging to The Scout Association, and newly appointed non-executive director of a London Market start-up insurer, he has over 39 years UK insurance industry experience. He is an active Christian, attending a church in Putney.

Chairman's Statement

This statement comes to you against the backdrop of a highly volatile year in the financial markets with the inherent turbulent swings of business and political sentiment as Brexit failed to reach any agreed grounding. This elusive target would have provided a firm planning basis going forward for Commerce and Business investment but at the time of writing remains uncertain with widely competing political and social opinions and a high degree of unhelpful rhetoric from across the water.

Equities lost some of the gains which had been achieved in 2017 and generally suffered reductions throughout the year with no evidence of the "Santa Rally" which has benefitted previous years. Fixed interest returns were steady but unremarkable and in total we suffered an investment loss of just under a quarter of a million pounds over the year. This contrasted with the very good results over the previous three years with the dividends still contributing to the overall income for the company.

Our underwriting result continued to be positive and this offset the poor investment returns yielding an overall positive result for the year after allowing for our continued grant support for ground breaking Baptist evangelistic outreach. This year we paid grants of almost £300,000 which is the highest amount in 10 years and we are proud to have contributed to some outstanding and innovative initiatives to reach people with the life changing Gospel in UK, Europe and India.

We continue to take a conservative view of historic latent claims which arise from an increased awareness in potential exposure relating to historic abuse within both UK and overseas. Considerable press and media comments and investigations continue to rightly place this matter at the forefront of public interest and we continue to support those few individuals in the Baptist community who were unfortunate enough to have suffered under these circumstances.

Turning to our results I am delighted to be able to report that in spite of the poor investment returns we were able to achieve a small post tax profit and also increase our capital base. As reported above investments demonstrated huge swings throughout the year as political and economic headwinds impacted the markets. In spite of this the investment returns were acceptable compared to the wider market and we are grateful to the Investment Committee members who have worked hard to ensure the appropriate investment decisions.

Arising from the overall performance we have been able to add to our capital position which further enhances the financial strength of the company at a time of volatility and political uncertainty, ensuring our Solvency II capital remains significantly above the required minimum.

Moving closer to home, the Grants Committee have finalised revisions to assessment criteria and application methods which have been fully implemented with help from our two Grants Advisors. This will enable future grant applications to be processed more rapidly and provide better support to those areas of the Baptist Family who have active outreach strategies at the heart of their mission.

We were able to partner again with several of the regional associations to support outreach work with further joint meetings with team leaders being planned in 2019 to promote and investigate better ways to accelerate grant distribution and maximise impact for the Kingdom.

Our pioneering outreach support to the European Baptist Federation has increased throughout the year and we were able to actively support a number of church plants in both Western and the former Eastern Europe with some outstanding progress being made.

The posted profit continues to build on the recovery which started during 2009 and enables us to maintain our Grant support to those hardworking pioneers for the Gospel in our Baptist family. We retain our declared intent to be able to increase this in future years.

I would like to pay tribute to the work of the Directors who serve the Company with skill and capability in a variety of disciplines. This year has seen another increase in workload for the Directors who serve to ensure that the Company is well positioned to enjoy a secure capital base whilst fulfilling its role as the provider of Insurance expertise to the Baptist community. We continue to build on our technical, insurance and reinsurance knowledge ensuring we are well-informed of any new regulatory and compliance requirements.

Chairman's Statement

Returning to the 2018 year's performance, written premium decreased by 2.3% (2017: 1.4% increase) driven primarily by the increased competition within the market and which is a satisfactory outcome in a marketplace which has been and continues to be competitive in all areas of the business. Retention levels remain high as the vast majority of Baptist churches value the responsive service and advice from the underwriting, claims and administration teams. The majority of our churches have entered into long term agreements providing stability to their costs and also security of support from the Company.

The underwriting performance was encouraging, producing a positive result which did have some benefit from several prior year recoveries but despite this the true underwriting performance was very acceptable on an accident year basis.

But financial results, important though they are, are not our only source of Board satisfaction. It is a source of great encouragement that we are increasingly being a centre of excellence for risk support to our insured churches, manses, and individuals.

In an environment where increased legislative pressures are facing church leadership teams, we are proud to be at the forefront of supporting those local teams as they work through a whole raft of risk assessment, safeguarding and health/safety issues. The risk prevention guidelines continue to be widely used by churches and associations across the country and are a tribute to the skills and capabilities of the professional survey team who travel widely throughout the year supporting church teams in their safety and property management responsibilities.

During the year we reinforced our sales initiative for new household and manse business and can report that this take up has been encouraging as private household policyholders recognise the value of both the personal touch over the phone and the high quality of competitively priced cover we provide. We still target increased growth in this area and are encouraged that we have seen some steady progress in 2018.

We remain the first-choice insurer to the Baptist family and we are proud to be an integral part of supporting the many churches as they seek to increase their mission to those outside of Christ.

The full time specialist staff working on behalf of the business have continued to provide outstanding support during what has been a period of continued financial and environmental challenge and we extend our grateful thanks to all the team for their unstinting efforts over this period.

Conclusion

We are grateful to God for another year of success in the business and look to build further on this in 2019. We continue with our marketing initiatives, product launch and further development in our growth and capital strategies and trust to be able to report further progress throughout the year as our strategic work unfolds. This has taken rather longer than first envisaged but should accelerate during the year.

During the coming year we will continue with the initiative to encourage individual Baptist householders to insure with the company. In this respect we continue to work alongside the Baptist Union of Great Britain, European Baptist Federation, Baptist Union of Scotland and BMS World Mission to further this ambition.

Our key desire remains to fully support the Baptist community with their insurance needs, and in parallel through our grant giving programme to spearhead the use of Kingdom finance into areas of Gospel deprivation to see Jesus accepted as Lord in those areas.

We are grateful that as a Board that we can contribute to real heart moving outreach in some of the challenging areas of depravation and disadvantage and we trust that in 2019 we can further support the work of life-changing transformation through a knowledge of Jesus Christ as Lord.

Malcolm. Hayes

M. N. Hayes *Chairman*
On behalf of the directors
21 March 2019

Strategic Report

The directors present their strategic report for the year ended 31 December 2018.

Objective and strategy

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

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

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

Business model

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

All risks undertaken by the Company are reinsured with Ecclesiastical Insurance Office plc ("EIO"), except eligible terrorism risks which are reinsured with Pool Re.

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

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

Review of business performance

The results of the Company for the year are shown in the statement of profit or loss on page 15. Key performance indicators are included below.

Premium growth

Gross written premiums fell to £3,526,000 (2017: £3,608,000) representing a decrease of 2.3% on the previous year. Over the past five years premiums show compound growth of 0.05% per annum.

Claims ratio

Our claims ratio (gross incurred claims to gross earned premiums) of 29.5% (2017: 36.3%) shows a 6.8 point reduction on the previous year. Claims performance was relatively benign for the year with the added benefit that the prior year was similar.

Profit commission

The reinsurance treaty with EIO continues. The amount receivable for the current year based on the sharing of the net underwriting result was £558,000 (2017: £483,000). The overall claims experience has been impacted by the reserving reviews which have led to a reduction in Liability IBNR due to PSA releases. Offsetting this reduction, the company has experienced a higher than expected level of large claims during the year.

Investment return

Our underlying investments delivered a negative return. We continue to monitor and review the investment strategy to mitigate the risk of possible future losses. The net investment return was a loss of £207,000 (2017: gain of £538,000) as the stock market fell during the last quarter of 2018.

Charitable grants

The aim of the Company and the directors continues to be to support the wider Baptist family. During 2018 grants of £295,000 (2017: £185,000) were paid, of which £nil (2017: £51,000) was accrued at year end.

Strategic Report

Equity and reserves

The factors outlined above have all had an influence on results for the year. Profit before tax decreased to £18,000 (2017: £480,000) and after the impact of tax, this has increased reserves by £18,000 (2017: £398,000).

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 new 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 expected to be a triennial requirement. 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). 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 2018, the estimated and unaudited solvency ratio, which is defined as Solvency II Own Funds as a proportion of the SCR, was 215% (2017: 214%).

Principal risks and uncertainties

The principal risks and uncertainties, together with details of the financial risk management objectives and policies of the Company are disclosed in notes 3 and 4 to the financial statements.

There is uncertainty regarding the eventual outcome of Brexit and the wider economic impacts that it could have. The Company considers that no impact is expected on the underwriting business due to there being no European exposure on premiums written, however it is noted that there is greater equity price risk with regard to the investment portfolio if Brexit leads to greater market volatility. The Company has taken appropriate action to mitigate this risk with a global spread of equities and short duration fixed investments held.

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

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

By order of the board

R. Hall

Mrs R. J. Hall
Secretary
21 March 2019

Directors' Report

The directors present their annual report and audited financial statements for the year ended 31 December 2018.

Future prospects

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

Going concern

The Company itself maintains a strong balance sheet position and good capital coverage, and it has no loans or debts. The Company reinsures all of its current business, except for terrorism cover, with EIO, which also provides administrative services within a profit share arrangement. Therefore most of its insurance risks are ultimately borne by EIO, which is well capitalised and has ratings of A- and A with Standard and Poor's and AM Best respectively. The Company's assets excluding reinsurers share of contract provisions are also greater than insurance contract liabilities. As a consequence, the directors believe the Company is well placed to manage its risks in the foreseeable future, despite the current uncertain economic outlook. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Dividends

The directors recommend that the payment of dividends on the amounts paid up on the 4% cumulative preference shares and on the 5% cumulative ordinary shares, for the year ended 31 December 2018, in the sum of £7,328 (2017: £7,328), be confirmed. This dividend is treated as interest payable on permanent interest-bearing capital in the financial statements.

Political donations

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

Directors

The directors who served during the year and up to the date of this report are stated on page 2.

Mr. M.N. Hayes and Mr. M.H. Tripp retire by rotation and, being eligible, offer themselves for re-election.

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

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- 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 IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Report

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

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

By order of the board

R. Hall

Mrs R. J. Hall
Secretary
21 March 2019

Independent Auditor's Report

Independent auditor's report to the members of The Baptist Insurance Company PLC

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of the Baptist Insurance Company PLC (the 'company'):

- **give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;**
- **have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and**
- **have been prepared in accordance with the requirements of the Companies Act 2006.**

We have audited the financial statements which comprise:

- the Statement of Profit or Loss;
- the Statement of Financial Position;
- the Statement of Changes in Equity;
- the Statement of Cash Flows; and
- the related notes 1 to 24.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

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 Financial Reporting Council's (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 confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

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

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: - General insurance claims outstanding; and - Profit commission revenue recognition.
Materiality	The materiality that we used in the current year was £196k which was determined on the basis of 3% of net assets.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Independent Auditor's Report

Key audit matters

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

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

General Insurance Claims Outstanding	
Key audit matter description	The general insurance provisions remain the largest single area of judgement within the Company's financial statements. Gross liabilities for outstanding claims and incurred but not reported claims amount to £4,315k (2017: £4,406k), as set out in note 21 to the financial statements. The accounting policies applied for general insurance technical reserving can be found in note 1. In particular, The assumptions used in the calculation of the incurred but not reported ("IBNR") provision for long-tail claims relating to physical and sexual abuse ("PSA"), which directly impact the completeness and valuation of the balance. The key assumptions include discount rate, claims frequency and cost per claim. Management judgement and estimates are required when setting these provisions. In particular, claims frequency is difficult to predict for PSA claims. Given the high level of judgement in determining the PSA provision, we considered the potential for fraud through management bias in this estimate.
How the scope of our audit responded to the key audit matter	We have identified and tested the design and implementation of key internal controls relevant to the actuarial models and assumption setting process. Our general insurance actuarial experts reviewed and challenged the key assumptions in the reserving models, including frequency and cost per claim in line with their expectations and experience with other similar clients. We reviewed the calculations relating to the claims reserves for mechanical accuracies. We analysed the accuracy of management's reserve estimations by taking into consideration the reserves held in 2017 and new cases reported in 2018. We also considered any cases closed in 2018 and previous years and then compared the average cost per claim to the estimated costs per claims used in management's assumptions. We considered external factors such as new PSA enquiries in the religious sector by the Independent Inquiry into Child Sexual Abuse (IICSA) and any potential impact this may have.
Key observations	Overall we considered that the methodology applied and significant assumptions used by management in their general insurance reserving process are reasonable.

Profit Commission Revenue Recognition	
Key audit matter description	A significant amount of the Company's income is received in a profit commission arrangement with Ecclesiastical Insurance Office plc ("EIO"). The income in the year was £558k (2017: £483k). The corresponding accounting policies applied for profit commission can be found in note 1 of the financial statements. This income is determined by a calculation which takes into account both underwriting and notional investment income. Although each individual element is reconciled, the calculation is compiled manually and as such it could be liable to manipulation via changes in input or method.
How the scope of our audit responded to the key audit matter	We have assessed the design and implementation of the relevant internal controls which govern the profit commission process. We have reviewed the profit commission calculation which determines the amount of income to be received by the Company against underlying terms in place between the Company and EIO. In addition, we have tested the accuracy of the figures used within the profit commission calculation by verification to other audited balances from the financial statements.
Key observations	Overall we found profit commission income to be in line with the terms agreed between the Company and EIO, and all figures in the calculation to be appropriate.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£196k (2017: £193k)
Basis for determining materiality	3% of net assets
Rationale for the benchmark applied	We find this benchmark to be appropriate as the Company is not driven by a profit focus. This is demonstrated by the large grants paid by the Company every year. We determined materiality based on net assets due to the focus on capital requirements.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £10k (2017: £9k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Independent Auditor's Report

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report including the Directors' Biographies, the Chairman's Statement, the Strategic Report, and the Directors' Report, other than the financial statements and our auditor's report thereon.

We have nothing to report in respect of these matters.

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

In connection with our audit of the financial statements, 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 this other information, we are required to report that fact.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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.

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

Independent Auditor's Report

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of management, including obtaining and reviewing supporting documentation, concerning the Company's procedures relating to:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
    - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team and involving relevant internal specialists, actuarial experts and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified to the potential for fraud in the following areas: provisions for PSA claims, and revenue recognition; and
- obtaining an understanding of the legal and regulatory frameworks that the Company operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the group. The key laws and regulations we considered in this context included those imposed by the Financial Conduct Authority (FCA), Prudential Regulation Authority (PRA), Companies Act 2006 and relevant tax legislation.

Audit response to risks identified

As a result of performing the above, we identified provisions for PSA claims and profit commission revenue recognition as key audit matters. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing correspondence with relevant regulators; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Independent Auditor's Report

Report on other legal and regulatory requirements

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

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 any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

Other matters

Auditor tenure

Following the recommendation of the audit committee, we were appointed by the company's members at the company's Annual General Meeting to audit the financial statements for the year ended 31 December 1994 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments of the firm is estimated to be 25 years with earlier records unavailable, covering the years ended 31 December 1994 to 31 December 2018.

Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

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.

Andrew Holland FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Bristol, United Kingdom
21 March 2019

Statement of Profit or Loss

for the year ended 31 December 2018

	Notes	2018 £000	2017 £000
Revenue			
Gross written premiums	5	**3,526**	3,608
Outward reinsurance premiums	5	**(3,526)**	(3,608)
Net change in provision for unearned premiums	5	**-**	-
Net earned premiums	5	**-**	-
Fee and commission income	6	**581**	512
Net investment return	7	**(207)**	538
Total revenue		**374**	1,050
Expenses			
Claims and change in insurance liabilities	8	**(1,113)**	(1,304)
Reinsurance recoveries	8	**1,146**	1,032
Fees, commissions and other acquisition costs	9	**(15)**	(17)
Other operating and administrative expenses		**(123)**	(108)
Total operating expenses		**(105)**	(397)
Operating profit	10	**269**	653
Finance costs	13	**(7)**	(7)
Charitable grants	14	**(244)**	(166)
Profit before tax		**18**	480
Taxation	15	**-**	(82)
Profit attributable to equity holders		**18**	398

All the amounts above are in respect of continuing operations.

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

The accounting policies and notes on pages 20 to 39 form part of these accounts.

Statement of Financial Position

at 31 December 2018

	Notes	2018 £000	2017 £000
Assets			
Financial investments	16	**6,228**	6,364
Reinsurers' share of contract provisions	21	**5,714**	5,749
Other assets	17	**254**	300
Cash and cash equivalents	18	**970**	1,064
Total assets		**13,166**	13,477
Liabilities			
Permanent interest-bearing capital	20	**148**	148
Insurance contract provisions	21	**6,331**	6,400
Current tax liabilities		**-**	81
Other liabilities	22	**217**	396
Total liabilities		**6,696**	7,025
Net assets		**6,470**	6,452
Equity			
Retained earnings	19	**6,470**	6,452
Total equity		**6,470**	6,452

The financial statements of The Baptist Insurance Company PLC, company registration number 00083597, on pages 16 to 39 were approved by the board of directors and authorised for issue on 21 March 2019 and signed on their behalf by:

Malcolm. Hayes

M. N. Hayes *Chairman*

M. R. Buttrick *Deputy Chairman*

Statement of Changes in Equity

for the year ended 31 December 2018

Retained Earnings	Notes	**2018** **£000**	2017 £000
Balance at 1 January		**6,452**	6,054
Profit for the period		**18**	398
Balance at 31 December	19	**6,470**	6,452

The accounting policies and notes on pages 20 to 39 form part of these accounts.

Statement of Cash Flows

for the year ended 31 December 2018

	2018	2017
	£000	£000
Profit before tax	**18**	480
Adjustments for:		
Net fair value losses/(gains) on financial investments	**422**	(336)
Dividend and interest income	**(216)**	(202)
Finance expense	**7**	7
Changes in operating assets and liabilities:		
Net (decrease)/increase in insurance contract provisions	**(69)**	417
Net decrease/(increase) in reinsurers' share of contract provisions	**35**	(145)
Net decrease in other assets	**46**	58
Net (decrease)/increase in other liabilities	**(179)**	18
Cash generated by operations	**64**	297
Sales of financial investments	**319**	955
Purchases of financial investments	**(605)**	(1,468)
Dividends received	**183**	170
Interest received	**33**	32
Tax paid	**(81)**	(50)
Net cash used by operating activities	**(87)**	(64)
Cash flows from financing activities		
Interest paid	**(7)**	(7)
Net decrease in cash and cash equivalents	**(94)**	**(71)**
Cash and cash equivalents at beginning of year	**1,064**	1,135
Cash and cash equivalents at end of year	**970**	1,064

Notes to the Financial Statements

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

Basis of preparation
The Company's financial statements have been prepared using the following accounting policies which are in accordance with IFRSs applicable at 31 December 2018 as issued by the International Accounting Standards Board and endorsed by the European Union (EU). The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments measured at fair value.

The Company itself maintains a strong balance sheet position and good capital coverage, and it has no loans or debts. The Company reinsures all of its current business, except for terrorism cover, with EIO, which also provides administrative services within a profit share arrangement. Therefore most of its insurance risks are ultimately borne by EIO, which is well capitalised and has ratings of A- and A with Standard and Poor's and AM Best respectively. The Company's assets excluding reinsurers share of contract provisions are also greater than insurance contract liabilities. As a consequence, the directors believe the Company is well placed to manage its risks in the foreseeable future, despite the current uncertain economic outlook. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

The Company has elected not to produce consolidated financial statements. The subsidiaries are disclosed in note 24 and are dormant, having not traded since incorporation. The exemption in CA 2006 s405(2) is taken as the subsidiaries are not material to the financial statements.

In accordance with IFRS 4, *Insurance Contracts,* the Company has applied existing accounting practices for insurance contracts, modified as appropriate to comply with the IFRS framework and applicable standards.

New and revised standards
In the current year the company has adopted amendments to IFRS 4 *Insurance Contracts*, and IFRS 15 *Revenue from Contracts with Customers*. Other Standards adopted in the current year are either outside the scope of company transactions or do not materially impact the Company.

The amendment to IFRS 4 which permits an insurer to take the temporary exemption from applying IFRS 9 Financial Instruments, became applicable to the company in the year. The company qualifies for the temporary exemption, which is available until annual periods beginning on or after 1 January 2021, since at 31 December 2015 greater than 90% of the company's liabilities were within the scope of IFRS 4. There has been no significant change to the company's operations since that date and as a result the company continues to apply IAS 39 Financial Instruments.

Additional disclosures as a result of the the amendments to IFRS 4 are included in note 4.

IFRS 15 introduced a five-step approach to revenue recognition and established principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.
The Company has applied IFRS 15 using the modified approach, recognising any cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earning as at 1 January 2018. The adoption of IFRS 15 did not have a material effect on accounting for the Company's non-insurance fee and commission income, and the financial statements have not been restated. Minor amendments have been made to the Company's accounting policies to clarify the point at which non-insurance commissions are recognised.
In the current year, the adoption of IFRS 15 has had no impact on the financial statements.

Notes to the Financial Statements

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

Accounting Standard	Key requirements	Expected impact on financial statements	Effective date
IFRS 9, *Financial Instruments*	Provides a new model for the classification and measurement of financial instruments, a single, forward-looking 'expected loss' impairment model and a reformed approach to hedge accounting.	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 will adopt, the deferral approach which gives a temporary exemption from applying IFRS 9 until the effective date of 'IFRS 17, Insurance contracts'.	Annual periods beginning on or after 1 January 2018. Although can be deferred until 2021 for insurers.
Accounting Standard	**Key requirements**	**Expected impact on financial statements**	**Effective date**
IFRS 17, *Insurance Contracts*	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.	IFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. The standard was issued in May 2017 as replacement for 'IFRS 4 Insurance Contracts' and the impact of the standard on the financial statements is still being assessed. The Company expects to be able to use the simplified premium allocation approach to the majority of its insurance contracts, which applies mainly to short-duration contracts.	Applicable to annual reporting periods beginning on or after 1 January 2021 (subject to EU endorsement).

The other Standards in issue but not yet effective including IFRS 16 are not expected to materially impact the Company.

Notes to the Financial Statements

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.

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.

Premium income
Premiums are shown gross of commission paid to intermediaries and accounted for in the period in which the risk commences. Those proportions of premiums written in a year which relate 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, which are recognised on trade date in accordance with IFRS 4 *Insurance Contracts.* 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 satisifies 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.

Net investment return
Investment income consists of dividends and interest receivable for the year, realised gains and losses, and unrealised gains and losses 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 and their purchase price. The movement in unrealised investment gains and losses therefore comprises the increase or decrease in the year in the value of investments held at the year end together with the reversal of previously recognised unrealised gains and losses on investments disposed of in the current year.

Notes to the Financial Statements

Claims
General insurance claims incurred include all losses occurring during the year, an estimate of claims incurred but not reported, 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, 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, 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 either year end.

Reinsurance

The Company has a reinsurance treaty with EIO whereby all business accepted by the company is fully reinsured with Ecclesiastical Insurance Office plc with the exception of terrorism cover which is reinsured through Pool Re. Reinsurance premiums are accounted for at the time the business is written by the Company. The Company's and the reinsurers' share of claims are recognised at the time the claims are notified or earlier by way of a provision for claims incurred but not reported.

Financial instruments
IAS 39, *Financial Instruments: Measurement and Recognition*, 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 included in the statement of profit or loss in the period in which they arise. This category consists of financial investments.

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

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

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.

Notes to the Financial Statements

Financial investments
The company classifies its investments as financial assets designated at fair value through profit or loss, as they 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 values less transaction costs. Investments classified at fair value through profit or loss are subsequently carried at fair value, with changes in fair value included in the statement of profit or loss in the period in which they arise.

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

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

Provisions and contingent liabilities
Provisions are recognised when the Company has a present legal or constructive obligation, as a result of past events, and it is probable that an outflow of resources, embodying economic benefits, will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.

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

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

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

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

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

Deferred tax assets and liabilities are not discounted.

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, where they arise, 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. In the current and prior year no material judgements were made.

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. There are various sources of uncertainty as to how much the Company will ultimately pay with respect to such contracts. There is uncertainty as to the total number of claims made on each class of business, the amounts that such claims will be settled for and the timings of any payments.

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

Notes to the Financial Statements

3 Insurance risk

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

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

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

General business risks

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

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

Frequency and severity of claims

Property classes

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

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

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

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.

Notes to the Financial Statements

Concentrations of risk

The underwriting strategy is designed to ensure that the underwritten risks are well diversified in terms of type and amount of risk. The concentration of insurance risk for the financial year in relation to the type of risk accepted is summarised below, with reference to gross written premiums:

	Type of risk			
	Property	**Liability**	**Accident**	**Total**
	£000	**£000**	**£000**	**£000**
Gross written premiums				
2018	**3,209**	**292**	**25**	**3,526**
2017	3,286	296	26	3,608

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

Sources of uncertainty in the estimation of future claim payments

Property classes

The property classes give rise to a variety of different types of claims including fire, 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 claim event; however, there is variability around this average with larger claims typically taking longer to settle.

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

Liability classes

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

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

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

Notes to the Financial Statements

Note 21 presents the development of the estimate of ultimate claim cost for public and employers' liability claims occurring in a given year. This gives an indication of the accuracy of the estimation technique for incurred claims.

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

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

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.

Special provisions for latent claims

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

4 Financial risk and capital management
The Company is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of financial risk are credit risk, liquidity risk, equity price risk and interest rate risk.

There has been no change from the prior period in the financial risks that the Company is exposed to, or the manner in which it manages and measures these risks.

Categories of financial instruments

	Financial assets					
	Designated at fair value	Loans and receivables	Cash and cash equivalents	Financial liabilities at amortised cost	Non-financial assets and liabilities	Total
At 31 December 2018						
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Financial investments	**6,226**	**-**	**-**	**-**	**2**	**6,228**
Other assets	**-**	**252**	**-**	**-**	**2**	**254**
Cash and cash equivalents	**-**	**-**	**970**	**-**	**-**	**970**
Permanent interest bearing capital	**-**	**-**	**-**	**(148)**	**-**	**(148)**
Other liabilities	**-**	**-**	**-**	**(178)**	**(39)**	**(217)**
Net insurance contract provisions	**-**	**-**	**-**	**-**	**(617)**	**(617)**
Net assets	**6,226**	**252**	**970**	**(326)**	**(652)**	**6,470**
At 31 December 2017						
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Financial investments	6,362	-	-	-	2	6,364
Other assets	-	298	-	-	2	300
Cash and cash equivalents	-	-	1,064	-	-	1,064
Permanent interest bearing capital	-	-	-	(148)	-	(148)
Other liabilities	-	-	-	(237)	(159)	(396)
Net insurance contract provisions	-	-	-	-	(651)	(651)
Current tax liabilities	-	-	-	-	(81)	(81)
Net assets	6,362	298	1,064	(385)	(887)	6,452

The company classifies and measures financial instruments using IAS 39 as disclosed in the accounting policies. The table below sets out the fair value of financial assets as at the balance sheet date and the change in fair value during the year, based on the classification and measurement requirements that would result from adopting IFRS 9.

Financial assets measured at amortised cost includes all financial assets which give rise to cashflows which are solely payments of principal and interest, other than those whose performance is evaluated on a fair value basis. All other assets are measured at fair value.

	Measurement basis		
	Fair value	**Amortised cost**	**Total**
	£000	**£000**	**£000**
Carrying value at 1 January 2018	6,362	1,362	7,724
Change in fair value during the year	(136)	-	(136)
Change in amortised cost assets during the year	-	(140)	(140)
Carrying value at 31 December 2018	6,226	1,222	7,448

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

Fair value hierarchy

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

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

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

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

All financial instruments recognised by the company and designated at fair value in the current and prior year are classified as level 1. Accordingly no analysis of fair value measurement bases is presented.

(a) Interest rate risk

The table below summarises the financial assets that are exposed to interest rate risk.

	2018	2017
	£000	£000
Other assets including insurance instalment receivables	226	221
Cash and cash equivalents	970	1,064
	1,196	1,285

All amounts have maturity dates of less than one year.

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

(b) Credit 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;
- amounts due from Ecclesiastical Insurance Office plc ("EIO") under the Joint Administration Agreement and Reinsurance Treaty; and
- deposits held with banks.

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

The Company uses reinsurance to manage insurance risk, with all business accepted by the Company fully reinsured with EIO, with the exception of terrorism cover which is reinsured through Pool Re. 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 other publicly available data and market information.

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. The credit reference agencies are used to rate agents, brokers and intermediaries on a scale of 0 to 100. A database of their ratings is maintained and updated daily. These ratings are adapted to internal credit ratings based on the Group's credit rating matrix, which rates the agency from very high risk to very low risk.

A breakdown of the Company's current amounts due from insurance debtors split by credit quality is shown below. All balances are shown gross of impairment losses.

	2018	2017
	£000	£000
Very low risk	13	12
Low risk	-	-
Moderate risk	-	-
High risk	-	-
Very high risk	-	-
Not rated	239	286
	252	298

The insurance debtors classified as not rated comprise personal policyholders and small corporate customers that do not have individual credit ratings.

Notes to the Financial Statements

The Company has no material concentration of credit risk in respect of amounts due from insurance intermediaries and policyholders due to the well diversified spread of such debtors.

A breakdown of the Company's current cash balances exposure based on S&P or equivalent rating is presented below.

	2018	2017
	£000	£000
AAA	**-**	-
AA	**-**	-
A	**10**	116
BBB	**960**	948
Below BBB	**-**	-
	970	1,064

(c) Liquidity risk

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

Financial liabilities of the Company all mature within one year, with the exception of permanent interest-bearing capital, which is irredeemable. An estimate of the timing of the net cash outflows resulting from insurance contracts is provided in note 21.

(d) Equity price risk

Investments held by the Company and classified at fair value through profit or loss are exposed to price risk. The risk is mitigated by holding a diversified portfolio of UK and overseas equities indirectly through investment in open-ended investment companies (OEICs).

(e) Market risk sensitivity analysis

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

Variable	Change in variable	Potential increase/ (decrease) in profit after tax 2018	2017
		£000	£000
Equity price risk	**-10%**	**(504)**	(514)
	+10%	**504**	514

Other equity reserves would not be affected by movements on market risk variables.

In preparing the above sensitivity analysis it has been assumed that the value of fixed income investments will vary inversely with changes in interest rates and that any change in profit is subject to a blended tax rate of 19.00% (2017: 19.25%). No fixed income investments were held at 31 December 2018.

(f) Capital management

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

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

The Company is required to comply with rules issued by the PRA and FCA. With effect from 1 January 2016 a new 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 expected to be a triennial requirement. A further report, the Solvency and Financial Condition Report (SFCR) is produced annually and must be published on the Company website.

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

The Company has adopted the Solvency II standard formula approach to determine its solvency capital requirement (SCR). The Company is required to maintain its regulatory capital above the 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, 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 revenue	**2018**	2017
	£000	£000
Gross written premiums	**3,526**	3,608
Change in the gross provision for unearned premiums	**40**	(17)
Gross earned premiums	**3,566**	3,591
Outward reinsurance premiums	**(3,526)**	(3,608)
Change in the provision for unearned premiums, reinsurers' share	**(40)**	17
Reinsurers' share of earned premiums	**(3,566)**	(3,591)
Premiums written, net of reinsurance	**-**	-
Earned premiums, net of reinsurance	**-**	-

Notes to the Financial Statements

6 Fee and commission income	2018	2017
	£000	£000
Reinsurance commissions and profit commission	573	500
Other commissions	8	12
	581	512

During the year the Company received fee and commission income totalling £4,000 (2017: £4,000) from its contracts with customers, all of which was recognised in respect of performance obligations satisfied at a point in time.

7 Net investment return	2018	2017
	£000	£000
Income from financial assets at fair value through the statement of profit or loss:		
- equity income	183	170
Income from financial assets not at fair value through the statement of profit or loss:		
- other income received	33	32
Investment income	216	202
Fair value (losses)/gains on investments at fair value through the statement of profit or loss	(422)	336
Investment expenses	(1)	-
Net investment return	(207)	538

8 Claims and change in insurance liabilities and reinsurance recoveries	2018	2017
	£000	£000
Gross claims paid	(1,143)	(904)
Gross change in the provision for claims	30	(400)
Claims and change in insurance liabilities	(1,113)	(1,304)
Reinsurers' share of claims paid	1,143	904
Reinsurers' share of change in the provision for claims	3	128
Reinsurance recoveries	1,146	1,032
Claims and change in insurance liabilities, net of reinsurance	33	(272)

9 Fees, commissions and other acquisition costs	2018	2017
	£000	£000
Commission paid	(15)	(17)

10 Operating profit	2018	2017
	£000	£000
Operating profit has been arrived at after charging:		
Directors' fees and expenses	(70)	(57)

11 Auditor's remuneration	2018	2017
	£000	£000
Fees payable to the company's auditor for the audit of the Company's accounts	(30)	(22)
Audit related assurance services	-	(18)

Audit related assurance services represents audit work completed on the SFCR.

12 Employee information

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

Notes to the Financial Statements

13 Finance costs	2018	2017
	£000	£000
Interest payable on permanent interest-bearing capital	(7)	(7)

14 Charitable grants	2018	2017
	£000	£000
Charitable grants paid or accrued	(244)	(166)

15 Taxation	2018	2017
	£000	£000
UK corporation tax for the current financial year	-	(82)
Tax expense	-	(82)

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

	2018	2017
	£000	£000
Profit before tax	18	480
Tax due calculated at the UK standard rate for the year of 19.00% (2017: 19.25%).	(3)	(92)
The change in tax rate will have no material effect on the tax charge.		
Factors affecting charge for the period:		
Dividends from UK companies	9	9
Relieved non-trade charges	(5)	2
Expenses not deductible for tax purposes	(1)	(1)
Adjustments to tax charge in respect of prior periods	-	-
Tax expense	-	(82)

Deferred tax asset in the current year is £nil (2017: £10k) as a result of £nil accrued gift aid (2017: £51k). Deferred tax asset in the prior year was not recognised due to uncertainties around future profitability as a result of volatility in the insurance business and investment market. The relief for gift aid cannot be carried forward to recover in future years.

A change in the UK standard rate of corporation tax from 20% to 19% became effective from 1 April 2017. Where appropriate, current tax has been provided at a blended rate of 19.00% for the current year and a blended rate of 19.25% for the prior year. A further reduction in the rate of corporation tax to 17% will become effective from April 2020.

Notes to the Financial Statements

16 Financial investments

	2018	2017
Financial investments at fair value through the statement of profit or loss	**£000**	£000
Equity securities:		
- listed	**6,226**	6,362
	6,226	6,362
Investments in group undertakings		
Shares in subsidiary undertakings	**2**	2
	2	2
Total financial investments	**6,228**	6,364

All equity and debt securities are designated by the Company to be measured at fair value through the statement of profit or loss. No financial investments mature within one year (2017: £nil).

17 Other assets	**2018**	2017
	£000	£000
Receivables arising from insurance and reinsurance contracts:		
- due from contract holders	**239**	286
- due from agents, brokers and intermediaries	**13**	12
Other receivables:		
- other prepayments and accrued income	**2**	2
	254	300

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

At 31 December 2018, £3,000 (2017: £2,000) of receivables were past due and not impaired. No impairment charges have been recognised in the current or prior year.

18 Cash and cash equivalents

	2018	2017
	£000	£000
Cash held at bank	**961**	948
Cash held at investment broker	**9**	116
	970	1,064

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

19 Statement of changes in equity

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

The directors may make grants out of any surplus profits of the company after payment of expenses and dividends and after setting monies aside to any reserve fund to or for the benefit of any ministers, churches or societies of the Baptist denomination; any individual who is a Baptist and whose prime vision and ministry is Christian evangelistic work; and the Council of the Baptist Union for it to apply in such a manner as it may determine.

Notes to the Financial Statements

20 Permanent interest-bearing capital

	2018	2017
	£000	£000
Authorised share capital:		
2,000 4% cumulative preference shares of £5 each	10	10
28,300 5% cumulative ordinary shares of £5 each	142	142
	152	152
Called up, allotted and fully paid share capital:		
1,286 4% cumulative preference shares of £5 each	6	6
28,284 5% cumulative ordinary shares of £5 each	142	142
	148	148

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

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

Preference and ordinary shares are not redeemable and carry equal voting rights.

21 Insurance liabilities and reinsurance assets

Claims outstanding

	2018	2017
Gross	£000	£000
Claims outstanding	4,376	4,406
Unearned premiums	1,955	1,994
Total gross insurance liabilities	6,331	6,400
Recoverable from reinsurers		
Claims outstanding	3,758	3,755
Unearned premiums	1,956	1,994
Total reinsurers' share of insurance liabilities	5,714	5,749
Net		
Claims outstanding	618	651
Unearned premiums	(1)	-
Total net insurance liabilities	617	651
Gross insurance liabilities		
Current	3,040	3,103
Non-current	3,291	3,297
	6,331	6,400
Reinsurance assets		
Current	3,040	3,103
Non-current	2,674	2,646
	5,714	5,749

Notes to the Financial Statements

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 the chain ladder method.

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.

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. 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. 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 claims frequency and severity and benchmarking. The Company also includes additional reserves for exposure where limited information is currently known, however risks have been identified.

(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.

Notes to the Financial Statements

(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 to at least the 75th percentile confidence level. The following table illustrates the sensitivity to changes in the level of claims in the principal segments of the business.

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

	2018		2017	
	Gross	**Net**	Gross	Net
	£000	**£000**	£000	£000
Liability	**342**	**62**	368	37
Property	**96**	**-**	45	-

(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. Net liability for the periods covered in the table is zero as all business in these periods is 100% reinsured. A net liability remains in respect of earlier periods.

	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Estimate of ultimate claims:											
At end of year	3,551	2,129	1,414	1,227	1,134	1,889	1,425	1,105	1,570	1,904	
One year later	3,017	2,099	1,071	927	954	1,796	1,109	992	1,048		
Two years later	2,989	2,039	1,024	868	889	1,740	954	950			
Three years later	3,185	2,043	924	832	883	1,317	942				
Four years later	3,130	1,996	919	882	856	1,302					
Five years later	3,153	2,073	1,018	876	854						
Six years later	3,040	2,144	1,008	872							
Seven years later	3,040	2,137	1,003								
Eight years later	3,044	2,139									
Nine years later	3,062										
Current estimate of ultimate claims	3,062	2,139	1,003	872	854	1,302	942	950	1,048	1,904	14,076
Cumulative payments to date	(2,997)	(2,079)	(931)	(820)	(805)	(1,256)	(893)	(740)	(745)	(818)	(12,084)
Outstanding liability	65	60	72	52	49	46	49	210	303	1,086	1,992
Liability in respect of earlier years											2,384
Total gross liability included in insurance liabilities in the statement of financial position											4,376
Reinsurers' share of contract provisions											(3,758)
Total net liability											618

Notes to the Financial Statements

(viii) Movements in insurance liabilities and reinsurance assets

	Gross £000	Reinsurance £000	Net £000
Claims outstanding			
At 1 January 2018	**4,406**	**(3,755)**	**651**
Cash paid for prior year claims settled in the year	**(325)**	**325**	**-**
Change in prior year liabilities/reinsurance assets	**(852)**	**758**	**(94)**
Prior year liabilities/reinsurance assets at 31 December 2018	**3,229**	**(2,672)**	**557**
Current year claims incurred	**1,904**	**(1,904)**	**-**
Cash paid for current year claims settled in the year	**(818)**	**818**	**-**
Current year liabilities/reinsurance assets at 31 December 2018	**1,086**	**(1,086)**	**-**
At 31 December 2018	**4,315**	**(3,758)**	**557**
Provision for unearned premiums			
At 1 January 2018	**1,994**	**(1,994)**	**-**
Movement in the year	**(40)**	**40**	**-**
At 31 December 2018	**1,954**	**(1,954)**	**-**
Claims outstanding			
At 1 January 2017	4,006	(3,627)	379
Cash paid for prior year claims settled in the year	(443)	443	-
Change in prior year liabilities/reinsurance assets	(266)	538	272
Prior year liabilities/reinsurance assets at 31 December 2017	3,297	(2,646)	651
Current year claims incurred	1,570	(1,570)	-
Cash paid for current year claims settled in the year	(461)	461	-
Current year liabilities/reinsurance assets at 31 December 2017	1,109	(1,109)	-
At 31 December 2017	4,406	(3,755)	651
Provision for unearned premiums			
At 1 January 2017	1,977	(1,977)	-
Movement in the year	17	(17)	-
At 31 December 2017	1,994	(1,994)	-

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

22 Other liabilities

	2018 £000	2017 £000
Creditors arising out of direct insurance operations	**3**	3
Creditors arising out of reinsurance operations	**44**	164
Other creditors	**129**	129
Amounts owed to related parties	**2**	2
Accruals and deferred income	**39**	98
	217	396
Current	**215**	394
Non-current	**2**	2

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

The creditors arising out of reinsurance operations comprises £715,000 (2017: £710,000) payables net of £670,000 (2017: £546,000) receivables.

Notes to the Financial Statements

23 Related party transactions

The Company has a reinsurance treaty with Ecclesiastical Insurance Office plc ("EIO") whereby all business accepted by the Company is fully reinsured with EIO with the exception of terrorism cover which is reinsured through Pool Re. Reinsurance premiums are accounted for at the time the business is written by the Company. The Company's and the reinsurers' share of claims are recognised at the time the claims are notified or earlier by way of a 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.

During the year the Company ceded premiums net of claims paid and commissions to the value of £2,340,000 (2017: £2,640,000) to EIO, which also bore expenses of the Company's business of £892,000 (2017: £846,000). The reinsurer's share of technical provisions due from EIO as at 31 December 2018 is £4,847,000 (2017: £4,870,000), which consists of £1,954,000 (2017: £1,994,000) of unearned premium and £2,893,000 (2017: £2,876,000) of outstanding claims. At 31 December 2018, £56,000 (2017: £180,000), was due to EIO.

Recipients of grants are proposed by the grants committee, and ratified by the board. During the year, nothing has been paid or accrued (2017: £15,000 paid) in respect of The Baptist Union of Great Britain.

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

24 Subsidiary undertakings

The Company's interest in subsidiary undertakings at 31 December 2018 is as follows:

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

The Company is the controlling party of both subsidiaries which are incorporated in England and Wales, are dormant, having not traded since incorporation, and are not material to the Company's accounts. Their registered office is the same as the Company's address as noted on page 2.

Baptist Insurance
Experts in church and home insurance