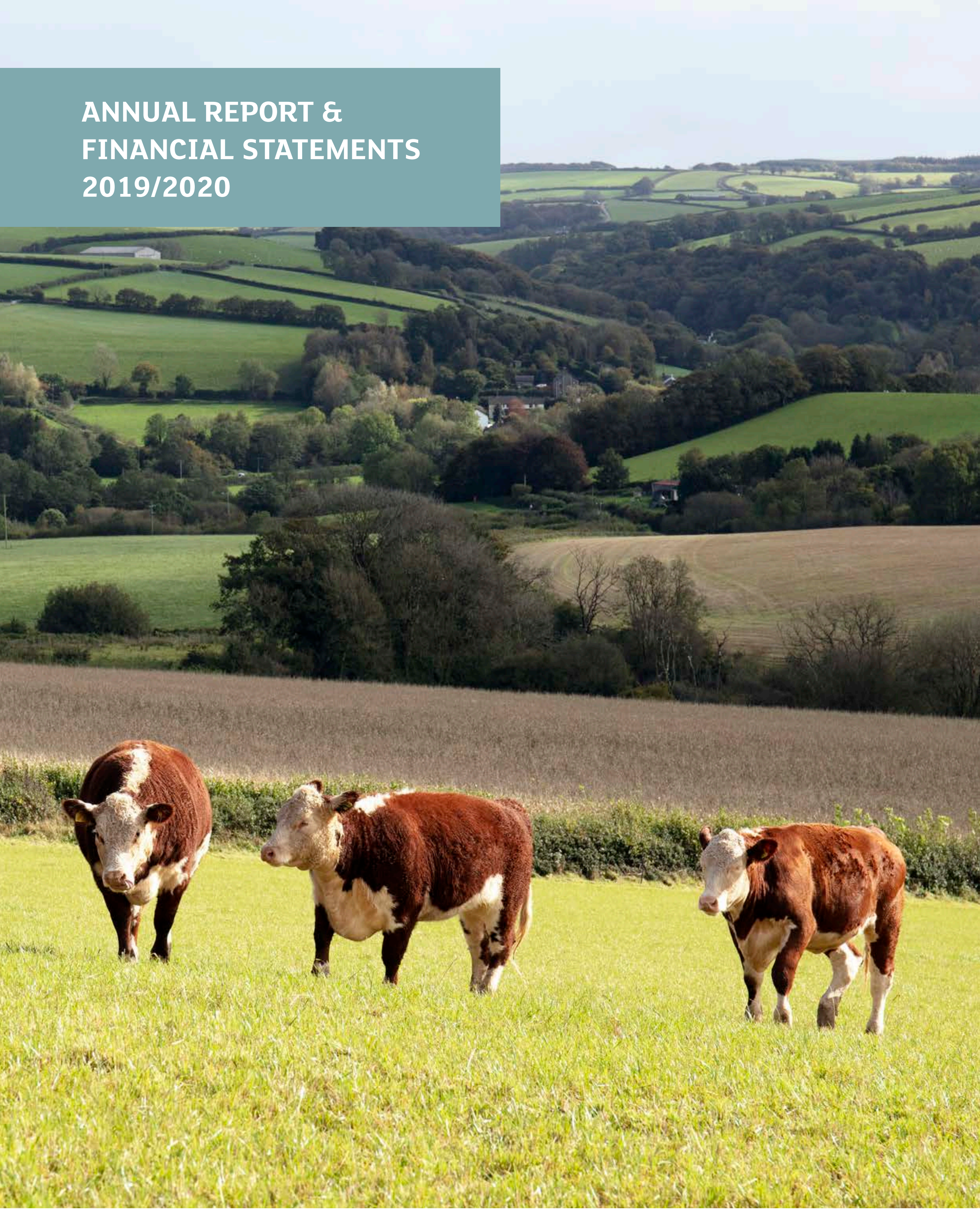
ANNUAL REPORT & FINANCIAL STATEMENTS 2019/2020



Cornish Mutual

INDEX

01 **CHAIRMAN'S REPORT**

03 **STRATEGIC REPORT**

20 **DIRECTORS**
- Directors' Report
- Statement of Directors' Responsibilities
- Report on Corporate Governance

34 **COMMITTEES**
- Risk and Audit
- Investment and Capital Management
- Remuneration and Nominations

48 **AUDITORS' REPORT**

56 **FINANCIALS**

Our Enduring Purpose

Founded by South West Farmers, Cornish Mutual focuses on protecting the farming communities of our region and providing our Members with great experiences, outcomes that are flexible and personal, all underpinned by technical excellence.

Cornish Mutual Members experience service from our directly employed, expert people, many living in the community we serve. We avoid the use of intermediaries or agents. Our people are selected for attitude and trained to provide all of our key functions including our locally based claims service. This approach means Cornish Mutual employees are highly motivated experts in their field, acting with our Members firmly at the heart of everything they do. Our people's commitment and quality of performance underpins our 'Chartered Insurer' status which we have now held continuously for 8 years. Crucially, we consciously avoid creating the wrong incentives so, for example, nobody receives sales commission and Directors do not receive a bonus.

We are committed to developing our services based on how our Members wish to deal with us. With this in mind, and as technology continues to increase its influence within insurance and farming, we will focus on how new services and communication channels can support our personal face to face offering while not replacing it.

“A year of great change and uncertainty, I would like to thank our Members for their continued support.”

I am pleased to present our Annual Report and Financial Statement for the year ending 30 September 2020. It is also a particular pleasure for me as the recently elected chairman of your company. For many years I have been a Cornish Mutual Member both personally and for business and consider it a great honour to be elected to the role by my fellow Directors. I look forward to playing a small part in further developing this long established and well-respected business for the benefit of its Members.

Earlier this year, our previous Chairman, Ian Pawley, stepped down from the Board after a number of years of service. Ian led the Board through a period of significant change, and I would like to take this opportunity to thank him for the considerable time and commitment he gave to Cornish Mutual.

As recorded in the last annual report, Alan Goddard fulfilled his planned retirement as Managing Director during the year. Peter Beaumont, formerly our Finance and Operations Director, has picked up the reins as Managing Director and has set about putting his stamp on the business, as will be seen in the Strategic Report.

In addition, Clare Green, formerly Financial Controller has been promoted into the role of Finance Director and joins the Board. The Board is delighted to have been able to promote internal candidates who understand ‘the Cornish Mutual way’. It demonstrates the Board’s desire to create good quality sustainable jobs within the business and where possible, develop the pool of talent that lies within to take advantage of opportunities to further develop as they arise. Additional information on the Board’s recruitment strategy can be found in the report on the activity of the Remuneration and Nomination Committee by its Chair Sue Turner.

There is no doubt that this year has been a particularly challenging one for Cornish Mutual and our Members. The unexpected and wide-reaching impact of a global health pandemic has had a significant impact on the day-to-day lives and businesses of our Members. It has also impacted the way we have all had to work. Thanks to the thorough risk management work carried out by the Executive over the last few years it has been possible to maintain a near seamless service to our Members. Both the Board and I are extremely appreciative of the work and commitment put in by all the Cornish Mutual staff to ensure business as usual as far as possible while working away from the office, and while being unable to visit our Members in the normal way.

Risk management is an area which as an insurance and investment business the Board spends a lot of time considering. Following a review, the business changed its reinsurance arrangements, which took effect in this Financial Year. A full report on this and of the activities of the Risk and Audit Committee, chaired by Paul Davies, will be found later. Suffice to say that all risks - whether short or long term - are of concern, and as a Board we invite further challenge by both our external auditors Pricewaterhouse Coopers (“PWC”) and our outsourced internal auditors PKF Littlejohn. I would like to extend our thanks to all the businesses that work with Cornish Mutual, whether auditors, loss adjusters, investment advisors or otherwise, particularly during this testing year, to ensure our Members receive the high quality service they deserve.

The farming community has been further impacted by an extreme weather pattern with many autumn crops remaining unsown. The very dry spring gave an opportunity to catch up with planting, but the absence of rain meant that grass soon ran short for those with livestock. This then, perhaps somewhat predictably, led to a wet and delayed harvest period.

To further complicate things, the uncertainty of the Brexit situation remains which has the potential to bring about the biggest changes in the income and structure of the farming industry for at least forty years.

The lockdown period did result in a fall in the number of claims received which is positive for both the business and our Members; however, the significant downside for Cornish Mutual during the year has been the fall in the investment returns. Further details can be found in the financial statements and in the report on the activity of the Investment and Capital Management Committee by the Chair Charles Pears.

Farming and rural communities remain the backbone of the Cornish Mutual Membership and the Board makes considerable effort to be aware of the implications of the challenges facing them. Where possible Cornish Mutual seeks to champion, promote and support these communities. We look forward to a resumption of the agricultural shows and to maintaining our support for the Young Farmer movement within the South West.

Finally, in what has proved to be a year of great change and uncertainty, I would like to thank our Members for their continued support. The business as a mutual only works for the best interests of its Members. I hope that despite all the challenges we are able to work together for the greater good as was the inspiration for the founding Members of Cornish Mutual.

Jeremy Oatey

Jeremy Oatey

15 December 2020

"Always adopting the approach which we believe to be the best for our Members."

I am delighted to have been appointed to this role during the year.

My time with Cornish Mutual as Finance and Operations Director has made me a real advocate of mutuality and I am committed to maintaining the values of the company.

While continuity of stewardship is a benefit, organisations need to embrace new opportunities, particularly at times like these. With our new farming Chairman, Jeremy Oatey, and a significantly refreshed leadership team, I am confident we have the ingredients we need to build upon the successes of our predecessors with some new ideas.

2020 was a year in which we saw the UK's focus switch from Brexit to the all-consuming issue of Covid-19. Our own business continuity plans meant that 100% of staff were able to work from home and we did not furlough a single employee. The commitment shown by our colleagues over this period meant we maintained all our service levels. While our face to face visits were suspended for a time until we were able to implement social distancing protocols, all policy administration, claims and phone services were unbroken from day one of lockdown. Our phone-based people have relayed how much many of you appreciated this maintenance of service. Thank you for the positive feedback which is always motivating. I am glad we were able to consistently answer the phone quickly and even find a bit of extra time for longer calls to have a chat with those who were perhaps feeling isolated and in need of support.

During the year, the Financial Conduct Authority ("FCA") published their final market report on General Insurance Pricing Practices, which identified poor market practices – particularly for home and motor products. We are pleased to note that we have never undertaken any of the practices identified in the report, which included differential pricing to attract or retain Members. As such, the changes proposed by the FCA will have little direct impact on us, aside from some additional reporting requirements, which we will be happy to fulfil. By always adopting the approach which we believe to be the best for our Members, we have once again found ourselves to be in the right place following a review by our regulator.

As anticipated last year, our strategic review sets an evolving course for the business rather than a revolutionary one. That said, we focus on areas where we can add more value to the membership, recognising the challenges that face the farming community.

We revisited our strategy, which is outlined below, in light of the pandemic and are satisfied that it was already focused on the sorts of changes that Covid-19 may accelerate. Automation, risk management and a flexible adaptive workforce will all build resilience to future shocks and support the changing needs of the membership.

Thank you to all our stakeholders for your loyal support of this important South West company. Our Members, staff, reinsurers and suppliers all play their part in making Cornish Mutual an organisation that I consider it a genuine privilege to lead during these most interesting of times.

P Beaumont
Managing Director

Section 172

Section 172 of the Companies Act 2006 describes how the Directors of the business must work to promote the success of the business for the benefit of the whole Membership. This includes considering in full the likely consequences of any decision over the long term, taking actions in the best interests of our employees, fostering positive relationships with suppliers, developing positive relationships with the wider community and improving the impact of the business on the environment.

Our enduring purpose is that we work to protect the farming community. Our Membership is at the heart of everything we do. This is explored in both the Strategic Report, which starts on page 5 and in Section 1 of our Report on Corporate Governance on page 24. Our Strategic Report sets out details of our strategy on page 5. Our objectives are all focussed on ensuring we are in a position to provide the best possible service to our Members.

Sections 2 to 5 inclusive of our Report on Corporate Governance on page 24 set out the ways in which our governance structure enables service excellence, by ensuring our Board and its individual directors, have the qualities, training and understanding to deliver on behalf of the Members.

Section 6 of our Report on Corporate Governance provides further explanation of how we engage with each of our Stakeholders. It is important that the Board understands the needs of each Stakeholder group and that these needs are always considered during discussions and then decision making. We are constantly seeking to put the Member at the centre of all of our actions, and this is recognised by the Board when making decisions that will impact our Membership in the longer term.

Strategy and Objectives

Our strategy determines how we deliver our purpose. It is our plan for how we navigate the challenges we face and capitalise on the opportunities we identify for the benefit of the Membership.

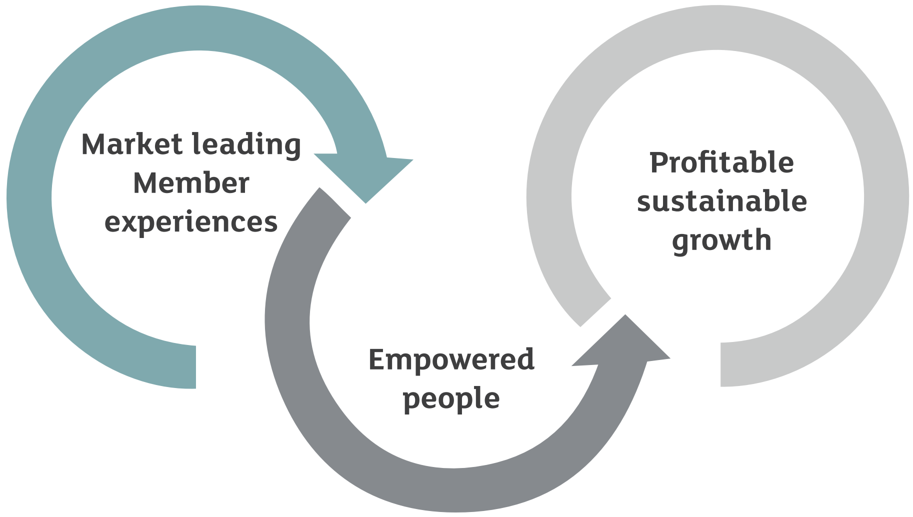
Our value as a business lies in providing a level of service that exceeds that which can be obtained anywhere else. How we organise ourselves, how we act, the services we provide, and the outcomes Members experience all contribute to a distinctive and unique offering.

Insurance, and risk management more widely, is vital to our Membership and we understand our responsibility as an intrinsic partner to Members. Accordingly, we need to consider the future changes to the farming community as well as the significant trends impacting the insurance industry.

Technology is increasingly the driver for business change across most sectors. For Cornish Mutual, how we use technology is going to be different to what is seen elsewhere in the insurance and financial services industry. We recognise that the ability to speak to an easily accessible expert to establish the right cover, discuss claims and resolve any issues along the way is what makes Cornish Mutual a valuable business partner. Technology needs to add to this successful formula, not replace it.

Objectives

As part of our strategy refresh during 2020 we identified our three objectives for the Company:



1. Market Leading Member Experiences

The focus of this objective is to create an ever more compelling reason to join, stay and recommend Membership of Cornish Mutual.

We want Members to have access to the service they need, available in a way that suits them. We will continue to develop our offering by augmenting our current personal approaches with new digital channels.

Our Members consistently recommend us, so we will maintain what Members value: we always do what we say we will do; offering consistent, stable pricing, and providing a fair and responsive claims service.

2. Empowered People

A key part of delivering our service to Members is the quality of the people who work at Cornish Mutual. Being a Chartered Insurer requires maintaining a high level of professionalism and working to strong ethical and conduct standards.

A crucial feature of dealing with someone at Cornish Mutual is that they are knowledgeable and are able to get things done. Providing new and improved tools to support colleagues in this endeavour is a key part of this objective.

To support our continuous improvement and deliver great Member outcomes we must work effectively together, ensuring a spirit of innovation can thrive and further enhance our service to Members. Our performance management focuses on behaviours, ensuring we actively work together, continuously improve and put the Membership at the heart of every decision we take.

3. Profitable Sustainable Growth

Our objective of growing the business means we can extend the benefits of Cornish Mutual to a wider membership. We are clear though, that our growth will continue to come from farmers and the farming community. To do this sustainably means combining growth with control over expenses and delivering sufficient profit to maintain an appropriate level of Members' funds.

The variable nature of claims means insurance results are inherently uncertain. We plan to make a profit over a five-year period, recognising we are likely to make losses in some individual years.

Our insurance results are underpinned by our reinsurance strategy, which can significantly affect the balance between risk and return in our results. The significant change to our reinsurance arrangements this year, positively impacts the results we expect to see over our five-year planning period, while still protecting our capital. This is discussed in more detail further on in this Strategic Report.

Our investments also contribute to our overall profit. We have seen two very large shocks to the financial system in relatively recent times, in the form of the financial crisis in 2008 and the Covid-19 pandemic. We seek to balance these sorts of investment risk with a reasonable level of return.

Key Performance Indicators

We use a number of key indicators to understand the development and performance of the business. Financial key performance indicators include loss ratios (which compare premium to claims costs), growth in written premium and our amount of available capital.

Non-financial measures include our Net Promoter Score (which measures the willingness of our Members to recommend our services to others), our retention of Members at renewal, telephone call handling statistics and the number of complaints received. We also recognise the importance of employee engagement and measure this in a variety of ways including an annual survey where we encourage honest feedback.

Financial Performance

Members' Funds need to be maintained at an appropriate level to meet the expected amount of current and future claims. Managing the level of these reserves is key to the financial success of Cornish Mutual, balanced with our aim to deliver good general insurance cover at a competitive rate. Members' Funds increased by £1.2m to £22.4m (2019: decreased by £1.6m), which remains well within our own appetite. On a Solvency II basis Members own funds is comfortably in excess of our Solvency Capital Requirement under the Standard Formula.

We have fared well compared to many businesses despite the impact of the Covid-19 pandemic. In fact, our higher gross claims loss ratio this year, has not arisen due to Covid-19, but rather due to a deterioration in our claims experience from prior years. Notwithstanding this, we have been impacted by the pandemic in various ways, including:

- Limitations on new business activity impacting new business growth;
- A reduction in small motor claims during the lockdown of April and May;
- An adverse impact on our investment results due to the impact on Financial Markets.

Financial Highlights

Year	2014	2015	2016	2017	2018	2019	2020
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Gross Written Premium	**20,570**	**20,590**	**20,820**	**22,310**	**23,440**	**23,650**	**23,860**
Gross Earned Premium	**20,460**	**20,710**	**20,600**	**21,500**	**23,000**	**23,450**	**23,880**
Less: Gross Claims	13,790	9,460	10,870	12,070	13,830	15,360	18,340
Gross claims %age	67%	46%	53%	56%	60%	66%	77%
	6,670	11,250	9,730	9,430	9,170	8,090	5,540
Less: Expenses	5,310	5,570	5,960	6,430	6,830	6,980	6,870
Gross Earned Expense ratio	26.0%	26.9%	28.9%	29.9%	29.7%	29.8%	28.8%
Gross insurance result	**1,360**	**5,680**	**3,770**	**3,000**	**2,340**	**1,110**	**(1,330)**
Profit before tax	360	790	1,590	2,350	(10)	(1,340)	1,200
Less: Investment returns	1,040	350	1,820	1,890	580	590	(130)
Net insurance result	**(680)**	**440**	**(230)**	**460**	**(590)**	**(1,930)**	**1,330**
Effect of reinsurance	**(2,040)**	**(5,240)**	**(4000)**	**(2,540)**	**(2,930)**	**(3,040)**	**2,660**
Effect of reinsurance as %age of Gross Earned Premium	(10%)	(25%)	(19%)	(12%)	(13%)	(13%)	11%
Members' Funds £m	**19.4**	**20.0**	**20.4**	**23.4**	**22.9**	**21.3**	**22.4**

Rounded to nearest £10,000

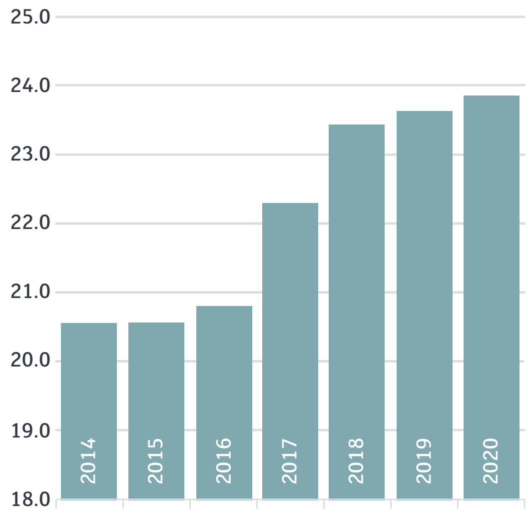
The table above includes our financial key performance indicators. The table shows the difference between the gross and net insurance performance, which allows us to see the impact of our reinsurance arrangements. The table reflects the financial results as reported in each financial year. Each year is subject to positive or adverse developments in claims from previous years. This means that in Financial Year 2020, net insurance profit reflects the impact of changes in claims values under quota share arrangements, stop loss arrangements and excess of loss arrangements. We discuss each of these financial key performance indicators in the following paragraphs.

Gross Written Premium

Gross written premium increased slightly over the period to £23,860k (2019: £23,650k). This minimal level of growth in Financial Year 2020, is lower than was forecast prior to the arrival of Covid-19. While we have been able to maintain our service standards throughout the pandemic, and in many ways have experienced less of an impact from the pandemic than other businesses, our new business activity has been restricted due to limations in our activity arising from compliance with Covid-19 guidelines.

Profitable, sustainable growth is one of three key objectives as we enter our new strategic period and will be a core focus as we move onwards beyond the challenges of Covid-19.

Gross Written Premium £m



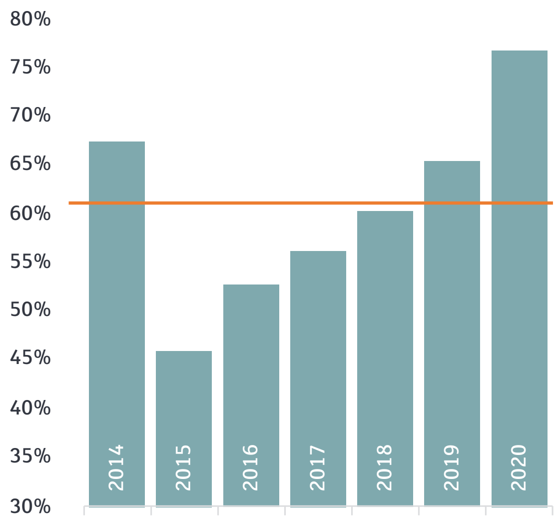
Gross Earned Loss Ratio (GELR)

Gross earned loss ratio is the movement in the cost of claims, excluding the effect of reinsurance, as a proportion of gross earned premium. It includes the cost of claims reported in the year and movements in the estimated cost of claims brought forward from previous accounting periods.

GELR shows the underlying performance of the book of business and reflects our ability to correctly select and price the risks we insure.

Despite underwriting broadly the same risks each year the gross claims cost varies considerably. This is mostly caused by the effect of a few individual large claims or, as in the case of 2014, a period of bad weather.

Gross Earned Loss Ratio



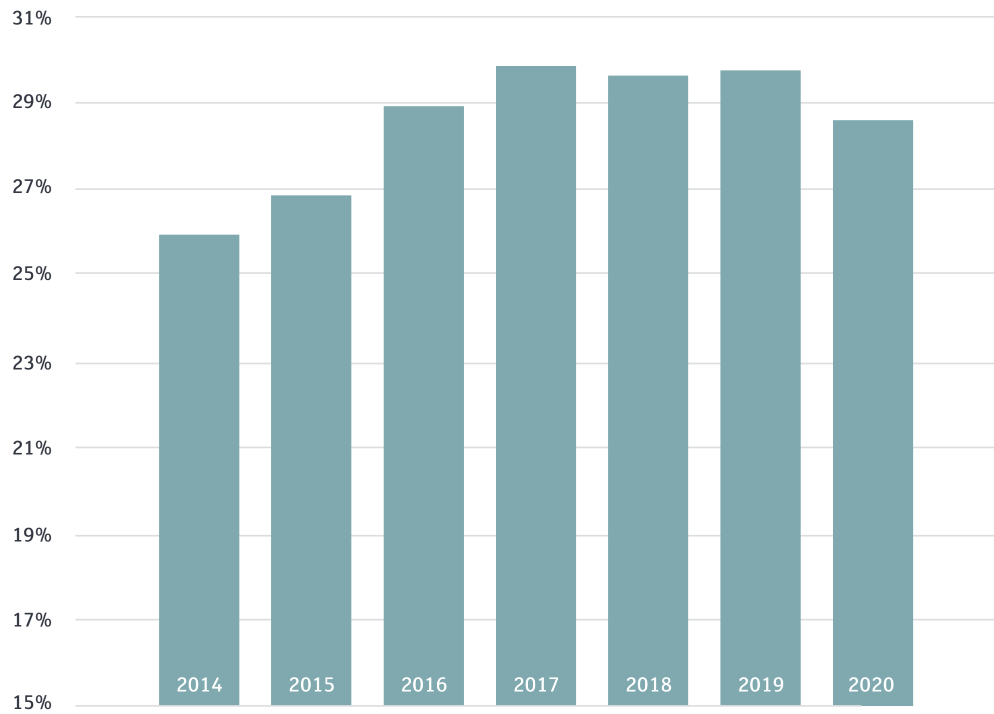
The increasing trend from 2015 to 2020, shown in the above graph, has arisen due to the deterioration of a very small number of large claims during these years. Without this deterioration the loss ratio for 2020 is well below target, reflecting in part the reduction in small motor claims during the lockdown of March and April 2020. This increase therefore reflects the volatility we face as a business and not a deterioration of the overall portfolio and for that reason is in line with our expectations. Furthermore, our reinsurance arrangements, explained in more detail below, materially restrict the impact of such large claims on our underlying profitability.

Expenses

Expenses include net operating expenses from the technical account and other charges from the non-technical account. In the current year, the ratio of expenses to gross earned income is slightly lower than 2019 at 28.7% compared to 29.8% last year. This is in part as a result of the pandemic, which has meant some costs have reduced due to limitations on our activities, such as shows, events and travel.

We are a Member owned organisation, which means that any money we spend is Members' money. We recognise this responsibility and look to compare favourably against other insurers on this measure. Part of our strategy of profitable, sustainable growth is ensuring that we focus on achieving and maintaining a competitive expense ratio. We believe we can dilute some fixed costs through future growth and process efficiencies, while also committing resources to further develop the high level of service we believe that our Members want and deserve.

Expenses as Percentage of Gross Earned Premium



The Use and Effect of Reinsurance

Cornish Mutual, in common with other insurance companies, is exposed to potentially large, though infrequent, losses. Motor insurance in the UK is provided on the basis of unlimited liability, which means one individual claim could be much larger than Members' Funds.

To protect Members' Funds against the possibility of a very large claim or a large number of claims arising from a natural catastrophe, we enter into reinsurance arrangements which reduce the financial impact of such claims should they occur.

Cornish Mutual's result for Financial Year 2020 reflects the use of three main types of reinsurance.

Our new stop loss reinsurance arrangement commenced on 1 October 2019. This is a type of excess of loss insurance, where our reinsurer is liable for any claims amounts that exceed 70% of premium on an overall basis. In addition, we also have excess of loss reinsurance in place to provide cover in the event of specific large claims.

Prior to this financial year, our primary reinsurance was quota share reinsurance. This involves sharing the insurance result with an external party in return for a commission payable by the reinsurer. They take some of the profit but share in the risk of any losses which occur. Any policy written after 1 October 2019 was attached to our stop loss arrangement. However, until 1 October 2020, we still had some policies written in the 12 months prior to 1 October 2019 attached to our quota share reinsurance. Our quota share reinsurance was purchased along with excess of loss insurance to provide protection for certain incidents or events in excess of agreed limits.

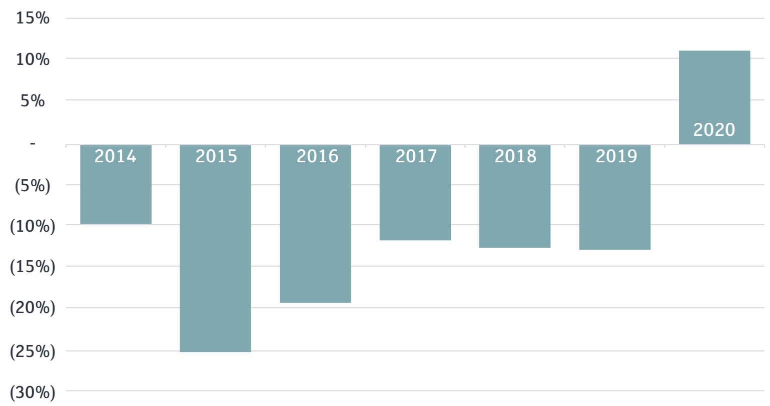
The graph illustrates the cost of reinsurance as a percentage of gross earned premium. For the purposes of clarification, the positive impact of reinsurance in Financial Year 2020 is not due to the transition to the stop loss reinsurance arrangement, but rather due to prior year deterioration in our large claims experience.

Whilst reinsurance clearly comes at a cost, the net insurance result is much less volatile than the gross insurance result. It is the net insurance result that impacts on Members' Funds.

Reinsurance protects Cornish Mutual against losses that would otherwise threaten our capital base, as described in the risk management section of this report.

Our previous quota share reinsurance programmes have been in place to protect against loss to the business, but this has been at the cost of sharing our underwriting success with reinsurance partners by a reduction in our profit. With volatile investment markets and decreased return from this part of the business, it is important we secure an equitable return from our core insurance activities and to this end we have changed our reinsurance arrangements. Our new structure will see us retain more risk, as our reinsurance will not attach until our loss ratio exceeds 70%. By retaining more of the risk, we retain more of the profit, while continuing to receive protection against large individual losses and an aggregation of small losses which could impact our results.

Impact of Reinsurance as a Percentage of Gross Earned Premium



Investment Returns

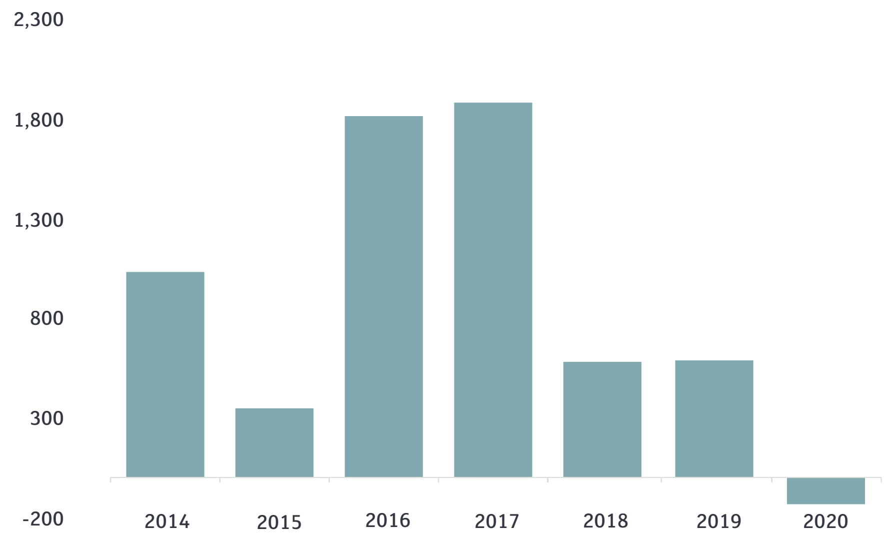
Investment returns in 2020 were below expectations. This is largely attributable to the impact of the Covid-19 pandemic on global economic markets. After significant unrealised losses in February and March there was a period of recovery, however uncertainty remains high with further unrealised losses experienced in October 2020 as a result of the introduction of a second lockdown.

The longer-term economic impact of the pandemic remains unknown. Covid-19's impact coupled with the pre-existing expectation of a low return environment, makes it a challenging time for insurers - especially when this is combined with the potential for market shocks.

The use of multi asset funds gives our selected expert providers more ability to manage these challenges on our behalf.

While we have incurred an investment loss during the year, our insurance performance has meant that Members' Funds have increased from £21.3m to £22.4m.

Investment Returns £'000



Cash Flow

The levels of capital prescribed by the Prudential Regulation Authority ("PRA"), held in Cornish Mutual as retained profit, results in significant investment assets on the balance sheet. Given the liquidity of these assets, cash flow does not present a significant risk and we maintain considerable flexibility. This situation has been consistent throughout the Covid-19 pandemic. The total amount and timing of claims payments is one of the main factors determining cash flow. This financial year has also seen the unwinding of our quota share reinsurance arrangement, which has meant funds have then required reinvestment. This has been overseen closely by the Investment and Capital Management Committee with more information provided in the Committee report on page 42.

Overall Financial Performance

Premium growth in 2020 was low, but acceptable and understandable given the significant disruption to the economy generated by Covid-19 and the accompanying lockdowns, which has curtailed new business activities. Sustainable growth remains a key objective of the company and underpins future performance.

Our motor claims volumes during lockdown – particularly during April and May were lower, which has contributed to our insurance profit of £1.4m. However, insurance profit was also in part due to a release of some reserves, which have been held through previous years, but were deemed to be overly prudent.

Investment returns have also been materially impacted by Covid-19. As a result, there is a loss on our investment income this year, which has reduced our insurance results by £130k to give us a profit before tax of £1.2m.

The overall results reflect the inherent uncertainty in both our insurance and investment returns, with the profitability lying within the range of expected values given this underlying volatility.

The balance sheet remains well managed and Members' Funds maintain a surplus over regulatory capital requirements which is in line with our risk appetite. This has been consistent throughout the period impacted by the Covid-19 pandemic.

We have structured our investments and reinsurance arrangements to reflect the appropriate levels of risk relative to the outcomes we wish to achieve. These issues are discussed in more detail in the Principal Risks and Uncertainties section of this Strategic Report and in note 5 to the financial statements.

Key Non-Financial Performance Indicators

Employees: Our people are particularly important to us. The number of people engaged in the business over the past financial year are as follows:

	Male	Female
Directors	7	2
Leadership Team	10	8
All other Staff	32	47
Total	49	57

We have a policy of being as flexible as we can with working arrangements, both to ensure we fulfil Member expectations and to help us maximise opportunities for our staff. Over a third of our staff work non-typical hours which enables them to balance work with other commitments and maintain their career aspirations. We recognise that the pandemic has accelerated a move to home working, and will reflect on our longer term approach to achieve the best outcome for our Members and employees.

The latest gender pay figures for Cornish Mutual showed the pay gap is almost nil in all quartiles.

Staff Engagement

We have just undertaken our second staff survey, which saw an 80% response rate. Most areas of the survey saw either an improvement on prior year or showed a similar response. On a scale of 1 to 10, an average rating of 9 out of 10 was given with regards to how likely people were to recommend that Cornish Mutual as a good place to work. Given the exceptional circumstances that this year has brought, and the fact that the majority of people have worked offsite for most of the year, both the response rate and the responses themselves illustrate strong employee engagement.

Net Promoter Score

Research is conducted amongst our Members by an independent external company. The research covers a sample from three of our Member cohorts; those who have recently had a claim, those who have recently taken out a new policy, and a more general cohort of Members. One of the issues we explore is the willingness of Members to recommend Cornish Mutual to others on the basis of their experiences. The results are tallied into a Net Promoter Score (NPS) which is a measure widely used as a standard industry benchmark for customer satisfaction.

In 2020 we achieved an NPS of 69% from the claims cohort, 82% from the new policy cohort and 59% from the general cohort. All of these scores are very positive, particularly given the change the business has undergone in responding to the Covid-19 pandemic. The results provide us with additional insight into how we can enhance Member service, which is a core objective of our strategy.

We continue to focus on activities which will deliver quality service for our Members, exceeding their expectations, and at the same time deliver against our objectives. We continuously monitor our telephone answering to ensure compliance with our Service Level Agreements. Over the course of 2020, we answered 92.1% of all our calls within 20 seconds (93.0% in 2019), with any calls falling outside of this statistic receiving a prompt call back. With a keen focus on ensuring we identify and respond to any issues flagged by our Members, benchmarking against other insurers has indicated that we are ahead of the rest of the market in terms of the proportion of complaints we receive relative to our volume of policies.

Corporate Social Responsibility

Corporate Social Responsibility ("CSR") has always been important to Cornish Mutual. The desire to use our skills and resources to make a positive contribution to the farming and rural communities in which we operate has been integral to developing and driving our CSR strategy. With the majority of our planned fundraising and sponsorship activities for 2020 impacted by Covid-19, we have sought to adapt our approach so that we can continue to make a contribution when and where it is most needed.

For 2020, we introduced the "1000 volunteering hours" initiative. This enables employees to apply to volunteer, using their paid time or skills, for causes local to them. This has included volunteering at the local foodbank, working as NHS responders, delivering milk and collecting prescriptions. With so many agricultural shows and events cancelled as a result of the pandemic, we have tried to support organisers wherever possible. We have made discretionary donations to Young Farmers who have suffered a loss of income due to the cancellation of different fundraising events, and have been using our reach to promote local initiatives, charitable endeavours and to connect the local community wherever possible.

Future Development

Responding to Covid-19 and the challenges it has brought will continue into the next financial year. Alongside the uncertainty brought about by the pandemic, there exists the longer-term impacts of changes in farming, including the impact of Brexit and the Agricultural Bill. This brings to the forefront of our industry fundamental questions relating to food production, global competitiveness, self-sufficiency, food tariffs and trade. We will be watching these developments closely, with the intention of ensuring that as the needs of farmers change, our products and services evolve too. We are keen to use technological advancements to enhance our processes and give our Members the best possible service, whilst respecting the Members' right to choose how they wish to engage with us.

Significant changes are afoot in terms of agricultural technological developments, motivated by a desire to improve efficiency, but also increasingly to reflect a need for the agricultural industry to respond to the risks and challenges associated with climate change. Climate change issues are important to us both from the point of view of our Members and how it impacts their lives and businesses, but also in relation to the financial risks of climate change, which we may encounter as a business. This is an area which we are looking at with more focus, in line with the expectations of the PRA, as we seek to further embed risk management around the financial risks of climate change in our governance framework.

We anticipate that in addition to the changes noted above we will also see further consolidation and diversification in the agricultural sector and will work hard to be best placed to fulfil the insurance and risk management requirements of our Members as their needs change.

Principal Financial Risks and Uncertainties

The Board, via the Risk and Audit Committee, ensure the risks which the business faces are managed in a prudent and conservative manner. We operate a comprehensive risk management framework through which we identify, monitor, report and manage the principal risks within risk appetite and ensure that adequate capital is held against them. The key tools to enable this to happen are the Own Risk and Solvency Assessment process and our Risk Appetite Tolerance and Controls register. The key risks which the business faces are as follows:

Insurance Risk

Insurance risk arises from the inherent uncertainties about the occurrence, amount and timing of insurance claims. This is our biggest source of risk but also the essence of our business, so we ensure a number of measures are in place to manage this risk prudently and conservatively. These include our underwriting policy, meetings of our Large Loss Committee, our Pricing Committee, the Sales and Underwriting Referral Forum, and the Management Risk Committee as well as our fortnightly Business meeting which bring together the key functions to discuss strategic progress.

During the year, we have had to consider the potential impact on insurance risk of claims resulting from the Covid-19 pandemic. During the initial 'lockdown' period we saw a change in our typical claims profile on our private motor business as less miles were driven, leading to fewer motor accidents. We also received a limited number of enquiries from Members as to whether they had insurance cover under their commercial policies for Business Interruption due to the pandemic. Although not a party to the FCA Business Interruption test case, we have closely followed developments and fully adhered to the FCA guidance. None of our policies provide cover for Business Interruption due to Covid-19 and our policy wordings have not been the subject of review as part of the test case. Therefore, we are carrying no additional reserves in relation to this at our Year End.

Claims reserves require a level of judgement and this is discussed in note 5. Of our insurance profit of £1.4m, over £300k is a result of a release of large claim reserves for our Incurred But Not Enough Reported Claims (hereafter IBNER). Our large claims are inherently volatile, and there is significant opportunity for movement both up and down. The release of these reserves reflects our analysis which shows that, while we recognise the volatility of our larger claims, as a population over the whole period of their life, our large claims tend to get smaller. We have held this provision for multiple years and the decision to release it does not relate to our performance this year.

An essential part of managing our insurance risk is our reinsurance approach. From this financial year, our reinsurance structure has changed and we are confident this revised approach will provide the protection we require in a manner which allows us to generate a better return for our Members within acceptable levels of volatility.

Counterparty Credit Risk

Given our reliance on reinsurance partners, credit risk is significant for Cornish Mutual. It is the risk of a financial loss if another party fails to perform its obligations in a timely or appropriate fashion. As well as our reinsurers, we also have exposure from banks, contractors, our investments and Members. Significant controls are in place to ensure that the risk is minimised.

Our new reinsurance structure means that the cash balance of the business will increase, which mitigates the credit risk the business faces. As anticipated, we have already seen a reduction in our quota share reinsurer's share of our technical provisions due to the transition to our new reinsurance arrangements. However, counterparty credit risk remains relevant to our revised reinsurance structure, primarily due to reinsurer's share of technical provisions arising from our excess of loss reinsurance. Furthermore, in the event that a stop loss recovery were to arise, counterparty credit risk would also remain. We monitor the credit ratings of our reinsurers and review their financial strength annually prior to renewal. We have now completed renewal for Financial Year 2021 with all of our reinsurers remaining within our required credit ratings despite the impact of Covid-19.

Liquidity Risk

Liquidity risk is the possibility that the business may be unable to meet its obligations as they fall due as a consequence of having insufficient accessible funds. We pursue an investment policy that means we have sufficient liquid assets to ensure that liquidity is not a significant risk for Cornish Mutual. This risk has not increased as a result of the Covid-19 pandemic.

Market Risk

The market risk Cornish Mutual faces is that an adverse movement in the value of assets, such as interest rates or equity prices, is not matched by a corresponding movement in the value of liabilities. Our investment policy ensures that we have a suitably diverse balance of assets. Testing the impact of particular events on these assets, such as failure of investments and equity downturns, is a critical part of our Solvency II work, in particular the calculation of the Solvency Capital Requirement (SCR). After insurance risk, market risk is the significant risk the company faces. We have been monitoring our investments closely in response to the Covid-19 pandemic and liaising frequently with our investment manager throughout the period. More information can be found on this in the Investment and Capital Management report on page 42.

Operational Risk

Operational risk relates to a loss resulting from inadequate or failing internal processes, people and systems or from external events, for example a disruption to the business by natural catastrophe. This year we have had to move swiftly to remote working in response to the Covid-19 pandemic. As a result of the planning to mitigate the impact of such an event, we were able to move efficiently off-site without impacting our service to Members. We are pleased with the results of our planning as it allowed us to continue to deliver the service our Members deserve.

Covid-19 illustrates the potential impact that operational risk can present and therefore, particular focus is placed on such risks by the Board with a variety of mechanisms in place to both mitigate their effect should they arise, and to prevent them arising in the first place.

Pension Risk

The value of our defined benefit pension provision also includes a high degree of uncertainty. While the pension liability is shown as nil, this number is sensitive to assumptions about future interest rates, inflation and longevity of pension holders.

Despite the Covid-19 pandemic, the latest valuation of our defined benefit pension continues to suggest a surplus. However, this has not been recognised because there is not an unconditional right to the surplus and a benefit to the company is not anticipated to arise. The valuation basis for accounting purposes does not necessarily reflect the full liability of the pension if these assumptions were to change or if the company sought to pay another company to take on these liabilities. Accordingly, risk associated with the pension remains, although it now appears with a nil value in these financial statements.

Fair, Balanced and Understandable

The Directors assert that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable. In making this assessment the Board have considered the process followed to draft the Annual Report and Financial Statements, and in particular the following stages:

• Each section of the Annual Report and Financial Statements is prepared by a member of management with appropriate knowledge, seniority and experience.

• The overall co-ordination of the production of the Annual Report and Financial Statements is overseen by the Finance Director. In addition, the Company Secretary carries out a review to ensure consistency across the document.

Going Concern

Our forecasts and projections, taking account of reasonably possible changes in trading performance, including the impact of the Covid-19 pandemic, show that the Company should be able to operate within the level of current resources over a period of at least twelve months from the date of approval of these financial statements. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Viability Statement

The Own Risk Solvency Assessment ('ORSA') process identifies the assumptions which we have made in assessing how the business will develop and results in an annual report available to our Regulators. During the year, we reviewed the impact of the Covid-19 pandemic, and completed a supplementary ORSA review, including a reforecasting exercise of different scenarios, to ensure we had fully considered the potential impact of the pandemic on the business. Our reforecasting focussed on our insurance performance and did not seek to predict investment performance. These scenarios included the impact on premium arising from Covid-19, with a 50% reduction in new business assumed initially and an improvement towards the end of the year and a scenario reflecting a reduction in our retention rate from 93% to 90% due to the wider economic impact of Covid-19. A full explanation of the ORSA is included in the Report of the Risk and Audit Committee on page 35.

We produce a five-year plan with a forecast balance sheet for each year. We adopt a five-year period as we consider it possible to anticipate likely reinsurance arrangements and cash flows for this length of time. We have modelled one forecast assuming our existing stop loss and excess of loss cover is in place, and another where just excess of loss cover is maintained. These reinsurance types are explained on page 11. We reviewed our five-year plan in light of the impact of the Covid-19 pandemic, and were comfortable that the assumptions made and the forecasted numbers remained reasonable.

The balance sheet for each scenario is subject to stress testing as our Regulator would expect, to ensure they would meet regulatory capital requirements at each future period.

As a result of this work, which reflects the change to our reinsurance arrangements, and which has been reviewed in light of the impact of the Covid-19 pandemic, we have a reasonable expectation that the Company will be able to continue to operate and meet its liabilities as they fall due for a period of at least five years. The key assumption supporting this expectation is the continuing availability of appropriate reinsurance cover being available.

On behalf of the Board

Peter Beaumont

Managing Director

15 December 2020

DIRECTORS

Directors’ Report

The Directors have pleasure in submitting the Annual Report and audited Financial Statements for the Company for the year ended 30 September 2020.

The following people served on the Board of Directors during the year ended 30 September 2020.

IJ Pawley LLB (stepped down at AGM on 25 March 2020)
JP Oatey Chair of Board (elected 14 April 2020)
PJ Davies BSc, C Dir, FPMI, FIDM, FIOD
A Goddard MA (OXON), ACII, DipMgmt (Open) (Retired as Managing Director and from Board 31 December 2019)
PS Beaumont Managing Director BSc, FCA. Cert CII (Appointed as Managing Director from 31 December 2019)
RB Cawse MA (EXON), DMS, FCIB, FRSA
CW Pears BA (Hons), ACII
R Lane TD, BA FCMI, FCII
SE Turner LLB (Hons)
PWD Mahon Insurance Director BSoc Sc, FCII
CE Green Finance Director BA (Hons), FCA (elected to Board on 14 April 2020)
MP Schwarz Company Secretary BS, MSc

Registered Office: CMA House, Newham Road, Truro

Directors’ and Officers’ Insurance

The Company has purchased Directors’ and Officers’ Liability Insurance for Directors and Officers as permitted by the Companies Act 2006. This cover is provided by Travelers Insurance Company Ltd to a limit of £2.5 million in any one period of insurance.

Financial Risk Management Objectives

The Strategic Report includes an assessment of financial risk management objectives, which can be found on pages 8 to 13 of the Financial Statements. Additional information relating to risk management can be found in note 5 and in the Report of the Risk and Audit Committee.

Directors

All Board Members have served fewer than nine years. We had no Directors due for election or re-election at the Annual General Meeting in March 2020. Clare Green will stand for election at the Annual General Meeting in March 2021. Paul Davies and Jeremy Oatey will stand for re-election in 2021.

Auditors

PwC have conducted the audit for the Financial Year ended 30 September 2020. PwC have served four years as Cornish Mutual’s Auditors. In line with best practice, a competitive tender was undertaken during the summer of 2020. BDO was the preferred supplier and will assume responsibility for auditing Cornish Mutual for the financial year ended 30 September 2021. The Directors recommend this appointment to the membership.

The Directors wish to thank PwC for their services over the past four years.

M. Schwarz

Margaret Schwarz
Company Secretary
15 December 2020

Statement of Directors' Responsibilities in Respect of the Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors 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 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 Companies Act 2006.

The Directors are responsible for the maintenance and integrity of 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' CONFIRMATIONS

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have 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 company's auditors are aware of that information.

On behalf of the Board

Jeremy Oatey
Chairman

15 December 2020

The AFM Corporate Governance Code

The Company uses the 2019 edition of the AFM's Corporate Governance Code* as a benchmark to demonstrate good governance. The following section sets out the Code, how Cornish Mutual applies its provisions in governance, and where in this Annual Report or elsewhere, compliance with the provisions is evidenced.

THE PRINCIPLES	HOW WE APPLY THEM
1.PURPOSE AND LEADERSHIP An effective Board promotes the purpose of an organisation, and ensures that its values, strategy and culture align with that purpose.	Our enduring purpose is to protect the farming communities of Cornwall, Devon, Dorset and Somerset. This is described in more detail in the Strategic Report on page 5. This purpose drives our strategy and is the heart of the values and culture of the organisation. As a mutual, our Members and the protection of their interests is central to all our decisions. The Board is responsible for ensuring strategy aligns with purpose; it leads by example the values of the organisation. Our values (also called behaviours) are: • Putting Members at the heart of everything we do • Developing self and others • Actively working together: one team where no individual is stronger than all of us. These support our strategy to deliver our purpose. Each Board Director is appraised annually on the Company and Board specific behaviours.
2. BOARD COMPOSITION Effective Board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a Board should be guided by the scale and complexity of the organisation.	The Cornish Mutual Board is mindful of the need to ensure the right balance of skills, experience, and background in recruiting Directors. We recognise that more diversity in gender, ethnic backgrounds and experience would benefit the Company and consider this a priority in our recruitment. However, competence relevant to the needs of our business remains most important in our recruitment. In order to further diversity as well as maintain expertise, we developed a skills matrix to help us choose future directors. We need a Board that is large enough to meet the requirements of governance and strategic oversight, but small enough both to be cost effective and nimble at making decisions. The Nomination and Remuneration Committee annually considers the size of our Board and considers the current mix of three Executive and six Non-Executive Directors right for Cornish Mutual. As mentioned above, each Director has an annual appraisal to ensure they remain both effective and, for NEDs, independent. All our Directors have served under nine years. The Board conducts an annual effectiveness self-assessment and at each meeting considers what went well and what could be improved. Periodically we ask external parties to evaluate our Board performance. In 2020 we asked Sarah Pryce of The Critical Friend to lead development work with the Board to ensure we operate as a unified and effective team.

* Full text of the new Code is available at www.financial mutuals.org/governance/our-governance-code/

THE PRINCIPLES	HOW WE APPLY THEM
3. DIRECTOR RESPONSIBILITIES The Board and individual Directors should have a clear understanding of their accountability and responsibilities. The Board's policies and procedures should support effective decision-making and independent challenge.	The Company's Board Charter, Memorandum and Articles of Association, Scheme of Delegation, and responsibility maps clearly spell out for Board Members what their responsibilities are towards Cornish Mutual. Those Board Members who hold Senior Management functions (SMF) under the FCA/PRA Senior Management & Certification Regime also have an individual Statement of Responsibility (SoR) which is submitted to the regulator at the time of their appointment as a SMF holder and updated as required to reflect any changes in responsibility. Cornish Mutual has three Board sub-committees to assist the Board in undertaking detailed deliberations. These committees are: Investment and Capital Management, (see page 42), Remuneration and Nomination (see page 46) and Risk and Audit (see page 35). Each committee has a comprehensive terms of reference. Directors declare their interests at least annually and any potential conflicts of interests are openly documented and managed. The Board receives training on important topics and regularly reviews the Board level policies that guide the Company's operations. The Board receives comprehensive management information to assist its decision-making. This information is continually reviewed and refined to make sure it is fit for purpose and adapts to changes in the Company's operations.
4. OPPORTUNITY AND RISK A Board should promote the long-term sustainable success of the organisation by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks.	The Company's clear purpose and strategy ensure the Board puts the long-term interests of its Members front and centre. The Board is ever mindful of the dilemma of mutuality: the interests of existing Members at any point in time may differ from the needs of the business to generate a surplus sufficient to enable investment, for example in new technology or skill, and/or growth of the business. Both capital investment and sustainable growth benefit future Members, but are made possible using the funds provided in large part by past and existing Members. This means we must be very clear as to the benefits to Members we expect from our strategic decisions in order to balance these needs over time. The Company has a comprehensive risk oversight and management structure in place as reported on page 35. The risks face by Cornish Mutual are set out on pages 16 to 18.

THE PRINCIPLES	HOW WE APPLY THEM
5. REMUNERATION A Board should promote executive remuneration structures aligned to the long-term sustainable success of an organisation, taking into account pay and conditions elsewhere in the organisation.	The Company must have credible leaders with professional expertise as well as personal values that correlate with those of Cornish Mutual so we can deliver value and service to Members. In order to attract and retain skilled and expert people, the pay we offer must be competitive within the financial services sector; commensurate with the complexity of the role; and in line with our commitment to mutuality. Unusually in the financial services sector, we do not pay our executives bonuses so that we remove the risk of conflicts of interests. The Report of the Remuneration and Nomination Committee on page 46 has more information on pay and related matters.
6. STAKEHOLDER RELATIONSHIPS AND ENGAGEMENT Directors should foster effective Stakeholder relationships aligned to the organisation's purpose. The Board is responsible for overseeing meaningful engagement with Stakeholders, including the workforce, and having regard to their views when taking decisions.	We are a values driven business and we work hard to ensure we understand the particular needs of our core Membership. To this end we undertake significant amounts of training relating to rural and agricultural issues. In normal times, the Board actively engages with Members and prospective Members at agricultural shows approximately every week. Obviously Covid-19 restrictions in 2020 meant this aspect of engagement has sadly been curtailed. We are a Chartered Insurer which means we uphold both technical and ethical standards established by the Chartered Insurance Institute and are assessed annually on our adherence to these standards. Our people are particularly important to us. The Board is committed to hearing the views of colleagues across the business. This includes listening to and acting on issues arising from our now annual staff survey; NED participation in company- wide Board debriefs; NED attendance at Management Risk Committee from time to time; shared workshops on topics including strategy, IT and marketing; and inviting non-Board colleagues to present papers at Board meetings. Cornish Mutual engages with a variety of third party suppliers to deliver our desired business outcomes. Our relationship with suppliers is governed by the Board Policy on Outsourcing and Supply Chain Management. We are increasing our focus on climate change and the green agenda. We have an active group looking to reduce our carbon footprint as a business. We also established a working group this year to consider the financial effects of climate change for both the Company and our Members. We strive to be a responsible member of the communities in which we operate. We have supported individuals through work placements and have further enhanced our support for Young Farmers across the areas where we do business. We have continued to support agricultural charities as well as encouraging colleagues to volunteer (when this is possible). Please see the Corporate Social Responsibility area of our website for more information on our community engagement.

Function and Responsibility of the Board

The key function of the Board of Directors is to ensure that the business is run in an appropriate manner. The Board meets at least six times a year. In addition, we usually have a strategy day where we focus on wider issues which affect our business and check that our plans remain appropriate.

In 2020 Covid-19 restrictions prevented us from meeting face to face from March onwards, but we have adopted computer conferencing with enthusiasm. Indeed, our Annual General Meeting was held on the Zoom platform on 25 March 2020. We had to switch our arrangements within days and were pleased to be the first Member of the AFM to hold their AGM in this manner. We consider this may be the way to encourage more Members to attend in the future. Board and Committee meetings continue to be held virtually, although some of us are in the office, with appropriate social distancing, for the meetings.

The Board works to a Schedule of Matters contained in the Board Charter which is updated and approved each year. All meetings are formally minuted. The main focus of the Board is on the following areas:

- Strategy and Management which includes approving long-term objectives and monitoring the Company's performance against the objectives.
- Governance and culture which includes assessing the composition and competency of the Board and the policies which guide the Company.
- Stewardship of Members' Funds which includes selecting investment managers and strategies.
- Financial reporting and controls which includes approval of the Annual Report and Financial Statements following recommendation from the Risk and Audit Committee.
- Communication and reputation which includes engagement with Members and ensuring polices are in place to deliver high quality service and products.
- Remuneration which includes following the recommendation of the Remuneration and Nominations Committee in determining the salary budget for the Company as a whole and remuneration of Directors. Director remuneration is subject to Member confirmation at the Annual General Meeting (AGM).
- Delegation of authority which includes the Company-wide scheme of delegation and terms of reference for various committees.

The Board Members for this fiscal year are listed on pages 21 and 29. Cornish Mutual operates with a separate Chairman and Managing Director who maintain an effective balance of responsibilities and accountabilities. Mr Oatey as Chairman is responsible for the effectiveness of the Board. His duties, and those of all Directors, are detailed in our Board Charter which is available in short form on the Company website www.cornishmutual.co.uk or in full by request.

The information used by the Board and the wider business for decision-making and reporting is governed by Board policies, the Board Charter, regulatory requirements, and best practice guides of the CII and other professional organisations relevant to our business. The integrity of the Company's financial information is audited annually and our data and information related processes are periodically reviewed by our externally provided internal audit service, most recently in 2019.

The Cornish Mutual Board consists of three Executive Directors and six Non-Executive Directors. Non-Executive Directors must be independent in character and judgement so they are able to effectively challenge the Executives. All the current Non-Executive Directors are independent in both respects.

The Board directly, and through the Remuneration and Nomination Committee, monitors succession planning in the business and has succession plans covering senior management function holders in place.

In accordance with Solvency II requirements, Cornish Mutual formally conducts its Own Risk and Solvency Assessment (ORSA) at least annually. We prepare an ORSA report which we send to the Prudential Regulatory Authority. The purpose of the ORSA is to provide both the Board and the regulators with evidence that the Company frequently and systematically assesses the risks it faces in respect of maintaining solvency capital and achieving its objectives over a five year horizon.

Due to Covid-19 we produced an interim ORSA in the summer of 2020 to specifically consider how the pandemic and associated economic consequences would affect our solvency position and five-year plan. The Board was assured that under the reasonable risk scenarios set out, Members' funds would remain above minimum regulatory requirements and the business remain viable.

The Management Risk Committee which consists of Executive Directors and Senior Leaders within the business meets quarterly to thoroughly review the risk register and the results of this deliberation are reported through to the Risk and Audit Committee.

We are incorporating a newly identified risk, the financial risk from climate change, into our risk management processes. We expect the identification and management of this to develop further over the next few years. See the Report of the Risk and Audit Committee starting at page 35 of this report for more information on risks and risk management and control.

Board Members

Jeremy Oatey

Board Chair

Jeremy previously worked nationally in farm management for both corporate institutions and private individuals. He was able to return to Cornwall to start his own farming business which now provides land management solutions to a number of local land owners. In addition, Jeremy also runs a vegetable processing company supplying a number of major local food producers. He has been a member of Cornish Mutual for many years for both his business and private needs. Jeremy also works to provide support to a number of local rural businesses and organisations.

Paul Davies

Non-Executive Director

Paul Davies has a strong background in financial services and brings his excellent experience in pensions and general insurance skills to Cornish Mutual. In addition to his role with Cornish Mutual, Paul is also a Non-Executive Director and Council Member at the University of Gloucestershire and is a pension fund trustee with Unum Limited. Based in Gloucester and a graduate of the University of Southampton, Paul has experience as a Managing Director, Chief Operating Officer, and Marketing and Business Development Director delivering major growth projects, acquisition, and change management success. Paul has a wealth of knowledge he can share with the businesses and the Members we work for.

Roger Cawse

Senior Independent Director

Roger spent 42 years working in Financial Services, the last 17 of which were as a Chief Executive in private medical insurance. He has held both Executive and Non-Executive posts on the Boards of several Friendly Societies, in addition to previous experience as Chairman of the Finance Committees of a major national housing association and a Hospiscare charity. He is currently Chairman of Civil Service Healthcare Society Ltd and Trustee Director of Southwest Mutual. Born and raised in Devonport, Roger graduated from the University of Exeter with a Master's degree in Leadership Studies. He has resided in Devon for most of his life and now lives in Cornwall.

Charles Pears

Non-Executive Director

Based in Mid-Cornwall Charles is an experienced insurance and investment professional. Previous roles include Head of Insurance at Insight Investment where he specialised in Solvency II and the management of investments on behalf of Insurers. Charles also led strategy and business management teams for Lloyds Banking Group insurance entities, National Australia Bank and Aviva PLC. He began his career in 1995 with Commercial Union where he held various roles in the general insurance and corporate partnership teams. Charles graduated from the University of Durham with a BA Honours in Philosophy and is an Associate of the Chartered Insurance Institute.

Richard Lane

Non-Executive Director

Having spent his whole career in the insurance industry, Richard Lane was appointed to Cornish Mutual's Board in 2018. He has previously been Managing Director at Ansvar Insurance, part of the Ecclesiastical Group, also having worked at LV, Zurich and RSA. Richard served as an Army Reservist, initially as a Combat Engineer and subsequently as a Logistician. He finished his Army career working in Army HQ developing Leadership training and the civilian accreditation of training. He is both a Chartered Insurer and a Chartered Manager. Richard is married with four children.

Sue Turner

Non-Executive Director

Sue Turner has spent her career supporting others to better their prospects. A Law graduate from Bristol University, Sue has been South West Director for the Confederation of British Industry, Director of a charity which worked with businesses to encourage young people to study Science, Technology, Engineering and Maths. She has worked as a head-hunter and Director of Communications for The Bristol Port Company, the UK's most centrally located deep sea port. Sue is the Chief Executive of Quartet Community Foundation, one of the oldest and largest community foundations in the UK. Her maternal grandparents were farmers in Kent and her grandfather founded the Kent & Canterbury Building Society in 1951.

Peter Beaumont

Managing Director

Peter Beaumont has a wealth of experience in the IT and financial services industries including insurance and banking. Peter took up the role of Finance Director with Cornish Mutual in January 2009, and became Managing Director from December 2019, although he was acting MD from October 2019 following his selection in July 2019. Peter has held various director level appointments covering both finance and operations. Having trained and qualified as a Chartered Accountant within public practice, Peter has spent his career within commerce. With a track record of introducing change, he is committed to further developing and delivering a first-class service to all Cornish Mutual Members.

Paul Mahon

Insurance Director and Chief Risk Officer

Paul has extensive experience in financial services having begun his career in 1992 working with Guardian Insurance. He then spent many years in the London Insurance Market and worked for Ernst & Young and PwC acting as a consultant to many of the UK's leading general insurers. Paul, a Chartered Insurer, is a Fellow of the Chartered Insurance Institute and a graduate of the University of Birmingham. He joined Cornish Mutual in 2011 and became a Member of the Board in 2018 taking up the role of Insurance Director. Paul is passionate about the rural community in the South West and he knows the region very well having spent his childhood growing up in South Devon. Paul is married with two children and he lives on the South Cornwall coast in Falmouth.

Clare Green

Finance Director

Clare has worked in the insurance industry for 15 years, having undertaken her chartered accountancy training in London, while working as a forensic accountant, advising insurers on the quantum of complex losses. She is a graduate of the University of Durham and a Fellow of the Institute of Chartered Accountants in England and Wales. Clare moved to Cornwall in 2011 and shortly after began working at Cornish Mutual becoming Financial Controller in 2016. Clare is married to a Cornish farmer, and along with their two young children, they live on a grassland farm near Falmouth, which has been in her husband's family for five generations. The farm has a herd of suckler beef cattle along with a range of diversified interests.

As mentioned above, Ian Pawley stepped down from the Board in April 2020 and Alan Goddard retired as Managing Director in December 2019. The Board wishes to thank them both for their many years of valued service.

Board Committees

The Board operates three committees:

1. A Risk and Audit Committee chaired by Paul Davies. Other current Members of this committee are Richard Lane, Charles Pears, and Sue Turner.
2. An Investment and Capital Management Committee chaired by Charles Pears. Other current Members of this committee are Paul Davies and Richard Lane.
3. A Remuneration and Nominations Committee chaired by Sue Turner. Other current Members of this committee are Roger Cawse and Jeremy Oatey.

Committee membership is elected annually at the Board meeting following the Company's AGM which is held in March. Each committee operates to a schedule of matters that forms part of its terms of reference. The three terms of reference and schedules of matters are contained in the Board Charter and available on request. All meetings are formally minuted and each committee also undertakes an annual self- assessment of its effectiveness. The full details of the work of each of these committees are included later in this document, starting at page 35.

Board and Committee Meeting Attendance

	Board Meetings	Risk & Audit Committee	Remuneration & Nominations Committee	Investment & Capital Management Committee
Ian Pawley	4/4	2/2*		2/2*
Peter Beaumont	6/6	5/5*	3/3*	4/4*
Roger Cawse	5/6		4/4	
Paul Davies	6/6	5/5		4/4
Alan Goddard	6/6	5/5*		
Richard Lane	6/6	5/5		4/4
Paul Mahon	6/6	5/5*	1/1*	4/4*
Jeremy Oatey	6/6		4/4	
Charles Pears	6/6	5/5		4/4
Sue Turner	6/6	4/5	4/4	
Clare Green	6/6	5/5		4/4

*In attendance   Committee Member

Remuneration

The approach to remuneration at Cornish Mutual is set out in the Board Policy on Human Resources. The Directors' and Executive Pay Policy section was specifically approved by the Members as part of the Annual General Meeting in 2018. See the Report of the Remuneration and Nomination Committee starting at page 46 of this report for more information on pay and related matters.

Directors' Remuneration

Year ended 30 September 2020

Director	Remuneration (£)	Benefits (£)	Pension (£)	Total 2020 (£)	Total 2019 (£)
P Beaumont	165,015	346	19,200	184,561	173,048
R Cawse	25,000	831	-	25,831	25,831
P Davies	25,000	831	-	25,831	25,831
A Goddard*	49,045	3,140	5,871	58,056	226,452
R Lane	20,000	831	-	20,831	21,662
P Mahon	123,228	346	14,340	137,914	122,479
J Oatey	33,583	346	-	33,929	20,000
I J Pawley*	25,000	281	-	25,281	50,831
C Pears	23,000	346	-	23,346	23,519
S Turner	21,250	-	-	23,000	21,250
C Green*	42,581	186	4,536	47,303	-
	554,452	7,484	43,947	605,883	710,903
National Insurance				**65,346**	**76,938**
Total				671,229	787,841

* Partial year.

On behalf of the Board

M. Schwarz

Margaret Schwarz
Company Secretary

15 December 2020

REPORT OF RISK AND AUDIT COMMITTEE

Responsibilities of the Committee

The purpose of the committee is to examine all corporate governance, risk and audit matters that affect the Company, and to assist the Board in satisfying itself that the Company's risk management systems and internal controls (including the functions of internal audit and compliance) are appropriate and sufficient to control, manage, and mitigate strategic and operational risks. As such, the committee is responsible for oversight of the Company's ORSA process. In addition, the RAC reviews the work and findings of the appointed External Auditor, the outsourced Internal Audit service, and any other audit reports prepared by third parties or internally.

Over the course of a year, the RAC has a rolling agenda covering a variety of standing matters such as the control framework for the reporting of reserves. Specific attention is given to topics that we consider particularly significant, including issues and judgements relating to the development of large claims.

Membership

The committee is comprised solely of Non-Executive Directors, although the Executive attends, and all current members have recent financial experience relevant to insurance. All other Directors of the Board are also invited to attend meetings of the committee, with the agreement of the committee Chairman. The committee meets without the Executive attendees as and when the committee Chairman considers it appropriate to do so and in particular when reviewing the annual financial statements with the external auditors. The RAC undertakes an annual evaluation of its performance and effectiveness. Paul Davies has chaired the committee since 2016.

Review of Activity

1. Own Risk and Solvency Assessment (ORSA)

The Company's ORSA process comprises a continuous forward-looking assessment of extant and future potential risks to its business strategy, its solvency position, and capital management. It describes how the Company is organised and governed, future business strategy, risks to achievement of that strategy and how such risks are mitigated, how capital is measured and used to support the strategy, the Company's systems of internal control and how a culture of risk awareness is embedded throughout the organisation.

The Board annually reviews the ORSA Policy which sets out the process to be followed by the Company in future years, individual roles and responsibilities and the timetable, recording and reporting processes. The annual ORSA Report is available to regulators and quarterly returns are submitted updating major changes and latest financials in respect of capital and solvency.

The RAC is responsible for recommending updates to the ORSA Report, which is signed off by the Board each year prior to the Company's AGM. The committee gives specific consideration to the regulatory requirements on the underlying assumptions in the Standard Model Formula for the purposes of calculating its Solvency Capital Requirement (SCR), and continues to recommend that use of the Standard Model adequately represents the risk profile of the Company. A significant change in reinsurance coverage, moving from Quota Share to Stop Loss was implemented from October 2019 following Board approval. This substantial change was completed by September 2020 and is fully documented in the January 2020 ORSA report.

2. Key Functions: Actuarial, Risk Management, Internal Audit and Compliance

Actuarial Function

The Actuarial Function is constituted formally in response to Article 48 of the Solvency II Directive. The function is charged to think independently about areas of Cornish Mutual that deal with uncertainty and risk and look to introduce appropriate mechanisms to quantify and address those risks.

The Actuarial Function is headed by Peter Beaumont who is the designated "Chief Actuary". The role is a vital control function delivering robust techniques within the control areas, minimising bias, and being conscious of the limitations and sensitivities to the assumptions deployed.

An Actuarial Function Report is prepared annually comprising a review of Technical Provisions, Opinions on Reinsurance Adequacy and Underwriting Policy, and Contribution to Risk Management. This report is updated on a periodic cycle recommended by the Chief Actuary and informs the committee and the Board on the uncertainty inherent in numerical projections, judgements and conclusions. The report is utilised by our external auditors, as a key component in support of its audit remit.

Employees in the Company who have the necessary specialist knowledge and experience are discharging the duties of the function. The methodology deployed and outcomes derived are reviewed and discussed at the Risk and Audit Committee through review of the Actuarial Function Report on Technical Provisions and the management account analysis and commentary. In addition, when PwC complete their statutory audit of the financial statements, the reserves are identified as a significant risk and area of the focus for the audit. RAC reviews the basis of the Company's claims reserving methodology each year and a part of this is to seek such independent assurance periodically on a risk assessed basis. In each of the last three financial years, including Financial Year 2020, PwC used an independent projection approach, utilising their independent reserving model. This, along with the review and challenge of the reserves documentation and calculation, has provided assurance that the methodologies used in assessing the liabilities at 30 September 2020 are robust.

Risk Management

A culture of risk awareness is firmly embedded throughout the Company.

The key function of Risk Management is carried out by the Management Risk Committee (MRC) which meets quarterly (moving to six times a year in 2021) and reports via the Insurance Director who also is designated by the Board as Chief Risk Officer, to the RAC. The report focuses on the major risks, progress with controls and associated actions, the trend in risk level and any new emerging risks or removal of risks no longer valid. The RAC is pleased to report that no systemic failures have occurred.

Computer penetration tests are carried out to protect Members' data. The committee is satisfied that no data held by the Company has been threatened by unlawful access during the financial year.

The Company purchases cyber risk insurance to cover the losses that could arise from a damaging cyber-attack on data or systems. The focus remains on preventing such attacks not only through careful IT systems design and control, but also through training all employees on cyber risk awareness and prevention. This focus also covers all our increasing social media activities.

The committee conducts an annual review of the Board's Risk Appetite and examines the Risk Register and the underlying trend in risk levels at each meeting. The Register describes the source and nature of each risk, its likelihood and potential impact upon the Company, control and mitigation processes, review procedures and any actions required to bring the risk in line with the Board's risk appetite. The document states the Board's risk appetite and target risk level in each case. Actions are documented within the Register, with dates for completion and responsibility assigned to individuals by the Executive.

Internal Audit and Compliance

The Board's Policy on Internal Audit and Internal Control is mandated by the Board Charter and has been updated during the year. The Head of Internal Audit and Governance Leader reports directly to the Chairman of the RAC.

The RAC is satisfied that the systems of internal control and compliance are fit for purpose, proportionate to the scale of its activities and effective in providing appropriate assurance.

In technical areas such as underwriting and claims the RAC considers the increasing complexity of the insurance market and regulation requires a higher level of assurance than can be provided internally. The RAC contracts with PKF Littlejohn to provide internal audit services to the Company in accordance with an agreed Audit Universe which follows a four-year cycle.

The policy of the RAC and Board remains to continue to seek independent assurance concerning all technical aspects of the Company's operations and activities over a four-year cycle from experts in different fields and from the Company's External Auditors. The internal Validation and Support framework provides a comprehensive audit of operational processes in accordance with an agreed annual review cycle. No systemic problems were identified in 2019/20.

During the year ending 30 September 2020 the following internal audit reports were reviewed and management actions agreed:

- Data and Data Quality Review (final report in September 2019)
- HR Practices and Procedures (final report November 2019)
- Claims and Claims Process (final report September 2020)

Cornish Mutual embeds compliance into business operations rather than establishing a separate team, although we do have two individuals charged with overseeing compliance. This ensures that legal and regulatory requirements are satisfied and do not suffer as a result of operational resource or performance pressure and that effective independent challenge and enforcement of regulation exists. The Executive report to the RAC and thence to the Board any breaches of regulation that may occur. No compliance breaches were reported in the year ended 30 September 2020.

A Positive Assurance letter from the Chief Risk Officer to the Board Chairman forms part of the annual control process. The RAC scrutinised and approved the annual Positive Assurance letter in respect of the year ended 30 September 2020. It was found to be a complete and accurate reflection of how control processes had operated effectively to identify and address issues arising during the year.

3. Review of Board Policies

The RAC reviews the effectiveness and appropriateness of all Board policies having a Risk or Audit relevance according to a prescribed periodic schedule and on an ad hoc basis as required. The RAC examined those policies contained in its Schedule of Matters and due for review during the financial year and can confirm that they operated effectively. A complete list of Board policies can be found within the Board Charter.

Annual Financial Statements, External Audit, and Business Continuity Planning

Annual Financial Statements

The RAC approved the external audit plan for the year end at its meeting in September 2020 and confirmed focus on the following areas of audit emphasis:

- Risk of Fraud in revenue recognition
- Risk of Management override of controls
- Assumptions and methodology used in estimating claims which are incurred but not reported (IBNR) and incurred but not enough reported (IBNER), including consideration of Business Interruption and Loss of Rent exposure arising from the Covid-19 pandemic
- Valuation of liabilities in relation to large loss claims
- Assumptions used in the valuation of pension liabilities

Throughout the year, the RAC receives updates on key judgements in relation to reserves, whether through minutes of the Large Loss Committee or updates on specific claims. This insight gives the RAC the opportunity to challenge management to ensure the robustness of reserves. Another element of this is through independent assurance. The RAC met in November 2020 to receive a detailed presentation from PwC in respect of the audited Financial Statements for the year ended 30 September 2020. Non-Executive Members of the committee and the independent Chairman of the Board also met in private with external auditors and received assurance regarding the conduct of management during the audit and the quality and completeness of the accounting records of the Company. The committee approved the Technical Provisions after scrutiny of the methodologies used.

External Audit

The Company's current external auditor, PwC was first appointed at the AGM in March 2017 following the conclusion of a competitive tender process. Having completed 4 years in this role with the completion of the 2019/20 annual financial statements the Board asked the RAC to put in place a competitive tender process to cover this activity for the next 3 years. This process concluded in September 2020 and the Board has accepted the RAC recommendation that BDO be appointed at the March 2021 AGM for the coming period. In the selection of our external auditor it has become clear that following the changes to audit regulation since our prior appointment of PwC the appetite amongst audit firms to provide this service for smaller insurance PIEs is severely reduced and this may pose a risk in future years.

The PRA continued the dispensation of the audit requirement in respect of the public Solvency II reporting of smaller insurers meaning that the exemption applies to Cornish Mutual for the year ended 30 September 2020. PwC continue to perform the review of Technical Provisions, own funds and other elements which feed into the capital disclosures in the Financial Statements. BDO will undertake this from FY 2021.

Business Continuity Planning (Disaster Recovery)

1. The committee received reports on the testing of disaster recovery plans during the year and noted that the Company had made further improvements in systems resilience and back-up. All relevant staff involved in the recovery process can be linked from their homes to the Company's systems in Truro and its back-up facilities now housed at the Company's site near Tiverton. Business continuity tests are conducted at and between both sites to ensure the required security and resilience is met. The capability was extensively utilised from March 2020 during the Covid-19 pandemic and provided a robust operating capability without any service degradation.

Material Risks and Future Risk Strategy

In the Strategic Report on page 16, we set out the high-level strategic risks and uncertainties faced by the business. It is the Risk and Audit Committee's role to monitor in detail the risks which the Board judges to be material to the Company. More specifically, these are:

- Unavailability or inadequacy of reinsurance;
- Market (Investment) Risk;
- Competitor behaviour;
- Failure to attract & retain staff with appropriate skills, behaviours and performance;
- Failure to observe legal and regulatory requirements for insurers;
- Erosion of Capital and Solvency Margin;
- Insurance Risk;
- Business model, over time, ceases to remain relevant for Members;
- Business disruption through systems failure, cyber security breaches, natural disaster or unexpected events;
- Adverse investment market conditions increase financial support required for closed defined benefit pension fund;
- Volatility of the expense base;
- Financial risk from climate change.

Covid-19 is considered as a specific event below.

The Board regularly examines the status of each of these risks, which are reviewed continuously by the Management Risk Committee and quarterly by the Risk and Audit Committee.

The Company places strong emphasis on selecting individuals with the right attitudes to Members during recruitment, and providing technical training and development which is recognised as outstanding.

The RAC regularly advises the Board on capital and solvency matters in its regular review of these aspects in supporting the ORSA. This is underpinned by appropriate investment strategies deployed by the Investment and Capital Management Committee.

The Board has well established policies for the acceptance and control of underwriting risk, and monitors the reinsurance market to optimise its reinsurance programme. Reinsurance arrangements are reflected in the solvency capital requirement of the Company and the RAC examines reinsurance protections bi-annually and treats the availability of cost-effective reinsurance as one of the principal risks. The switch from quota share reinsurance to stop loss and catastrophe covers was implemented on schedule throughout the last financial year.

The Board requires Directors to bring a wide range of diverse skills and experience. While the Company is relatively small and less complex than many insurers, most of its activities and risks are identical in nature, if not in scale. The requirement to plan for and to attract and retain suitable Non-Executives is a significant responsibility of the Remuneration and Nominations Committee.

The Company business model is founded on a strong product and service proposition for its Members and our local, mutual focus generates a high level of trust based on personal service and reliable advice.

The Company is regulated by the PRA and FCA, which oversee compliance with prudential and conduct standards. As a Member of AFM, CMA complies with the AFM Corporate Governance Code for Financial Mutuals. Board policy is to observe all legal and regulatory requirements absolutely.

The Company has contingency plans to minimise the impact of events that might interrupt its capability to deliver its business obligations. Annual Disaster Recovery, Business Continuity and Penetration tests are undertaken and resilience is achieved through dual site capability, access, and security.

The committee regularly monitors pensions funding risk during the inter-valuation period. During the last financial year no deficit contributions under a Schedule of Contributions was required. Independent assessors confirmed that the covenant between the Company and the pension fund is "good" following a further review at the time of the in 2019 valuation. As a result of discussions with the Company at the last full valuation, the Scheme's investment strategy allocates just under one third of the Scheme's uninsured assets to Liability Driven Investment (LDI) holdings in order to reduce funding volatility. The revised investment strategy, coupled with the additional company contributions, has resulted in the Scheme being 111% funded on a technical provisions basis at the full triennial valuation completed for 31 July 2019. Despite the turmoil in markets resulting from Covid-19 the pensions fund remains in surplus on a technical provisions basis at the 30 September 2020 year end.

Covid-19

The RAC considered the management plans set out as Covid-19 emerged and considered the approach robust and proportionate. Cornish Mutual did not place any staff on furlough and service level metrics were monitored during the deployment of home working showed no evidence of deterioration with sickness levels amongst staff also reducing. One area of weakness was identified in the usage of paper claims files and alternative solutions identified and implemented.

A Covid-19 recovery strategy group is in place to inform and coordinate operational responses and to provide input to the Management Risk Committee and Strategy planning through the ongoing pandemic development. This group's remit covers all operational aspects working environment and procedures, insurance responses, reputational aspects, Member communications, internal controls, supply chain risk, reinsurance considerations, legislative responses, product aspects, HR aspects and our wider community responsibilities.

Covid-19 implications have been considered as part of the strategy review and incorporated in the five-year plan projections, where deemed appropriate. We did receive a limited number of enquiries from Members regarding whether they had insurance cover under their commercial policies for Business Interruption due to the pandemic. However, none of our policies provide cover for Business Interruption resulting from the pandemic and therefore we are not carrying reserves in relation to this.

Our results for 2019/20 indicate that persistency remains high but new business levels have reduced as a result of restrictions in movement of our sales force. Attritional motor claims show a marked reduction during the height of lockdown and as a mutual the corresponding reduced claims ratio will be reflected in income flow to Members' funds.

No changes or relaxations to the control environment have been required as a direct result of Covid-19 primarily due to robust prior testing of the home working solutions trialled during prior business continuity planning.

The risk appetite remains unchanged.

RAC Assurance Statement

The RAC is able to give assurance to the Board and Members that the controls and risk management processes are robust and suitable to support the ongoing business and stated strategy of pursuing organic expansion in the South West Counties farming communities, whilst delivering continuous improvement in the high level of personal service and prompt claims settlement to all Members. The opinion of the RAC is informed by the committee's consideration of the reports from Internal Audits and the Validation and Support Team Continuous Improvement Programme, from Executive management who have responsibility for the development and management of the internal control framework and by the External Auditors' examination of the Annual Report and Financial Statements and accompanying management letter.

Paul Davies

Chairman, Risk and Audit Committee

15 December 2020

Responsibilities of the Committee

The Investment and Capital Management Committee (ICMC) is responsible for overseeing the management and investment of the Company's and Members' funds and ensuring these meet our objectives. In the event that our objectives are not met then the ICMC is responsible for appointing new investment managers able to deliver to our expectations.

Membership

The composition of the ICMC, shown on page 32, remained unchanged from the previous financial year and we continued to benefit from the attendance of the Executive, alongside NED Members of the Committee. Charles Pears has chaired the Committee since 2018.

Investment Objectives

We have three primary objectives for our investments:

1. Support our business strategy of delivering profitable growth. This means we target a positive real return (a real return is one in excess of inflation) after charges from the investments we make while minimising the risk of losses

2. Be sufficiently liquid both in the short-term and in the long-term to meet our business requirements for such things as paying claims and supporting business strategy

3. Be consistent with the Board's appetite for economic risk and the Company's capacity to take these risks as determined by our Solvency Capital Requirement (SCR)

We currently achieve our objectives through holding a small range of funds managed by a specialist investment manager. These funds are:

- The Insight Broad Opportunities fund (IBOF) a dynamically managed fund able to invest across a broad range of asset classes including equities. This is the primary source of return and so risk

- The BNY Mellon Absolute Return Bond fund (ARB), a dynamically managed fund able to invest across a broad range of fixed income asset classes. This is the secondary source of return and so risk

- The Insight Liquidity Plus fund (ILF+) a highly diversified money market fund with a strong credit rating, which invests in slightly longer duration money market instruments. This is a low risk fund intended to deliver a return slightly higher than cash deposits

- The Insight Liquidity fund (ILF), a highly diversified money market fund with a strong credit rating but limited to very short duration money market instruments. This is a very low risk fund intended as a substitute for cash deposits

Our holdings in these funds as of 30 September 2020 is shown on page 83 of the Financial Statements.

Review of Activity

The principle activity of the ICMC is overseeing the allocation between the four funds listed above to strike the right balance between risk, return, liquidity and the resultant capital requirements.

The committee's activities during this year were as follows:

Delivering Profitable Growth

The year was an exceptional one as investment markets were ravaged by the impact of Covid-19. Governments and central banks stepped in globally with a range of monetary and fiscal interventions designed to cushion the impact of the pandemic. The assumption behind these schemes was that Covid-19 was temporary and provided the economy could be nursed through the worst initial impact, usual economic activity would resume shortly thereafter. Although markets did respond quickly and positively to the interventions at first, as the cost of the schemes became apparent concerns emerged over longer economic effects on interest rates, inflation and fiscal policy. Investment markets remain highly volatile worldwide.

Covid-19 is resurging and the assumption that the pandemic is a temporary issue is under extreme duress and, with uncertainty around potential vaccines, it is not clear when normal economic activity will indeed resume. Covid-19 is not the only source of uncertainty or indeed the sole determinant of the direction of investment markets. The future trading relationship between the UK and EU remains unresolved with precious little time to spare and geo-political tensions rumble on between nations otherwise involved in fighting the pandemic.

Cornish Mutual experienced initial losses as the market fled from risk assets even though our investments are broadly diversified and are all managed against cash benchmarks. This was most obvious in February and March with IBOF experiencing monthly returns of -4.88% and -8.06% respectively before charges. Our investment manager reduced risk exposure in response and then tactically rebuilt this as clarity emerged in terms of government intervention. This means that IBOF (with the exception of September 2020), delivered positive monthly returns in all other months before charges and significantly reduced the losses incurred during the first quarter. Our secondary return seeking fund, ARB, was far less negatively impacted by Covid-19 and was able to capitalise on positive movements in credit markets arising from government interventions. As such it provided an effective diversifier and lower risk option alongside IBOF.

Overall Covid-19 has provided a significant test and validation for our use of a third-party investment manager and for targeting a positive real return with limited downside risk. While we did not achieve a positive real return during a period of incredible market collapse and partial recovery, we did experience much smaller losses than would have been incurred through a traditional static allocation to equities. Throughout the period the ICMC engaged with our investment manager, monitored our portfolio to ensure it continued to deliver within expected ranges and robustly challenged the risks being taken. Looking forward we are comfortable that our strategy remains the right one though, we recognise the increased challenge to deliver positive real returns in an environment of low interest rates with pent up inflationary pressures.

Review of Investment Strategy

During the year we reviewed our current investment strategy and considered a range of alternative investment approaches. This was timely as the changes to our reinsurance programme gave rise to additional reserves, which required investment. In addition, the change in reinsurance led to an increased regulatory capital requirement to support insurance risk. We evaluated potential options against the three objectives set out above.

A further consideration for the committee was to adhere to our Investment Policy by not taking implicit or explicit asset allocation or market timing decisions. These activities are best left to our specialist investment managers.

The review considered investment approaches in the broadest sense before narrowing these down to consider certain options in more detail. Ultimately, we discounted a number of otherwise attractive options on the basis primarily of liquidity and regulatory capital requirements. The review re-affirmed our desire for the primary source of investment returns to be a diversified growth fund able to take positions across the broadest investment universe and targeting a positive real return. We recognized that we would continue to need a fund targeting positive real returns but that we were constrained to a narrower universe of fixed income instruments where the regulatory capital scenarios were much less onerous. As such the review concluded that at this time we have the right investment options available to us in the Insight range of funds but that we would need to more rigorously oversee the allocation between these funds to maintain an acceptable regulatory capital position.

Review of Regulatory Capital Requirements

The changes to our reinsurance arrangements mean that we cede less insurance risk to reinsurers and retain the proportion of the risk which we consider to be most attractive and consistent with our objectives. The new stop loss arrangement continues to provide a level of protection that we deem appropriate for our Members, but the calculation of regulatory capital we are required to make cannot take full account of this stop loss protection. As such this regulatory Solvency Capital Requirement (SCR) builds in an additional level of prudence. The ICMC has been working to strike the right balance between being prudent while not being so cautious that we cannot achieve our long-term objective of delivering positive real returns. This means balancing the capacity for investment risk in light of the increased insurance risk.

The SCR has been our primary indicator for the level of risk the business is taking overall. We have viewed holding capital well in excess of 200% of the SCR as an adequate protection for the risk we take. In the past had Members' funds been beneath this level it could have indicated we were taking too much risk. However, we are now considering whether the SCR is the best indicator for our overall risk for two reasons. First, the standard formula does not adequately reflect the protection inherent in our new reinsurance arrangements so our insurance risk as measured in the SCR looks higher than it did previously. Second, the way market risk is calculated in the SCR does not allow an offset for hedges in our investment portfolios, which means the risk as measured is higher. As the SCR calculation builds in additional prudence, remaining always at 200% or more of SCR means we may be forgoing growth opportunities unnecessarily. ICMC is working to develop more precise internal measures to calibrate both the level of insurance risk and the remaining capacity for investment risk that should allow us to grow sustainably.

Establishing a Programme for the Investment of Funds arising from Reinsurance Changes.

Consistent with the initiatives above, this year we established a target allocation between the funds we hold. This allocation places a strong emphasis on securing positive real returns while maintaining the investment risk and regulatory capital within acceptable parameters. Too little risk would make achieving our return objectives difficult while too much would lead to a scenario where our surplus capital buffer was not adequate. The ICMC approved an operationally expedient programme for the phased investment of funds arising from the reinsurance changes over the next 12 months that seeks to avoid unintended market timing and unnecessary transaction costs.

Managing the Financial Risks Arising from Climate Change

The investments we make give financial exposure to a range of companies and the performance of these may be affected by climate change. The Financial Conduct Authority and the Prudential Regulatory Authority are requiring financial services companies, including insurers, to assess and manage over time their exposure to the financial risks from climate change. Insight has a strong understanding of the financial risks arising from climate change with a range of metrics and processes to ensure that over time these risks inform investment selection. The majority of our investments are highly diversified, managed dynamically with a greater focus on asset allocation rather than individual company/issuer selection as further mitigants to our exposure. We will continue to engage constructively in this area.

Conclusion

The steps taken during the period have seen ongoing development of our internal capabilities in understanding and monitoring economic risk alongside the obligatory regulatory capital requirements. This gives us confidence that we are well placed to strike the right balance in making the investment choices needed to achieve positive real returns while carefully managing the overall risk assumed alongside the regulatory capital requirements.

Charles Pears

15 December 2020

Responsibilities of the Committee

The Committee's role is to ensure the Board has the skills and experience it needs to meet the challenges facing the Company, to plan for effective future Board succession and to ensure our remuneration policy supports our strategy and encourages sustained performance. We use formal, rigorous and transparent processes and we welcome feedback from Cornish Mutual Members.

Membership

The Committee is comprised solely of Non-Executive Directors although other Board Members and employees also attended meetings during the year. All Directors of the Board may be invited to attend meetings of the Committee but only those appointed as Members may vote on Committee reserved matters. The Committee meets without Executive attendees as and when the Committee Chair considers it appropriate to do so.

Neither the Board Chairman nor the Managing Director has any input or vote on their own remuneration or any connected matter. Sue Turner has chaired the committee since 2019.

Review of Activity

This year the committee met four times to deal with all matters duly scheduled and additional activities. Our key activities this year were:

- Succession planning in particular:
  - devising and overseeing the process for the recruitment of the new Board Chair
  - nomination of the new Finance Director
  - review of Board composition
- Review of the HR and pay policy
- Review of the processes for the annual Chair, Board and Committee self-assessment
- Review of relevant issues on the risk register, ensuring that the risks are mitigated
- Review of the Committee terms of reference

In accordance with best practice and the Annotated UK Corporate Governance Code, the committee conducted an annual review of its effectiveness as part of a wider Board evaluation.

Remuneration Matters

The committee reviewed Board pay at its meeting on 2 September 2020. We examined the levels of remuneration paid to Executive and Non-Executive Directors (NEDs) in comparable businesses, including financial service mutuals, and our recent experience of recruiting to the Board. We are acutely aware of the pressure on many of our Members brought on by the pandemic and impending Brexit changes and we are clear that our role is to serve Members now and into the future whilst keeping tight control of people costs.

We believe the remuneration packages in place for Executive Directors are fair and appropriate, enabling the Company to attract and retain suitable candidates and to achieve long-term sustainable success. Despite many successes in the business this year, in light of the ongoing Covid-19 crisis we agreed that it was appropriate not to make any increases in pay to the Board this year. This will be the third year in succession that NED remuneration has remained unchanged, despite increases in NEDs' responsibilities.

The Prudential Regulation Authority has detailed the approach to be taken regarding variable remuneration under the Solvency II regime. We comply with these requirements as Cornish Mutual continues its policy of not incentivising any staff through commissions, long term incentive payments or other practices that could incentivise behaviours inconsistent with the Company's values.

Full details of the remuneration paid to all Directors can be found in the Board Report on Corporate Governance.

As the Company has less than 250 employees it is not subject to compulsory reporting on gender pay. Nevertheless, the committee was pleased to see the latest gender pay figures for Cornish Mutual which showed the pay gap is almost nil in all quartiles. We remain committed to stimulating more diversity and inclusivity across the business.

Nomination Matters

The committee led on the identification of nominees for two critical Board roles this year. Our former Chair Ian Pawley indicated that he would step down from this role, so the committee met in January to devise the process to identify his replacement from amongst the existing Board Members. Clear criteria were drawn up and we were pleased that three of our Non-Executive Directors put themselves forward for consideration for this key role for our business and our Members. A secret ballot took place online resulting in Jeremy Oatey being elected our new Chair.

The Board subsequently agreed that it is appropriate for Jeremy to continue as a Member of the Remuneration and Nominations Committee, but he will not be involved in discussions to set the Chair's remuneration.

In addition, Clare Green was promoted this year from Financial Controller to Finance Director, filling the vacancy created last year when Peter Beaumont was promoted to Managing Director. The committee discussed her suitability for the role in depth and the Board, recognising that she had been prepared for the role over several years and that she was already bringing new thinking and challenge into Board meetings, agreed that she be appointed without an external search taking place. The Board are delighted that Clare's appointment continues to move the diversity of our senior management forward.

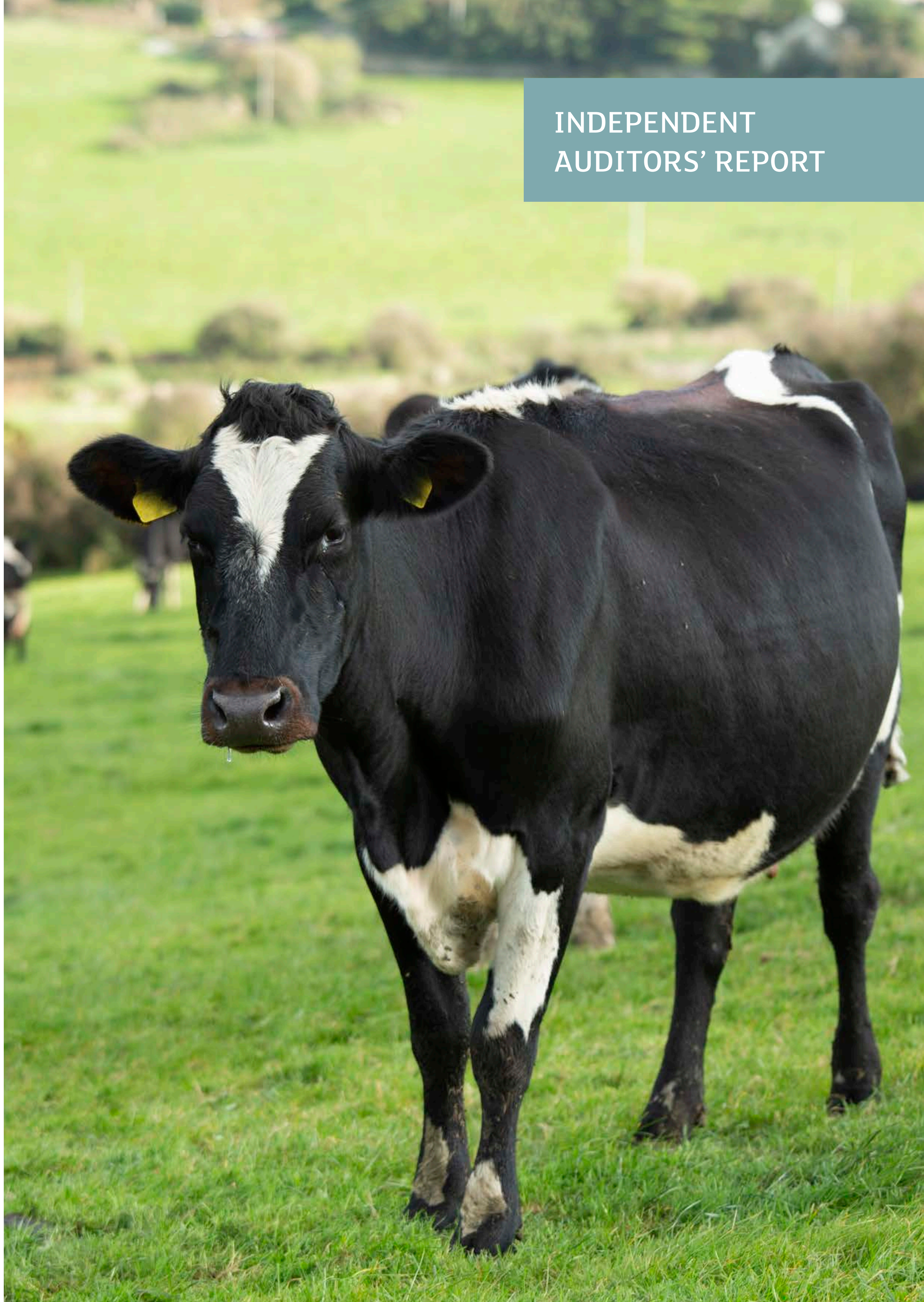
We note that all three of our recent senior appointments have been internal promotions. We acknowledge the need to balance growing our own expertise versus bringing in new thinking from outside the business. We have therefore identified recruitment and search experts to assist us with future vacancies. We will continue to give opportunities to staff to develop their roles, assessing them against suitable external candidates to ensure we always have the best talent to look after Members' interests.

In preparation for future succession planning we have continued to develop the Board skills matrix to be used when drawing up requirements for future Board recruitment.

We reviewed the size of the Board and committees this year and agreed that our current structure is fit for purpose.

Sue Turner

15 December 2020



INDEPENDENT AUDITORS' REPORT

Report on the Audit of the Financial Statements

Opinion

In our opinion, The Cornish Mutual Assurance Company Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2020 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 30 September 2020; the statement of profit and loss, the statement of comprehensive income, the statement of cash flows, the statement of changes in members' funds for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Risk and Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

We have provided no non-audit services to the company in the period from 1 October 2019 to 30 September 2020.

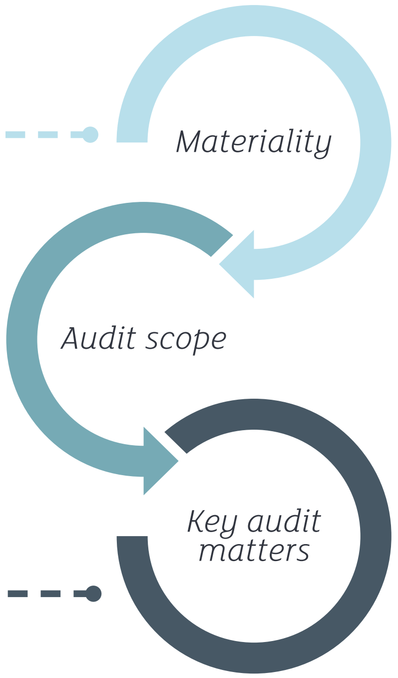
Our Audit Approach

Overview

- Overall materiality: £224,053 (2019: £212,617), based on 1% of Members' funds

- We have performed a complete audit of the balances making up Cornish Mutual's financial statements

- Assumptions and methodology used in estimating IBNR and IBNER claims
- The impact of COVID-19



The Scope of Our Audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the Audit in Detecting Irregularities, Including Fraud

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of conduct and prudential regulations as implemented by the Financial Conduct Authority and Prudential Regulation Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journals to manipulate revenue or expenditure and management bias in accounting estimates used in the valuation of claims reserves. Audit procedures performed by the engagement team included:

- Discussions with management and the Risk and Audit Committee of any known or suspected instances of non-compliance with laws and regulation and fraud;
- Review of financial statement disclosures;
- Review of board minutes and internal audit reports;
- Review of correspondence with the FCA and PRA;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to IBNR and IBNER (see related key audit matter below); and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key Audit Matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, including 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, and any comments we make on the results of our procedures thereon, 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. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Assumptions and methodology used in estimating IBNR and IBNER claims The financial statements include liabilities for the estimated cost of settling claims associated with general insurance products written by Cornish Mutual. The claims outstanding provision as at the year end of £23.6m includes an estimation of the outstanding cost of settling all claims that have been incurred before the year end date. This balance includes an estimate for claims that have been reported by 30 September 2020 as well as those claims that have been incurred but not reported ('IBNR') and those that are still developing ('IBNER'). The valuation of the IBNR and IBNER liabilities are particularly judgemental as they are dependent on a number of assumptions including the number of claims that will ultimately be received and how much these claims will settle for. Management have based their estimate of the provision at the year end by using historical data of how claims have been settled and their experience of the industry. We focused our audit procedures on the methodology and assumptions adopted (for example the likelihood of a large claim developing adversely). As a result of the COVID-19 pandemic and the subsequent FCA test case in relation to Business Interruption (BI) policy wording, there has been increased focus on potential exposure to BI claims. Management have assessed that they have no exposure to BI claims and therefore do not hold any additional IBNR reserves in relation to BI. Small changes in the assumptions and methodology adopted can result in material changes in the valuation. Refer to page 36 (Section 2 of the Report of the Risk and Audit Committee), page 65 (Accounting policies), page 70 (Sources of estimation uncertainty) and page 71 (Note 5 to the financial statements).	The audit procedures we have performed to address this key audit matter are as follows: • We understood and assessed the relevant controls in relation to the reserving process and tested specific relevant controls; • We used actuarial specialists to independently estimate the best estimates of the large and attritional claims reserves and we investigated differences from management's estimates. This was done using historical claims data; • Where independent estimates were not appropriate, we considered the appropriateness of management's methodology and assumptions and performed recalculations of specific IBNR and IBNER elements; • We compared the best estimate reserve to the total reserves held to assess the level of prudence included within the booked reserves; and • We performed testing over management's ability to make reasonable judgements in previous accident years by comparing historical reserves to settled claims. Through the procedures detailed above and having considered the specific nature and circumstances of Cornish Mutual's business, we have found the value of IBNR and IBNER reserves estimated by management to be in line with the stated accounting policy and reasonable in the context of the inherent uncertainty in reserving for claims. We have also considered management's assessment in relation to potential BI exposure which has included reviewing policy wording and consideration of the examples within the FCA test case as well as reviewing the legal advice provided by management's expert and assessing the independence, competence and objectivity of the expert used. As a result of the work performed we have been able to conclude that it is appropriate that no additional reserves are held at year end.

Key audit matter	How our audit addressed the key audit matter
The impact of COVID-19 As discussed within the Financial Performance on page 7 and Principal Risks and Uncertainties within Strategic Report on pages 16-18 the ongoing COVID-19 pandemic has impacted the business in the current year and will continues to impact in the future. In accordance with Solvency II requirements, Cornish Mutual formally conducts its Own Risk and Solvency Assessment (ORSA) at least annually. Due to Covid-19 management produced an interim ORSA in the summer of 2020 to specifically consider how the pandemic and associated economic consequences could affect the company's solvency position and five year plan. This assessment included the impact of the potential claims exposure, reduction in investment values as a result of the volatile market conditions and any resulting change in solvency capital surplus. Having done this, management continue to prepare the financial statements on a going concern basis.	We have obtained and assessed management's updated ORSA assessment which included the following: • Evaluated management's stress and scenario testing and challenged management's key assumptions; • Considered alternative stress testing performed by management as part of the ORSA process; • Obtained and reviewed board papers in relation to COVID-19; • Considered specifically potential claims exposure directly related to COVID-19 (see comments in relation to potential BI exposure above); and • Assessed the disclosures made by management in the financial statements. Based on the work performed and the evidence obtained, we consider the disclosure of the impact of COVID-19 within the financial statements to be appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

	Company financial statements
Overall materiality	£224,053 (2019: £212,617).
How we determined it	1% of Members' funds
Rationale for benchmark applied	We believe Members' funds represents the most appropriate benchmark as it best reflects the underlying interests of the Members.

We agreed with the Risk and Audit Committee that we would report to them misstatements identified during our audit above £11,203 (2019: £10,631) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 September 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's Members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Risk and Audit committee, we were appointed by the members on 16 June 2017 to audit the financial statements for the year ended 30 September 2017 and subsequent financial periods. The period of total uninterrupted engagement is 4 years, covering the years ended 30 September 2017 to 30 September 2020.

Sue Morling (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
15 December 2020

FINANCIAL STATEMENTS

STATEMENT OF PROFIT AND LOSS FOR YEAR ENDED 30 SEPTEMBER 2020	2020	2019
	£	£
TECHNICAL ACCOUNT - GENERAL BUSINESS		
Gross premiums written	23,861,800	23,649,127
Outward reinsurance premiums	(2,472,938)	(12,969,067)
Written premiums, net of reinsurance	21,388,862	10,680,060
Change in gross provision for unearned premiums	17,797	(194,522)
Change in provision for unearned premiums, reinsurers share	(5,270,171)	60,157
Change in net provision for unearned premiums	(5,252,374)	(134,365)
Earned premiums, net of reinsurance	16,136,488	10,545,695
Other technical income	1,528,733	2,564,055
Total technical income	17,665,221	13,109,750
Gross claims paid	12,177,644	12,048,054
Reinsurers' share of claims paid	(4,360,616)	(5,695,352)
Claims paid net of reinsurance	7,664,576	6,352,702
Change in gross provision for claims	6,161,966	3,307,080
Change in reinsurers' share	(4,360,616)	(1,595,530)
Change in net provision for claims	1,801,350	1,711,550
Claims incurred net of reinsurance	9,465,926	8,064,252
Net operating expenses	5,817,159	5,887,556
Total technical charges	15,283,085	13,951,808
BALANCE ON THE TECHNICAL ACCOUNT	2,382,136	(842,058)

STATEMENT OF PROFIT AND LOSS FOR YEAR ENDED 30 SEPTEMBER 2020	2020	2019
	£	£
NON-TECHNICAL ACCOUNT		
Balance on the general business technical account	2,382,136	(842,058)
Investment Income	(8,525)	697,684
Investment expenses and charges	(122,989)	(107,514)
Other charges	(1,051,947)	(1,089,506)
PROFIT /(LOSS) ON ORDINARY ACTIVITIES BEFORE TAX	1,198,675	(1,341,394)
Tax credit on profit on ordinary activities	0	0
PROFIT /(LOSS) FOR THE FINANCIAL YEAR AFTER TAX	1,198,675	(1,341,394)

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2020	2020	2019
	£	£
PROFIT /(LOSS) FOR THE FINANCIAL YEAR AFTER TAX	1,198,675	(1,341,394)
Revaluation of property	(70,000)	0
Remeasurement of net defined benefit pension scheme	15,000	(343,004)
Deferred tax on actuarial change in the pension scheme	0	0
OTHER COMPREHENSIVE LOSS FOR THE YEAR NET OF TAX	(55,000)	(343,004)
TOTAL COMPREHENSIVE INCOME/LOSS FOR THE YEAR	1,143,675	(1,684,398)
ATTRIBUTABLE TO THE MEMBERS' FUNDS	1,143,675	(1,684,398)

The accounting policies and notes on pages 64 to 88 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2020	2020	2019
	£	£
ASSETS		
INTANGIBLE ASSETS		
Other intangible assets	58,045	50,088
	58,045	50,088
INVESTMENTS		
Land and buildings	2,200,000	2,270,000
Other financial investments	34,967,440	29,595,943
Investment in subsidiary undertaking	0	0
	37,167,440	31,865,943
REINSURERS SHARE OF TECHNICAL PROVISIONS		
Provision for unearned premium	1,290,252	6,560,423
Claims outstanding	12,443,174	8,082,557
	13,733,426	14,642,980
DEBTORS		
Debtors arising out of direct insurance operations - policyholders	5,738,326	5,782,510
Debtors arising out of reinsurance operations	964,988	2,508,430
Other debtors	4,052	54,751
	6,707,366	8,345,691
OTHER ASSETS		
Tangible assets	370,966	410,622
Stock	6,173	5,315
Cash at bank and in hand	1,500,995	1,086,656
	1,878,134	1,502,593
PREPAYMENTS AND ACCRUED INCOME		
Prepayments and accrued income	1,578,250	709,379
TOTAL ASSETS	61,122,661	57,116,674

STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2020	2020	2019
	£	£
LIABILITIES		
CAPITAL AND RESERVES		
Members' funds	22,405,342	21,261,667
GROSS TECHNICAL PROVISIONS		
Provision for unearned premium	11,900,488	11,918,285
Claims outstanding	23,640,556	17,478,589
	35,541,044	29,396,874
PROVISION FOR LIABILITIES AND CHARGES		
Provision for taxation	0	0
Provision for pensions	0	0
	0	0
CREDITORS		
Arising out of reinsurance operations	953,650	3,813,768
Other creditor including taxation and social security	1,833,068	1,114,283
	2,786,718	4,928,051
ACCRUALS AND DEFERRED INCOME		
Accruals and deferred income	389,557	1,530,082
TOTAL LIABILITIES	61,122,661	57,116,674

The accounting policies and notes on pages 64 to 88 form an integral part of these financial statements.

Approved by the Board of Directors on 15 December 2020.

Jeremy Oatey
Director

Clare Green
Director

P S Beaumont
Managing Director

STATEMENT OF CHANGES IN MEMBERS' FUNDS FOR THE YEAR ENDED 30 SEPTEMBER 2020	Profit and loss	Total
	£	£
Balance as at 1 October 2018	22,946,065	22,946,065
Profit for the financial year after tax	(1,341,394)	(1,341,394)
Other comprehensive (loss) / gain for the year	(343,004)	(343,004)
Total comprehensive expense for the year	(1,684,398)	(1,684,398)
Balance as at 30 September 2019	21,261,667	21,261,667
Balance as at 1 October 2019	21,261,667	21,261,667
Loss for the financial year after tax	1,198,675	1,198,675
Other comprehensive (loss) / gain for the year	(55,000)	(55,000)
Total comprehensive expense for the year	1,143,675	1,143,675
Balance as at 30 September 2020	22,405,342	22,405,342

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2020	2020	2019
	£	£
NET CASH GENERATED FROM OPERATING ACTIVITIES	6,108,851	616,896
CASH FLOW FROM INVESTING ACTIVITIES		
Interest Received	570	230
Rental income	121,394	69,718
Net cash invested in financial investments	(5,700,000)	0
Payments to acquire tangible fixed assets	(191,476)	(248,009)
Proceeds from sale of land	75,000	0
	(5,694,512)	(178,061)
NET INCREASE IN CASH AT BANK AND IN HAND	414,339	438,835
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,086,656	647,821
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	1,500,995	1,086,656

RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES	2020	2019
	£	£
Transfer from Technical Account	2,382,136	(842,058)
Other Charges	(1,051,947)	(1,089,506)
OPERATING PROFIT /(LOSS)	1,330,189	(1,931,570)
(Increase)/ decrease in outstanding premiums	44,189	(99,358)
Increase in debtors and accrued interest	(814,120)	(430,763)
Decrease in claims outstanding	1,801,350	1,711,550
(Decrease)/Increase in reinsurance creditors	(2,860,116)	473,161
Increase in reinsurance debtors	1,543,442	809,573
Decrease / (Increase) in stock	(858)	3,107
Increase in other creditors	(425,780)	92,081
Increase in provision for unearned premium	5,252,380	134,365
Depreciation	223,175	197,745
Adjustment for fair value revaluation	0	3
Adjustment for pension funding	15,000	(343,004)

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Cornish Mutual Assurance Company Limited ('the Company') transacts general insurance business in the UK. Cornish Mutual Assurance Company Limited is a mutual incorporated in England and Wales. The Company is limited by guarantee and is controlled by the Members who are also insured policy holders.

The registered office is CMA House, Newham Road, Truro, Cornwall, TR1 2SU.

The Company financial statements are presented in pound sterling.

2. STATEMENT OF COMPLIANCE

The financial statements of the Company have been prepared in compliance with the United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard Applicable in the United Kingdom and the Republic of Ireland' ('FRS 102'), Financial Reporting Standards 103, 'Insurance Contracts' (FRS 103) and the Companies Act 2006.

3. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

Basis of Preparation

The preparation of financial statements in conformity with FRS 102 and FRS 103 required critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

Going Concern

Having assessed the principal risks facing the Company, the Directors considered it appropriate to adopt the going concern basis of accounting in the preparation of the financial statements.

The key matters considered by the Directors in making this assessment are disclosed on page 18.

Insurance Contracts

The Company issues contracts that transfer insurance risk or financial risk or both.

Insurance contracts are those contracts that transfer significant insurance risk. The results are determined on an annual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance as follows:

a) Premiums

All premiums included in the profit and loss account relate to continuing operations. Written premiums comprise the total premiums receivable for the whole period of cover provided by contracts incepting during the financial year, together with adjustments arising in the financial year to such premiums receivable in respect of business written in previous financial years. The risks of all gross premiums written were located in the United Kingdom. All premiums resulted from contracts of insurance concluded in the United Kingdom.

Written premiums exclude insurance premium tax. The amount of this tax due by the Company which has not been paid over to HM Revenue and Customs as at the year-end has been included in the balance sheet as a liability under the heading 'Other creditors including taxation and social security'.

Outward reinsurance premiums are accounted for in the same accounting period as the related insurance premium income.

b) Unearned premiums

Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment basis.

c) Acquisition costs

Acquisition costs are expensed in the year that they are incurred, as the Directors deem that any deferral would not materially affect the results for the year.

d) Claims incurred

Claims incurred comprise claims and related expenses paid in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any adjustments to claims from previous years.

e) Claims provisions and related reinsurance recoveries

Claims outstanding represent the ultimate cost of settling all claims (including settlement costs) arising from events which have occurred up to the balance sheet date, including provision for claims incurred but not yet reported, less any amounts paid in respect of those claims. The claims provision is based on the initial assessment by the claims manager of individual claims together with internally generated statistics on ultimate claims cost experience. A provision for claims incurred but not reported at 30 September is included and this is representative of past history. While the Directors believe that the provision for claims is fairly stated, subsequent information and events may show that the ultimate liability is less than or in excess of the amounts provided. Further commentary in this regard is provided in note 5 to the accounts.

Provisions are calculated gross of any reinsurance recoveries.

f) Reinsurance

Contracts entered into by the Company with reinsurers, under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts. Under the quota share arrangement we receive commission, to cover the expenses incurred which relate to the insurance contract. This is recognised within Other Technical Income within the Profit and Loss.

The amounts recoverable from reinsurers are estimated based upon the gross provision for claims outstanding, having due regard to collectability. Reinsurance recoveries in respect of estimated claims incurred but not reported are assumed to be consistent with the historical pattern of such recoveries, adjusted to reflect changes in the nature and extent of the reinsurance arrangements over time. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised in the profit and loss account as 'Outward reinsurance premiums' when due.

Net Operating Expenses

The net operating expenses have been apportioned between the classes of business in proportion to the gross premium income.

Within our Non-Technical Account there is an amount for Other Charges. Expenses not relating directly to the insurance business, such as Directors' salaries and depreciation, are recognised within Other Charges.

Investment Income and Expenses

Investment income comprises interest and dividends received, together with realised investment gains and rental income. Realised gains and losses are calculated as the difference between sales proceeds and the original cost. Dividends are included as investment income on the date that the shares are quoted ex-dividend and include imputed tax credits. Interest rent and expenses are accounted for on an accruals basis.

Employee Benefits

The Company provides a range of benefits to its employees including paid holiday arrangements and defined contribution pension plans. The Company previously operated a defined benefit pension scheme which was closed to future accrual in 2010.

a) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits are recognised as an expense in the period in which the service is received.

b) Defined contribution pension plans

The Company operates a Personal Pension plan, which is a defined contribution pension scheme. The contributions to the scheme are recognised as an expense when they are due. Amounts not paid are shown within accruals in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

c) Defined benefit pension plan

The Company operates a defined benefit pension scheme which closed to future accrual on 31 May 2010. The pension deficit recognised in the balance sheet is the value of the scheme's assets less the present value of the scheme's liabilities at the reporting date. Where an FRS 102 surplus is calculated this will only be recognised to the extent that there is an unconditional right to the surplus.

A defined benefit pension plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration.

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets at the reporting date.

The defined benefit obligation is measured using the projected unit credit method. The Company engages an independent actuary to calculate the obligation. The present value of the defined benefit obligation is determined by discounting the estimated future payments by reference to market yields at the reporting date on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

The fair value of the plan assets are measured in accordance with the FRS102 fair value hierarchy. This includes the use of appropriate valuation techniques.

For the defined benefit pension scheme the amounts charged to the operating result are the current service cost and the gains or losses on settlement or curtailment. These costs are disclosed within staff costs. Past service costs are recognised immediately in profit and loss if the benefits have vested. If the benefits have not vested then the past service cost is recognised over the period that the vesting occurs.

The net interest cost of the defined benefit pension scheme is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of planned assets.

Actuarial gains and losses are charged or credited to other comprehensive income in the period in which they arise. The attributable deferred taxation is shown separately in the statement of other comprehensive income.

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income. Current or deferred taxation assets and liabilities are not discounted.

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Deferred tax is recognised where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Intangible Assets

Intangible assets are stated at cost less accumulated amortisation. Amortisation is calculated on a straight line basis to allocate the depreciable amount of the assets to their residual values over the estimated useful life as follows:

Software	4 years

Costs associated with maintaining computer software are recognised as an expense when incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software so it is available for use;
- Management intends to complete the software and use or sell it;
- There is an ability to use or sell the software;
- It can be demonstrated how the software will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development for use or sale are available;
- The expenditure attributable to the software during its development can be reliably measured.

Land and Buildings

Land and buildings are measured at fair value. Full valuations are made by an independent, professionally qualified valuer on a regular basis.

Revaluation gains on owner occupied properties are taken to other comprehensive income except to the extent that those gains reverse a revaluation loss on the same property that was previously recognised as an expense.

Revaluation losses on owner occupied properties are taken to other comprehensive income to the extent they reverse a previously recognised revaluation gain with any further loss recognised in the non-technical account. The buildings element of owner occupied properties is depreciated, using the straight line method to allocate the depreciable amount to their residual values over their estimated useful life of 50 years. The Directors are of the opinion that the residual value is such that no depreciation charge arises.

The Company part occupies and part leases its principal building. The Directors are of the view that the valuation of these elements cannot be measured reliably due to different valuation bases and accordingly the value is not split between owner occupied and investment property.

Tangible Assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs.

Depreciation

Depreciation is provided on all tangible fixed assets, other than properties, at rates calculated to write off the cost, less estimated residual value, as follows:

Motor vehicles	4 years
Furniture and equipment	4 years

Leased Assets

At inception the Company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Leases of assets that transfer substantially all of the risks and rewards incidental to ownership are classified as finance leases. Leases that do not transfer all of the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

The Company has no leases classified as finance leases through the reporting period.

Investments

Other financial investments are stated at current value in the balance sheet calculated as the mid-market value on the balance sheet date.

Financial Instruments

The Company has chosen to apply the recognition and measurement provisions of both Section 11 and Section 12 of FRS 102 in full in respect of financial instruments.

A. Financial assets

The Company classifies all of its financial assets as basic financial instruments under Section 11 FRS 102. Investments are valued at fair value through the profit and loss account and all other financial assets are carried at amortised cost.

1. Fair value through profit and loss

Investments carried at fair value through profit and loss are managed and their performance evaluated on a fair value basis, and information about their fair values is provided internally to key management personnel on a regular basis. The fair values of these financial instruments are based on quoted prices as at the balance sheet date.

2. Other financial assets held at amortised cost

The other financial assets within the balance sheet are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. When these assets are recognised initially it is measured at the transaction price. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the annual impairment review of receivables.

A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset which have an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

B. Financial liabilities

Financial liabilities are recognised when a contractual commitment arises, and are recognised initially at fair value, net of transaction costs incurred. Financial liabilities are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value are is recognised in the profit and loss account.

Creditors are recognised initially at fair value, net of directly attributable transaction costs. Creditors are subsequently measured at amortised cost.

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

In preparing the financial statements, Management is required to make estimates and assumptions which affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances.

Sources of estimation uncertainty

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material misstatements to the carrying amounts of assets and liabilities within the next financial year are addressed below:

i) The ultimate liability arising from claims made under insurance contracts

At the balance sheet date the Company has a gross provision in respect of claims made under insurance contracts of £23,640,556 (2019: £17,478,589).

Given the nature of operations of the Company, the estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims.

The provision at the balance sheet date comprises of a number of elements, which can be broadly summarised as follows:

Provisioning associated with claims that have been notified but not paid at the balance sheet date. The level of the provision has been set on the basis of the information that is currently available, including outstanding loss advices, experience of development of similar claims and case law.

Large claims, which in the context is defined as any claim over £50,000 in value, are considered separately on a case by case basis.

The estimation of claims incurred but not reported ('IBNR'), which is generally subject to a greater degree of estimation uncertainty than the cost of settling claims already notified to the Company, where more information about the claim is available. Claims IBNR may not be apparent to the insured until many years after the event giving rise to the claim has happened.

Please see note 22 for disclosures relating to these provisions, and note 5 for discussion of the related risks in this area.

ii) Defined benefit pension scheme

The Company has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including: life expectancy, asset valuations and the discount rate on corporate bonds. Annually, the Company engages independent actuaries to calculate the obligation. See Note 27 for the disclosures relating to the defined benefit pension scheme. The carrying value of the net scheme liability is £nil (2019: £nil).

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK

The Company issues contracts that transfer insurance or financial risk or both. The Company is also exposed to a range of financial risks through its financial assets, reinsurance assets and policyholder liabilities. This section summarises these risks and the way the Company manages them.

a) Insurance Risk

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

The principal risk faced by the Company is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims are greater than estimated. Insurance events are uncertain, and the actual number and amount of claims is expected to vary year to year from the level established using estimation techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio.

A number of measures are in place to ensure this risk is managed prudently and conservatively; these include meetings of our Large Loss Committee and the Management Risk Committee, as well as the fortnightly Business meeting which reviews all statistics relating to the insurance side of the business.

The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. Our new stop loss reinsurance arrangement, which commenced on 1 October 2019, ensures that our reinsurers are liable for any claims amounts that exceed 70% of premium on an overall basis. In addition, we also have excess of loss reinsurance in place to provide cover in the event of specific large claims. Whilst reinsurance comes at a cost, the net result is much less volatile than the gross insurance result. We also have an active claims handling team, who hold the necessary qualifications and have sufficient experience to handle our claims effectively.

The figures below represent the concentration of outstanding insurance liabilities according to the product category in which the underlying contract was written.

Claims provisions by product concentration	Gross	Reinsurance	Net
	£'000	£'000	£'000
2020			
Motor	9,480	2,792	6,688
Property	12,227	8,621	3,606
Commercial Packages	1,934	1,031	903
Total	**23,641**	**12,444**	**11,197**
2019			
Motor	10,527	3,948	6,579
Property	4,900	2,956	1,944
Commercial Packages	2,052	1,179	873
Total	**17,479**	**8,083**	**9,396**

Further insight into the product risk concentrations based upon claims incurred can be gained by examining the reported claims cost within the segmental analysis note 6.

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

The following tables compare the projected ultimate claims experience of the Company compared with previous projected ultimate claims for each policy year on a gross and net basis.

Claims incurred and outstanding gross							
Reporting year	2015	2016	2017	2018	2019	2020	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Estimate of ultimate claims costs:							
At end of reporting year	11,637	12,609	13,602	15,594	15,929	12,850	
One year later	10,299	11,504	12,780	15,265	15,049	-	
Two years later	10,524	11,261	12,410	21,991	-	-	
Three years later	10,305	11,436	12,527	-	-	-	
Four years later	10,526	11,218	-	-	-	-	
Five years later	10,516	-	-	-	-	-	
Current estimate of cumulative claims	10,516	11,218	12,527	21,991	15,049	12,850	
Cumulative payments to date	(10,046)	(10,625)	(10,416)	(13,163)	(10,236)	(6,844)	
Liability recognised in the balance sheet	470	593	2,111	8,828	4,813	6,006	22,821
Liability in respect of earlier years							820
Provision in balance sheet							23,641

Table includes rounding differences

Claims incurred and outstanding net							
Reporting year	2015	2016	2017	2018	2019	2020	Total
	£'000	£'000	£'000	£'000	£'001	£'002	£'000
Estimate of ultimate claims costs:							
At end of reporting year	6,629	7,463	7,590	8,047	8,347	10,106	
One year later	6,346	6,565	7,135	7,965	7,800	-	
Two years later	6,464	6,319	6,987	8,197	-	-	
Three years later	6,257	6,377	6,952	-	-	-	
Four years later	6,386	6,273	-	-	-	-	
Five years later	6,378	-	-	-	-	-	
Current estimate of cumulative claims	6,378	6,273	6,952	8,197	7,800	10,106	
Cumulative payments to date	(6,090)	(6,043)	(5,923)	(6,863)	(5,472)	(4,899)	
Liability recognised in the balance sheet	288	231	1,029	1,334	2,328	5,207	10,417
Liability in respect of earlier years							780
Provision in balance sheet							11,197

Table includes rounding differences

The key sensitivity in the insurance results is the ultimate accuracy of claims provisions.

In particular Cornish Mutual holds claims provisions in respect of a small number of larger claims. Larger claims, as included in the following table for financial year 2020 are those where the expected value is, or has ever been, in excess of £50,000.

	Large case estimate	Volatility estimate	Up gross	Down gross	Up net	Down net
	£'000		£'000	£'000	£'000	£'000
Motor	4,926	20%	985	(985)	394	(394)
Property	10,580	15%	1,587	(1,587)	952	(952)
Commercial Packages	1,382	15%	207	(207)	124	(124)
Total	16,888		2,779	(2,779)	1,470	(1,470)
Uncorrelated diversified			1,879	(1,879)	1,038	(1,038)

The comparison table for 2019 is as follows:

	Large case estimate	Volatility estimate	Up gross	Down gross	Up net	Down net
	£'000		£'000	£'000	£'000	£'000
Motor	4,709	20%	942	(942)	377	(377)
Property	3,473	15%	521	(521)	313	(313)
Commercial Packages	1,704	15%	256	(256)	154	(154)
Total	9,886		1,719	(1,719)	844	(844)
Uncorrelated diversified			1,106	(1,106)	514	(514)

Of the total claims provision of £23,641k, large claims represent £16,888k (2019: £9,886k) or 71% (2019: 57%). This excludes any allowance for large claims incurred but not reported.

Changes in the value of a small number of these large claims have the greatest potential to materially affect the financial results of the Company as reported.

An exercise has been carried out to look at the variability of past large claims estimates as they settle, compared to the average value when they were open. The volatility measure is our assessment of that variability such that two thirds of the time, we would expect large claims estimates to settle within that percentage of the holding value of the estimate.

The three cohorts of claims have been assessed individually and we provide a total figure. Based on current year earned premium these sensitivities amount to 11.6% gross loss ratio (2019: 7.3%) and 6.9% (2019: 7.9%) net of reinsurance. Because we assume the circumstances which would cause a large claim to develop to be independent of all other claims, we do not expect all the individual cohorts to develop in the same direction. The diversified figure at the bottom of the table reflects this with a 4.7% (2019: 4.7%) effect on gross loss ratios and 7.9% (2019: 4.8%) on net loss ratio.

Since we do not know which claims might develop, we cannot say which elements of the reinsurance program would respond. In arriving at the net figure, we have assumed that the quota share will respond for those claims prior to financial year 2020 but have also assumed no protection from non-proportional reinsurance cover in respect of catastrophe or excess of loss.

The provisions as calculated and included in these accounts make some allowance for uncertainty. Alongside the best estimate for outstanding provisions for each class, an additional risk margin is added to arrive at the overall liability.

The table above presents the sensitivity of the value of the most uncertain claims liabilities in the accounts to potential movements in the assumptions applied within the technical provisions. The volatility estimate represents the uncertainty inherent in each cohort of large claims derived by looking at historical development of established claims. A sensitivity for each cohort is calculated as well as a diversified total. The diversified figure reflects our view that the volatility arises as a result of uncertainty in relation to particular claims circumstances resulting in cohorts developing independently of each other.

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

In arriving at the total claims provisions, allowance is made for an adverse development of the large claims included in the table on the previous page. As discussed there is uncertainty as to what amount should be allowed for and what the impact of reinsurance should be. For the purposes of calculating the provisions within the accounts, the Directors have taken a view on these variables and made an estimate.

Having undertaken additional analysis during the year, the Directors have taken the view that for this Financial Year they will not hold an amount for Incurred But Not Enough Reported claims. In Financial Year 2019, we held IBNER reserves of £527k on a gross basis or £303k on a net basis. While analysis of the portfolio of large claims reflects an increase during the first couple of years, over the life of our larger claims portfolio, claims tend to reduce and therefore the Directors have considered it appropriate to release IBNER reserves.

Uncertainty is inherent in insurance accounts for low frequency events in particular and this is the focus of reinsurance cover.

Whilst individual accident years may be impacted, it is the effect on the overall level of provisions which is reflected in the result of the Company.

While there are sensitivities within other aspects of the claims provisions they are less material than those for the large claims. Allowance is made in the overall provision for adverse development.

b) Financial Risk

The Company is exposed to a range of financial risks, in particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from insurance policies and investment contracts as they fall due. The most significant components of this financial risk are market risk, credit risk, and liquidity risk.

Market Risk

The market risk Cornish Mutual faces is that an adverse movement in the value of assets, such as interest rates or equity prices, is not matched by a correspondent movement in the value of liabilities. Our investment policy ensures that we have a suitable balance of assets and testing of the impact of particular events on these assets, such as failure of investments and equity downturns, is a critical part of our Solvency II work, in particular the calculation of the SCR.

Credit Risk

Given our reliance on reinsurance partners, credit risk is significant for the Company. Credit risk arises from the risk of loss if another party fails to perform its obligations or fails to perform in a timely or appropriate fashion. As well as our reinsurers, we also have exposure from banks, contractors, our investments and our Members. These are significant controls in place to ensure that the risk is minimised:

- Contractually we pay our quota share reinsurer quarterly in arrears with the claims being paid out of the premiums which we collect.
- Our reinsurers' Standard and Poor's ratings are monitored and their financial strength is reviewed annually.

Liquidity Risk

The liquidity risk is the possibility that the business may be unable to meet its obligations as they fall due as a consequence of having insufficient accessible funds. The majority of the Company's financial assets can be converted into cash at short notice with no or relatively small liquidation costs. Our reinsurance arrangements and the significant liquid assets the business holds means that the liquidity risk is not a significant risk as far as Cornish Mutual is concerned.

The table below analyses the undiscounted cash flows of the Company's monetary liabilities into their relevant maturity groups based on the period remaining at the year end to their contractual maturities or expected settlement dates. At 30 September all investments can be realised at any time.

MATURITY PROFILES					
September 2020	Carrying amount	Up to a year	1 to 2 years	2 to 5 years	Over 5 years
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Outstanding claims net	11,198	4,703	3,247	1,568	1,680
Creditors	1,833	1,833	-	-	-

September 2019	Carrying amount	Up to a year	1 to 2 years	2 to 5 years	Over 5 years
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Outstanding claims net	9,396	3,946	2,725	1,315	1,409
Creditors	1,114	1,114	-	-	-

c) Operational Risk

In many respects operational risks are the main risks faced by Cornish Mutual. Operational risks relate to the risk of loss resulting from inadequate or failing internal processes, people and systems or from external events - for example, a disruption to the business by natural catastrophe. Given their potential impact, particular focus is placed on operational risks by the Board with a variety of mechanisms in place to both mitigate their effect should they arise, and to prevent such risks arising in the first place.

d) Capital Management

The risk and capital management framework of the Company is central to its ability to continue delivering the benefits of mutuality into the future. The Company is currently well capitalised in respect of its size, limited complexity, business objectives and risk profile. There is no intention to call upon funds from Members, and so the capital base must be sufficient to withstand the stresses to which the Company's insurance underwriting, business operations and investment portfolios are subject without recourse to raising further capital in order to maintain financial strength and allow new growth.

The Company is regulated by the Prudential Regulation Authority and is subject to insurance solvency regulations that specify the minimum level and type of capital that must be held in addition to insurance liabilities. The Solvency II regime has been effective since 1 January 2016 and establishes a new set of EU-wide capital requirements, risk management and disclosure standards. The Company is required to have an SCR which meets a 99.5% confidence level of the ability of the Company to meet its obligations over a 12 month time horizon. The Company calculates its SCR in accordance with the standard formula prescribed in the Solvency II regulations, as the assumptions underlying the standard formula are considered appropriate for the Company's risk profile. The Company has met the requirements of the Solvency II regime to date.

The amount of own funds calculated on a Solvency II basis is £24.7m as at 30 September 2020 (2019: £23.1m).

6. SEGMENTAL INFORMATION

2020	Motor	Property	Accident & Health	Liability	Marine, Aviation & Transport	Total
	£	£	£	£	£	£
Gross premiums written	13,062,293	7,585,846	143,070	3,070,590	0	23,861,799
Gross premiums earned	13,153,134	7,523,143	139,419	3,063,797	105	23,879,598
Gross claims incurred	(5,688,118)	(9,373,365)	(94,694)	(3,183,433)	0	(18,339,610)
Reinsurance claims recoverable	481,426	5,984,289	0	2,407,967	0	8,873,682
Operating expenses	3,760,248	2,183,741	41,186	883,932	0	6,869,107

2019	Motor	Property	Accident & Health	Liability	Marine, Aviation & Transport	Total
	£	£	£	£	£	£
Gross premiums written	13,075,564	7,410,091	137,859	3,025,225	387	23,649,127
Gross premiums earned	12,975,821	7,321,354	138,168	3,015,306	3,957	23,454,605
Gross claims incurred	(12,279,696)	(2,354,680)	(59,282)	(660,874)	(643)	(15,355,134)
Reinsurance claims recoverable	5,577,990	1,336,857	0	375,631	404	7,290,882
Operating expenses	3,857,607	2,186,155	40,672	892,514	114	6,977,062

Operating expenses include administrative expenses and other charges.

7. EARNED PREMIUMS NET OF REINSURANCE

	Gross	Reinsurance	Net
2020	£	£	£
Premiums receivable	23,861,800	2,472,938	21,388,862
Unearned premiums carried forward	11,900,488	1,290,252	10,610,236
Unearned premiums brought forward	(11,918,285)	(6,560,423)	(5,357,862)
Decrease	17,797	5,270,171	(5,252,374)
Premiums earned	23,879,597	7,743,109	16,136,488
2019	£	£	£
Premiums receivable	23,649,127	12,969,067	10,680,060
Unearned premiums carried forward	11,918,285	6,560,423	5,357,862
Unearned premiums brought forward	(11,723,764)	(6,500,267)	(5,223,497)
Decrease	(194,521)	(60,156)	(134,365)
Premiums earned	23,454,606	12,908,911	10,545,695

8. CLAIMS INCURRED NET OF REINSURANCE

	Gross	Reinsurance	Net
2020	£	£	£
Claims paid	12,177,644	4,513,068	7,664,576
Outstanding claims carried forward	23,640,555	12,443,173	11,197,382
Outstanding claims brought forward	(17,478,589)	(8,082,557)	(9,396,032)
Increased / (Decrease)	6,161,966	4,360,616	1,801,350
Claims incurred	18,339,610	8,873,684	9,465,926
2019	£	£	£
Claims paid	12,048,054	5,695,352	6,352,702
Outstanding claims carried forward	17,478,589	8,082,557	9,396,032
Outstanding claims brought forward	(14,171,508)	(6,487,026)	(7,684,482)
Increased / (Decrease)	3,307,081	1,595,531	1,711,550
Claims incurred	15,355,135	7,290,883	8,064,252

9. MOVEMENT IN PRIOR YEAR'S PROVISION FOR CLAIMS OUTSTANDING

There was a deterioration in run off of £5,492k gross during the year in respect of the development of opening claims provisions of £17,479k from previous years (2019 – £573k favourable experience on £14,172k). After reinsurers' share, run-off developed favourably by £639k (2019: £266k).

10. OTHER TECHNICAL INCOME

	2020	2019
	£	£
Instalment scheme administration charge	292,216	284,301
Commission	1,236,517	2,279,754
	1,528,733	2,564,055

11. STAFF COSTS

	2020	2019
	£	£
Wages and salaries	3,489,452	3,576,348
Social security costs	378,875	403,626
Other pension costs	313,813	258,920
	4,182,140	4,238,894

The average number of employees, including Directors, during the year was comprised as follows:

	2020	2019
Management and Directors	9	10
Underwriting and claims	98	100
	107	110

Pension Costs

The Company contributes to three defined contribution pension schemes in respect of some employees. The schemes and their assets are held by independent managers. In the year ended 30 September 2020 the Company made contributions to the schemes of £208,813 (2019: £215,921). During the year, the Company also made contributions to its Defined Benefit scheme of £90,000 (2019: £386,000).

12. DIRECTORS' REMUNERATION

	2020	2019
	£	£
Directors emoluments (including benefits in kind)	561,937	656,845
National Insurance	65,346	76,938
Other pension costs	43,947	54,058
	671,230	787,841

Number of Directors accruing benefits under defined contribution schemes	4	3
Number of Directors accruing benefits under defined benefit plans	nil	nil

Detailed amounts paid to Directors including the amount paid to the highest paid Director are disclosed within the Report on Corporate Governance on page 24.

13. KEY MANAGEMENT COMPENSATION

	2020	2019
	£	£
Management and Directors	646,955	747,383

Key management includes the Executive Directors and Members of Senior Management.

14. INVESTMENT INCOME

	2020	2019
	£	£
Income from Land & Buildings	121,394	69,718
Income from listed investments	5,648	7,399
Income from other investments	596	230
Dividend from subsidiary	0	0
	127,638	77,347
Gains on the realisation of investments	75,000	0
Less accumulated unrealised gains from prior years	0	0
Profit on disposed investments	75,000	0
Unrealised (loss)/gains on retained investments	(211,163)	620,337
Total investment (losses)/gains	(136,163)	620,337
Total investment (expense)/income	(8,525)	697,684

Table includes rounding differences

15. AUDITORS' REMUNERATION

Audit fees including VAT amounted to £116,472 (2019 - £86,157). No fees were paid, in the current or prior year, in respect of any other services.

16. INVESTMENT EXPENSES AND CHARGES

	2020	2019
	£	£
Investment management expenses	122,989	107,514

Investment management expenses for collective funds are charged to the fund and the price of the investment reflects the cost of these charges. An estimate of the fees charged, based upon the fee structure for each fund, has been reflected as an increase in the performance of the fund and a management expense.

17. OTHER CHARGES

	2020	2019
	£	£
Directors' remuneration (see note 12)	627,283	721,053
Company Secretary's remuneration	41,071	36,481
Auditors' remuneration (see note 15)	116,472	86,157
Directors' contribution to staff pension scheme	43,947	48,070
Depreciation	201,513	165,640
Amortisation	21,661	32,105
(Profit) / loss on disposal of fixed assets		
	1,051,947	1,089,506

18. TAXATION

(a) Analysis of charge in period

	2020	2019
	£	£
Total current taxation	0	0

Deferred taxation		
Arising from origination and reversal of timing differences	0	(176,841)
Arising from changes in tax rates and laws	0	0
Total deferred taxation	0	(176,841)
Taxation on profit on ordinary activities	0	(176,841)

(b) Factors affecting tax charge for period

The tax assessed for the period is at the full rate of tax in the UK (19%). The differences are explained below:

	2020	2019
	£	£
Profit on ordinary activities before tax	1,198,675	(1,341,394)
Profit on ordinary activities multiplied by the full rate of tax in the UK, 19% (2019:19%)	227,747	(254,866)
Effects of:		
Expenses not deductible in determining taxable profit	3,087,761	2,743,223
Timing differences between capital allowances and depreciation	(11,242)	4,106
Deferred tax not recognised	186,241	64,821
Income exempt from taxation	(3,379,760)	(2,614,488)
Tax charge arising from changes in pension funding	2,850	(65,170)
Tax increase/(decrease) on latent gains	(112,078)	114,748
Adjust closing deferred tax to average rate of 19%	0	1,521
Adjust opening deferred tax to average rate of 19%	(1,519)	6,105
Adjustment in respect of prior year	0	0
Total tax charge for period (see (a))	0	0

19. OTHER INTANGIBLE ASSETS

	Software Costs	Total
COST	£	£
At 1 October 2019	743,592	743,592
Additions	29,618	29,618
At 30 September 2020	773,210	773,210
PROVISION FOR DEPRECIATION		
At 1 October 2019	693,504	693,504
Charge for the year	21,661	21,661
At 30 September 2020	715,165	715,165
NET BOOK VALUES		
At 30 September 2020	58,045	58,045
At 30 September 2019	50,088	50,088

20. LAND AND BUILDINGS

	Freehold Property	Total
COST	£	£
At 1 October 2019	3,037,307	3,037,307
At 30 September 2020	3,037,307	3,037,307
PROVISION FOR DEPRECIATION	£	£
At 1 October 2019	767,307	767,307
Revaluation	70,000	70,000
At 30 September 2019	837,307	837,307
NET BOOK VALUES		
At 30 September 2020	2,200,000	2,200,000
At 30 September 2019	2,270,000	2,270,000

Land and Buildings includes a freehold property from which the Company trades and having considered the local market and discussed with experts, the Directors believe that this is the appropriate value at 30 September 2020. Two new tenants moved into CMA House in early 2020.

Due to requirements around social distancing arising from the Covid-19 pandemic, the Company increased its office space to occupy approximately two-thirds of the building during the summer of 2020.

The Company's property was valued as at 30 September 2020 by Vickery Holman, an independent qualified firm of chartered surveyors and valuers. The valuation was calculated with reference to market-based evidence for similar properties in the local area.

During the year, the Company sold a piece of land that was previously held at nil net book value. The Company received proceeds of £75,000, which was recognised through investment income in the Statement of Profit and Loss.

21. OTHER FINANCIAL INVESTMENTS

Other Financial Investments	Current Value		Historical Cost	
	2020	2019	2020	2019
	£	£	£	£
Collective investments	34,967,440	29,595,943	33,418,000	27,718,000
	34,967,440	29,595,943	33,418,000	27,718,000

The fair value of financial instruments traded in active markets is based on quoted bid prices at the balance sheet date. All instruments are Level 1; quoted in an active market.

	2020	2020
	Level 1	Total
	£	£
Collective investments	34,967,440	34,967,440
	34,967,440	34,967,440

	2019	2019
	Level 1	Total
	£	£
Collective investments	29,595,943	29,595,943
	29,595,943	29,595,943

22. CLAIMS OUTSTANDING

General Business	£
Gross amount	
At 1 October 2019	17,478,560
Movement in provisions	6,161,966
At 30 September 2020	23,640,556
Reinsurance amount	
At 1 October 2019	8,082,557
Movement in provisions	4,360,616
At 30 September 2020	12,443,173
Net provisions	
At 30 September 2020	11,197,383
At 30 September 2019	9,396,032

23. OTHER DEBTORS

	2020	2019
	£	£
Other debtors	4,052	54,751

24. TANGIBLE ASSETS

	Furniture and Equipment	Total
COST	£	£
At 1 October 2019	1,411,600	1,411,600
Additions	161,857	161,857
At 30 September 2020	1,573,457	1,573,457
PROVISION FOR DEPRECIATION		
At 1 October 2019	1,000,978	1,000,978
Charge for the year	201,513	201,513
At 30 September 2020	1,202,491	1,202,491
NET BOOK VALUES		
At 30 September 2020	370,966	370,966
At 30 September 2019	410,622	410,622

25. PROVISION FOR DEFERRED TAXATION

	2020	2019
	£	£
Unrealised gains on investments	65,868	159,215
Fixed asset timing differences	11,220	9,254
Tax losses carried forward	(77,088)	(168,469)
Net deferred tax liability	0	0
Net provision for liability at start of period	0	0
Deferred tax charge in profit and loss	0	0
Provision for liability at the end of the period	0	0

Deferred tax provisions have been calculated at the rate of 19% (2019 - 19%) which is consistent with the substantively enacted tax rate at the balance sheet date which the Directors believe will be incurred by the Company in the future.

26. FINANCIAL INSTRUMENTS

	2020	2019
	£	£
Financial assets held at fair value through the profit and loss	34,967,440	29,595,943
Debt instruments measured at amortised cost	19,686,544	15,006,475
	54,653,984	44,602,418

Financial assets that are equity instruments measured at fair value	0	0
Financial liabilities measured at amortised cost	24,672,955	17,752,853

27. POST EMPLOYMENT BENEFITS

The Cornish Mutual Assurance Company Limited operates a defined benefit pension scheme (the Cornish Mutual Assurance Company Limited Staff Pension Scheme), the assets of which are held in a trustees bank account and invested with Legal and General. The scheme is closed to future accrual.

The Scheme's liabilities have been calculated by updating the valuation calculations carried out for the initial results of the formal valuation completed as at 31 July 2019 to provide the amounts to be disclosed as at 30 September 2020. The valuation of the scheme used the projected unit credit method and was carried out by Barnett Waddingham LLP who are professionally qualified actuaries.

The major assumptions used by the actuary at the balance sheet date were:

	2020	2019
Rate of increase in pensions in payment	3.30%	3.50%
Discount rate	1.55%	1.90%
Inflation assumption	3.30%	3.50%

The mortality assumptions used in the valuation of the defined benefit scheme liabilities of the plan are summarised in the table below and have been selected to reflect the characteristics and experience of the membership of the plan. The mortality assumption for 2020 follows the table known as S3NA with CMI 2019 projections using a long-term improvement rate of 1.25% per annum and an initial addition of 1% per annum. The mortality assumption for 2019 follows the table known as S3NA with CMI 2018 projections using a long-term improvement rate of 1.00% per annum. This is the same approach as was adopted last year. These can be summarised as follows:

Life expectancy at age 65	2020	2019
Male currently aged 45	24.2	24.2
Female currently aged 45	26.5	26.5
Male currently aged 65	22.8	22.8
Female currently aged 65	25.1	25.1

	2020
Changes in the fair value of the scheme assets are as follows:	£000's
Opening fair value of scheme assets	11,583
Interest income	217
Return on assets less interest	(96)
Contributions	90
Benefits paid	(219)
Administration cost	(145)
Closing fair value of scheme assets	11,430

	2020
Changes in the present value of the defined benefit obligation are as follows:	£000's
Opening defined benefit obligation	11,583
Interest cost	177
Benefits paid	(219)
Experience gain on liabilities	0
Change in demographic assumptions	6
Changes to financial assumptions	291
Restriction to liability gain to derecognize overall surplus	(408)
Closing defined benefit obligation	11,430

	2020	2019
The amounts recognised in the profit and loss account are as follows:	£000's	£000's
Analysis of the amount charged to operating profit:		
Current Service Cost	145	95
(Gains) / Losses on settlements and curtailments	-	-
Total operating charge	145	95
Analysis of the amount credited to other finance income:		
Interest return on pension scheme assets	(217)	(276)
Interest on pension scheme liabilities	177	224
	(40)	(52)
Total	105	43
Actual return on assets	121	2,042

27. POST EMPLOYMENT BENEFITS (continued)

The fair value of the plan assets can be summarised as follows:	2020	2019
Multi-asset funds	34%	34%
Absolute return bond funds	32%	32%
Cash	1%	1%
Liability driven investment	33%	33%

	2020	2019
The amounts recognised in the statement of financial position were are as follows:	£000's	£000's
Fair value of assets	11,430	11,583
Present value of funded obligations basic calculation	(9,665)	(9,410)
Surplus / (Deficit) in scheme	1,765	2,173
Restriction to surplus	(1,765)	(2,173)
Net Pension (Deficit)	nil	nil

The standard FRS102 calculation based upon the parameters disclosed above resulted in a surplus of £1,765k. In line with the standard, the surplus in the year was not recognised. This was done to reflect the fact that there is not an unconditional right to the surplus and a benefit to the company is not anticipated to arise e.g. a refund of contributions or a reduction of contributions towards the recovery plan agreed with the pension trustees.

28. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	2020	2019
	£	£
Trade creditors	930,059	199,881
Other taxation and social security costs	800,669	840,019
Other creditors	102,340	74,383
	1,833,068	1,114,283

29. TRANSACTIONS WITH RELATED PARTIES

Directors who have insurance policies with the Company receive this service on normal commercial terms, or as relevant for Executive Directors on terms consistent with all other employees. Employees are able to take out products for personal lines products at a staff reduction of 25% which represents the service cost of such policies.

Related parties include close relatives of Directors and companies in which such persons have an interest.

Total premiums on policies held by related parties amount to £65k (£60k in 2019) of which £16k (£14k in 2019) was still due at the year-end through normal use of instalment payment terms available to all Members. £8,712 (£10,033 in 2019) of premium was on personal lines policies for which the relevant Directors have received a staff reduction.

Claims on policies held during the year gave rise to payments of £28k (£20k in 2019) with a further £14k (£3k in 2019) provided as a provision for future payments against these claims.

These premiums on the insurance policies are not considered material to either party. The level of claims incurred is not considered material, however, due to the nature of the business, future claims may arise on these policies which may be considered to be material to either party. Any such claims are dealt with on normal commercial terms.

Please refer to note 13 in respect of key management compensation.

There are no other material related party transactions that require disclosure.

30. FINANCIAL COMMITMENTS

	2020	2019
Operating lease commitments as lessee	£	£
Expiry date:		
- within one year	154,656	186,097
- between one and five years	10,653	164,223
- after five years	20,000	40,000
	185,309	390,320

The cost recognised in profit and loss in respect of operating lease commitments in the current year was £218,279 (2019 – £207,738).

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Company Registration Number: 00078768
Authorised by the Prudential Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority

Chartered Insurer

Cornish Mutual