

The Cornish Mutual Assurance Company Limited

# Summary Financial Statement 2010

10

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# Board of Directors

The following people served on the Board of Directors during the year ended 30 September 2010 or have been subsequently appointed:

G T BLEWETT (Chairman)	Bodmin, Cornwall
I J PAWLEY (Deputy Chairman)	St Austell, Cornwall
C R DOWN	Budleigh Salterton, Devon
A R BROWN (Retired 25.03.10)	Okehampton, Devon
M A GRIGG	St Austell, Cornwall
MRS A J GREED	Exeter, Devon
J R DAVISON	Exeter, Devon
L R BAKER	St Austell, Cornwall
W G SHEARN (Appointed 01.10.10)	Cirencester, Gloucestershire
Managing Director and Secretary A GODDARD MA (Oxon) ACII Dip.Mgmt (Open)	
Finance Director P S BEAUMONT B.Sc. ACA	

Registered Office CMA House, Newham Road, Truro, Cornwall, TR1 2SU

# Chairman's Report

## 2010

This will be my last report as chairman. I have immensely enjoyed meeting so many different and interesting people over the past four years, but in today's fast-moving business world it is right to stand aside to let a fresh face take the helm. I intend to stay on the Board to ensure continuity.

The past year has, as usual, provided many challenges from both weather and insurance compliance. The severe snow in January and February led us to expect a large number of claims, but this turned out to be a lot less costly than originally thought.

It is pleasing to report another year of steady growth with premiums written passing £16 million, producing a technical surplus of £292,000. An investment income of £1,413,000 and our equity portfolio increasing by £625,000 means a satisfying gross profit before tax of £2,153,000.

With the staff pension scheme now closed to future accrual the company has continued to top up the scheme with some tax-efficient one-off payments to help reduce the funds shortfall. With a three-year actuarial valuation due shortly, we will have a new set of figures to work from.

We are continually striving to give you, our Members, a more efficient locally based service (not one with call centres

based overseas). With this in mind we have restructured our Member Services team, which we believe will be more user-friendly when you have a problem.

During the year we have formed a subsidiary company, Cornish Mutual Insurance Services Ltd, to be able to offer some alternative products outside our present product range.

We have also renewed our computer software system this year, which has meant a huge amount of extra work for Alan, Peter and their team. The benefits of this are envisaged to come through in the financial year 2010 to 2011.

The Board continues to tackle the challenges which it faces and to help and add expertise we have been joined by Graham Shearn who brings a breadth and depth of insurance knowledge to our discussions. I would like to thank my deputy chairman Ian Pawley and all the directors who have been a pleasure to work with, and who between them bring a diverse wealth of knowledge and professionalism to the company.

On behalf of the directors I would like to thank Alan Goddard, Peter Beaumont and all staff for their dedication and commitment in a year of great technological change.

**G T Blewett**  
Chairman  
December 2010



*Premiums written passing £16 million, producing a technical surplus of £292,000. An investment income of £1,413,000 and our equity portfolio increasing by £625,000 means a satisfying gross profit before tax of £2,153,000.*

# Summary Financial Statement

This financial statement is a summary of information in the audited statutory statement of accounts, which is available to all Members, free of charge on demand at both of our offices.

## Report of the Directors Year Ended 30 September 2010

The Directors have pleasure in submitting the Report and the Accounts for the Company for the year ended 30 September 2010.

### Principal Activity

The principal activity of the Company during the year was general insurance business.

### Review of Business

Our business has continued to develop and grow while our focus of providing insurance to the rural communities of the South West has been maintained. The year has seen significant change within Cornish Mutual as an enhanced focus on Member service has seen many changes in the way we provide service to Members. Further changes are planned as we aim to become even more Member centric and continue our efforts to find new and better ways of providing service to Members.

### Business Development

The agreed strategy of Cornish Mutual has continued to be implemented as we make progress to achieving our four objectives:

- To be the rural community insurance provider of choice.
- To offer a clarity of offerings to Members and potential Members which makes insurance easy to understand, purchase and deal with.
- To provide a service which exceeds Members' expectations, utilising technology where appropriate.
- To use appropriate supply chains to enable us to become the insurance provider of choice.

Our revised reinsurance arrangement with Ecclesiastical has worked well to the satisfaction of both parties. Equally importantly the technical expertise of our reinsurer has been made available to us on a number of occasions and there has been a mutual interchange of ideas to enhance the business relationship. Relationships have been established at all levels of the business and we are confident that this relationship will continue to help us achieve our objectives.

Cornish Mutual Insurance Services was established during the financial year and has seen modest growth in certain

classes of business. The intention of this wholly owned intermediary subsidiary is to provide access to market for risks which Cornish Mutual do not have the knowledge and expertise to underwrite ourselves. There is significant opportunity for us to widen our offering to our Members and potential Members via this format and plans are in hand to maximise such opportunities.

Our marketing activity has continued to focus on raising our profile within the four Counties where we choose to do business and has seen significant involvement in shows. As well as the major County shows of Somerset, Devon and Cornwall, a significant number of one day shows are attended throughout the year whereby hospitality is provided to Members and possibilities for new business sought. This year included a successful campaign called Dig Down South West which not only fulfilled its aim of encouraging local school children to grow vegetables but enhanced the profile and reputation of Cornish Mutual throughout the four Counties.

The use of technology continues to play a critical part in the delivery of service

to Members and achievement of our business objectives. A new software system is scheduled for delivery in the early part of financial year 2010/2011 and it is envisaged that this will provide a step change in how we handle some of our business which will lead to an improved service for our Members.

### **Our Staff**

The financial year has seen a slight increase in the number of staff and new staff have been recruited to ensure we achieve our objectives. All Member facing staff now have a requirement to become professionally qualified in insurance and it is a credit to them that an increasing proportion have gained a Chartered Insurance Institute qualification. This means Members can be reassured that they are dealing with competent and well trained staff.

Training is an increasingly important part of our business and we will continue to provide our staff with training in all areas of the business to ensure they deliver quality service to Members.

## Report of Directors Cont..

### Future Outlook

The Company has clear plans to develop the business to the benefit of existing and new Members and this will involve significant investment, particularly in people, over the coming years.

In a challenging marketplace the Board are determined to continue to provide quality service and quality insurance to the rural community of the South West.

### Business Results

	Gross Written premium		Claims to gross earned premium %	
	2010 £'000	2009 £'000	2010 %	2009 %
Motor	9,281	8,412	83.4	52.8
Property	4,853	4,561	49.6	65.1
Accident and Health	124	110	32.6	72.0
Liability	2,088	1,961	27.9	75.7
Miscellaneous	101	98	64.1	43.0
Marine Aviation and Transport	16	14	50.8	97.0
<b>Total</b>	<b>16,463</b>	<b>15,156</b>	<b>65.7%</b>	<b>59.5%</b>

### Principal Risks and Uncertainties

The Board has established the Risk and Audit Committee to ensure that the risks which the business faces are managed in a prudent and conservative manner. All risks which the Company face are regularly reviewed with appropriate controls put in place to minimise risk and mitigate effects should they

impact. The work the Company is doing on Solvency II will further strengthen Cornish Mutual's approach to risk and the key business risks and uncertainties affecting the Company have been identified as follows:

- **Insurance Risk**

The insurance risk the Company faces

arises from the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities. Given the revised reinsurance arrangements with Ecclesiastical this risk has become more long term in nature as our approach to underwriting remains unchanged. There is a residual risk from the book of business which was protected by prior reinsurance arrangements but this is diminishing rapidly.

- **Credit Risk**

Credit risk arises from the risk of loss if another party fails to perform its obligations or fails to perform them in a timely or appropriate fashion. The Company's exposure to credit risk arises from reinsurers and, given our change in reinsurance arrangements, this risk has been enhanced. However, contractually there are controls in place to ensure that the risk is minimised:

a) Contractually we pay our reinsurers quarterly in arrears with claims being paid by us out of the premium which we collect.

b) Our reinsurer's Standard and Poor's rating is monitored and every year a

list of their reinsurers is reviewed to check their credit rating.

c) Interim results are received from our reinsurer to give early warning of any areas of concern which may be arising.

- **Liquidity Risk**

The liquidity risk is the potential that the Company may be unable to meet its obligations as they fall due as a consequence of having insufficient accessible funds.

Given the way our reinsurance arrangements are structured and the significant accessible assets the Company holds, liquidity risk is not considered a significant risk for Cornish Mutual.

- **Market Risk**

Market risk encompasses an adverse movement in the value of assets as a consequence of market movements, such as interest rates, equity prices, etc. which is not matched by a corresponding movement in the value of liabilities. The Board have reduced the Company's exposure to market risk by changing the makeup of the Company's investment portfolio.

This risk is also managed by ensuring a suitable balance of assets is held and by testing the impact on the assets of events such as failure of investments and a downturn in equity values.

- **Operational Risk**

Operational risks faced by Cornish Mutual relates to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, for example, a disruption to the business by fire or flood. There is a system of controls in place to ensure that such risks are managed and plans are in place to mitigate the effects of such risks should they occur.

All of the risks which the Company faces are incorporated into the Company risk register which is owned by the Risk and Audit Committee and regularly reviewed by the Board. Additionally, in line with the regulatory requirements, the Company's ICAS statement is reviewed annually and appropriate capital held accordingly to match the risks which the Company faces.

### **Key Performance Indicators**

The Company uses a number of KPIs to understand the development and

performance of the business. In addition to the traditional work which is undertaken in respect of claims ratios, levels of gross premium written, reinsurance costs, management expenses and capital requirements, an increased amount of work is being undertaken on quality of service provided to Members to ensure we deliver against the standards of service which our Members expect.

### **Charitable Gifts**

Cornish Mutual contributed £10,722 to charities and local organisations over the financial year in question. Our focus has remained on the rural community supporting local organisations wherever possible. Significant funding is provided to the Young Farmers' Clubs in Cornwall, Devon and Somerset and we have additionally continued to provide support to RABI and local agricultural shows and primestock shows.

### **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 Chubb to a limit of £2.5 million in any one period of insurance.

## **Directors**

There are no Directors retiring in rotation; however, in line with good Corporate Governance, Mr Grigg and Mr Blewett, having served more than nine years, offer themselves for re-election.

Mr Shearn, having been co-opted from 1 October 2010 will face election.

## **Auditors**

Winter Rule LLP are deemed to be re-appointed in accordance with Section 487(2) of the Companies Act 2006.

## **By Order of The Board**

A Goddard  
Managing Director and Secretary  
7 December 2010

# Statement of Directors' Responsibilities

Year Ended 30 September 2010

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of its profit and loss account for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the

provisions of the Companies Act 2006 applicable to Insurance Companies. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are responsible for ensuring that the directors' report and other information included in the annual report is prepared in accordance with law in the United Kingdom and for the maintenance and integrity of the corporate and financial information included on the company's website.

## **Statement of disclosure of information to auditors**

As far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. The directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information to establish that the company's auditors are aware of that information.

## **On behalf of the Board**

G T Blewett  
Chairman



# Report on Corporate Governance

Corporate Governance has always been an important part of the work of the Board and in recent years there has been an enhanced focus on it initially driven by the Myners review into governance of life mutuals. Over the more recent past this has been enhanced, largely driven by failings in the wider financial sector, which has caused all regulated Financial Services Companies to face a sharper scrutiny and the publication of the Walker review into the governance of banks and other financial institutions. As a consequence of this, this is an area on which the Board has worked particularly hard and continues to work hard to ensure that the Board can demonstrate and document the important work which it does in this area. As our reporting regime begins to change and as we prepare for Solvency II this focus will remain.

The work which the Board does to demonstrate good governance is essentially focussed around the four roles which the Board has.

- To formulate strategy.
- To ensure accountability.
- To shape and implement culture.
- To improve Board effectiveness.

The formulation of strategy is the clear preserve of the Board and in ensuring accountability, the following are areas which the Board focus on:-

- A number of activities which ensure Members' interests are acted on by ensuring the Company remains Member focussed and that all actions are undertaken with integrity.
- Ensuring that performance is measured, particularly when it comes to the delivery of strategy.
- Ensuring the Company operates in an effective efficient and economical manner to demonstrate good financial stewardship.
- Ensuring that all risks which the Company faces are managed and controlled by ensuring there is an appropriate risk appetite, by ensuring strategy objectives are delivered, by ensuring that risks are managed and mitigated and by ensuring an appropriately rigorous audit process is in place to establish that risk is managed efficiently and effectively.

It is important that the Board fulfils these obligations and that there is a balance of skills on the Board.

Collectively the Board will continue to develop its knowledge and expertise and seek appropriate enhancement where necessary to ensure that these obligations are delivered.

### **The Annotated Combined Code**

Cornish Mutual continues to work towards all appropriate and relevant provisions of the Annotated Combined Code and Corporate Governance; Annotated for Mutual Insurers (February 2009). Given the size of the Cornish Mutual, a number of the provisions do not apply but Cornish Mutual accept that such provisions are best practice and will work towards utilising these provisions when they are both appropriate and proportionate. There are a number of specific areas where Cornish Mutual choose not to comply rather explaining their non compliance as follows:-

- Provisions relating to Non Executives receiving induction and regularly updating and refreshing their skills and knowledge.
- Formal and rigorous annual evaluation of Board performance and that of its Committees and individual Non Executives.
- Provisions relating to Executive

Directors' remuneration being linked to corporate and individual performance.

In respect of these areas, in an attempt to strengthen performance and adherence to the Code, the previous appraisal process adopted by the Board has been enhanced. The new process will specifically assess Board operations against Corporate Governance good practice and outline potential training and development areas for the Board and individuals. The Chairman will then assume responsibility for ensuring appropriate action has been taken to deliver on any identified short comings. The first run of this revised appraisal process took place in the middle of the year and the Board have agreed to adopt all recommendations which were forthcoming.

In respect of Executive remuneration, the Company take the view that it is not appropriate to pay bonuses to Executives but do agree that Executive remuneration should be more closely aligned to their individual performance and the development of the Company as a whole. The Board will consider introducing such a method of remuneration for our Executives.

## Report on Corporate Governance Cont..

### Board and Committee Attendance

	Gerald Blewet	Ian Pawley	Alan Goddard	Peter Beaumont	Leslie Baker	Roger Brown	Jerry Davison	Chris Down	Jilly Greed	Michael Grigg
Board Meetings	6	6	6	6	5 of 6	3 of 3*	6	6	5 of 6	6
Committees										
Remuneration & Nominations	2	2	2							
Investment	3	1 of 1 ****	3	3		1 of 1*	1 of 1**	1 of 2 ***		
Risk and Audit		3	3	3	2 of 2	1 of 1*		1 of 3		

\* Roger Brown retired March 2010

\*\* Jerry Davison appointed to the Committee June 2010

\*\*\* Chris Down stepped down from Committee in April 2010

\*\*\*\* Ian Pawley appointed to the Committee June 2010

### Directors Remuneration Report

Year ended 30 September 2009

Director	Remuneration (£)	Benefits (£)	Pension (£)	Total (£)
G Blewett	25,250	283	-	25,533
C R Down	10,433	283	-	10,716
A R Brown *	3,875	453	-	4,328
M A Grigg	7,750	680	-	8,430
A J Greed	7,750	283	-	8,033
J R Davison	9,057	283	-	9,340
L Baker	7,750	-	-	7,750
I Pawley	10,093	-	-	10,093
W Shearn **	-	-	-	-
A Goddard	88,253	7,178	13,300	108,731
P Beaumont	83,000	293	4,500	87,793
	<b>253,212</b>	<b>9,736</b>	<b>17,800</b>	<b>280,747</b>

\* Retired 25 March 2010 \*\* Appointed 1 October 2010

## The Board

The current Board is as follows:

### Non-executive Directors



#### **Gerald Blewett - Chairman**

Gerald Blewett has long been involved in all aspects of the agricultural sector in the South West; most recently having farmed in a family partnership. He has also held directorships of both Gelly Pigs Ltd and Wadebridge Abattoir. Gerald has been a Member of the Board since 2002, having been appointed Deputy Chairman in April 2006 and subsequently Chairman in 2007. He regularly plays a significant part in the rural community and is very involved in fund raising for local charities. Gerald, who is also Chair of the Trustees for Cornish Mutual's pension fund, was formerly a Parish Councillor and School Governor for 14 years.



#### **Ian Pawley - Deputy Chairman**

As a solicitor, Ian Pawley has lived and worked in Cornwall for all his professional life. He understands the agricultural sector particularly well having dealt with many issues around farming and inheritance tax. Ian, a former managing partner of regional legal firm Stephens Scown, joined the Cornish Mutual Board in 2009 and brings with him an extensive knowledge of modern legal and business requirements including corporate governance. Ian was elected Deputy Chairman in April 2010. He takes an active interest in the rural and agricultural community in the South West. Ian also holds a number of other non-executive director and trustee positions in Cornwall, as well as being involved in local charity work and the St Austell Rotary Club.

## Report on Corporate Governance Cont..



### **Chris Down - Non Executive Director**

Chris Down has been a Board member since November 2005, serving as Deputy Chairman between April 2007 and April 2010. He is a pig and arable farmer in the Budleigh area who also runs a contracting business from Crealy Park at Clyst St. Mary. Chief Executive at Maximum Fun Ltd, the company that operates both Cornwall and Devon's Crealy Great Adventure Parks at Tredinnick, Near Wadebridge and Clyst St. Mary, Near Exeter, he has wide experience of the farming and rural community in the South West as well as understanding the relevant business issues that we all face today.



### **Jilly Greed - Non Executive Director**

Farming and rural issues are at the heart of Jilly Greed's life in the South West – she is a fourth generation beef and arable producer, farming a 500 acre family farm in Devon. She is a passionate and active campaigner for a sustainable beef industry in the region, as well as being Vice Chair of the NBA South West, an NFU member and sitting on the CLA Devon committee. Jilly, who joined the Cornish Mutual Board in November 2005, has extensive business knowledge and experience of rural communities. Her Exeter-based company is also directly involved in the marketing and promotion of local producers and a range of farming and rural businesses.



### **Les Baker - Non Executive Director**

Leslie Baker has spent his entire working life in Cornwall as an Insurance Broker and comes from a farming family. With over 45 years wide-ranging experience of the insurance industry under his belt, Leslie, who lives in St Austell, was co-opted to the Cornish Mutual Board in November 2008. He retired in 2007 having been a Partner in the Newquay-based business Walmsley Baker and Co and was latterly employed by the Towergate Group. Leslie has been a Cornish Mutual Member for a number of years and has a sound knowledge of issues affecting the rural community, as well as being past President of the Chartered Insurance Institute of Truro.



### **Michael Grigg - Non Executive Director**

Michael Grigg's family has been involved in farming in Cornwall for many generations and Michael, himself, has been a Member of the Cornish Mutual Board since July 1992. He is an experienced beef, sheep and arable producer and runs a mixed farm with more than 1,000 acres in the Duchy. At the same time as being a farmer, with his roots firmly in the local community, Michael runs a well respected agricultural merchant and country store on the outskirts of St Austell. He has extensive knowledge of the issues which are currently facing both the rural and farming community in the South West.



### **Jerry Davison - Non Executive Director**

Having held a number of Managing Director and Financial Director positions, both in the UK and abroad, Jerry Davison brings extensive commercial, operational and IT experience and knowledge to the Cornish Mutual Board. He was appointed in May 2007 as Non-Executive Director. A Chartered Accountant with a law degree he currently runs his own consultancy near Exeter. He is the President of the South West Society of Chartered Accountants, knows the region very well and holds a number of other non-executive board positions with companies across the South West. Jerry maintains a keen interest in all agricultural and rural issues affecting the West Country.



### **Graham Shearn - Non Executive Director**

Having spent his whole career in the insurance industry, Graham Shearn was appointed to Cornish Mutual's board in October 2010. He recently retired from Ecclesiastical where he held the post of Group Development Director. During his working life, he has served on a number of UK and overseas company boards within Ecclesiastical and externally, including Mapfre Reinsurance Corporation (USA) and Global London Market Ltd. Graham has been a member of the CII Council and Management Committee and has chaired the CII Examiners Committee in the past. He also acted as President of The Insurance Charities for a time.

## Executive Directors



### **Alan Goddard - Managing Director**

Alan Goddard has been with Cornish Mutual for the last nine years, having joined the company as Deputy General Manager in December 2001. Alan was appointed Managing Director in August 2004 and became a Member of the Board. Alan's experience of the financial and insurance sectors is second to none, having worked in the industry for most of his adult life. Alan, a Chartered Insurer, is also a Board Member of the Association of Financial Mutuals and has previously worked with PricewaterhouseCoopers and The Royal Insurance Group. He is passionate about the rural community in the South West and sits on the Staff Management Committee of Cornwall Federation of Young Farmers Clubs (CFYFC).



### **Peter Beaumont - Finance 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, having relocated with his family to Cornwall. He joined the company from corporate finance specialists Close Asset Finance Ltd where he was Group Financial Controller. 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 subsequent 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.

## Report on Corporate Governance Cont..

### Committees

The Board operates with three Committees; a Risk and Audit Committee, an Investment Committee and a Remuneration and Nominations Committee. The latter Committee was established following the Board Effectiveness Review which took place in June 2010 and this will focus on ensuring that appropriate remuneration is paid to all Directors to reflect their roles and responsibilities and that potential Non Executives with the breadth of knowledge and skills required to fulfil the Board obligations are identified, coached and approached when a suitable vacancy arises. Membership and attendance of Committees is shown in the table on page 14. Mr Pawley chairs the Risk and Audit Committee along with the Remuneration and Nominations Committee and Mr Davison has chaired the Investment Committee since July 2010. Prior to this Mr Blewett fulfilled this role.

### Board Activities

The Board continue to meet at the frequency which has previously been determined and continue to focus on the following areas:-

- Strategy and management, for example, approval of long term objectives, strategy and annual budgets along with review of Company performance against these objectives.
- Financial reporting and controls, for example, approval of the Annual Report and Accounts following recommendation from the Risk and Audit Committee.
- Internal Controls – establishing a sound process of internal control and risk management and ensuring that an annual assessment of these systems takes place.
- Board membership and appointment
- Remuneration: Following recommendations of the Remuneration and Nominations Committee in determining the salary pot available for the Company as a whole and the recommended remuneration for Non Executives, subject to Member approval at the Annual General Meeting.
- Company Policies, for example, Health and Safety.

## Independence

All Non Executive Directors are regarded as independent in character and in judgement. Cornish Mutual is a Member based organisation and all Directors have to be Members to be eligible to sit on the Board. No Non Executive Director has sufficient policies to be dominant. The view is taken that Non Executives are uniquely placed to represent the best interests of the Members and consequently longevity of service is viewed as representing stability and the knowledge of the organisation which would be lost if appointment was terminated after nine years' service. The Board do follow the recommendation that all Non Executives who have served longer than nine years face annual re-election and consequently Mr Blewett, having joined the Board in 2002 will join Mr Grigg in facing annual re-election.

## Appointments to the Board

The Board have a formal policy in respect of the appointment of Non Executive Directors which is believed to be a transparent and open appointment process.

An essential part of the process is identification of potential Board members who are already Members of the Company or who are prepared to

become Members of the Company. The Board have identified the following ways in which prospective Board members can be identified:-

- By staff, along with current Non Executives who may know Members who are in a position to contribute to the development of Cornish Mutual and have the appropriate depth of knowledge to fulfil the Board's collective responsibilities.
- Utilising our newsletter highlighting the roles of Non Executives and the continuing need for suitable Members to fulfil the role.
- Informal recruitment perhaps via our presence at agricultural shows.

The Board have agreed that appointment of Non Executive Directors will follow the following format:-

- A Board Committee will interview potential Non Executives. The Committee made up of the Chairman, the Deputy Chairman, the Managing Director, a recent recruit to the ranks of Non Executive Director and one of the Company's professional advisors.
- There will be a common format for interview using agreed objective criteria.

## Report on Corporate Governance Cont..

- There will be a recommendation to the full Board.
- There will be co-option to the Board.
- Election at the next Annual General Meeting.
- All new Non Executives will undertake a familiarisation programme which will include training and a thorough induction to the Cornish Mutual

### Internal Controls

A report on internal controls is presented to the Board annually, having first been agreed by the Risk and Audit Committee. The changing face of regulation as the Company moves towards Solvency II compliance has seen an enhanced focus on risk and the internal controls which the Company has in place to manage them and mitigate their effects should they impact. For the year under consideration there have been a number of changes to the internal control mechanisms which has seen an enhanced focus on the quality of the work which we deliver and an enhanced monitoring process is in place to ensure standards are maintained and improved. Financial control of the Company is vested in the Finance Director and monitoring of performance

is controlled by the Board by a number of mechanisms, for example, monthly management accounts and annual review of ICAS provisions.

Operational issues are delegated via the Managing Director to the senior management of the Company where they operate to defined authority levels and in accordance with Company's procedures.

In respect of compliance, procedures are established and are monitored regularly to ensure that regulatory requirements are being fulfilled.

The Company risk register is formally owned by the Risk and Audit Committee and this document is reviewed regularly to ensure that all appropriate risks are being identified and that necessary action is taken to mitigate such risks.

### On behalf of the Board

A Goddard  
Company Secretary



# Profit and Loss Account

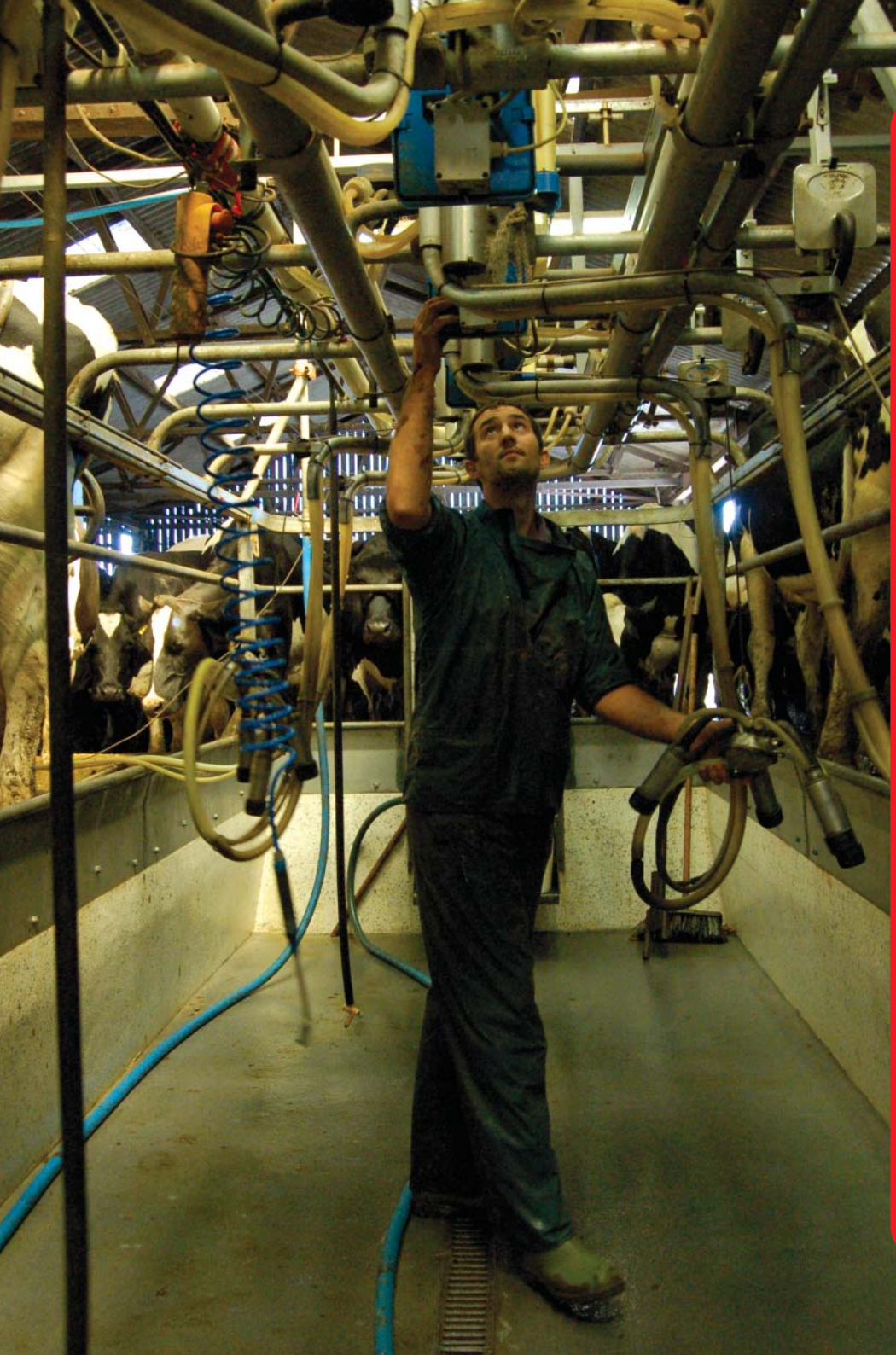
Year Ended 30 September 2010

	2010		2009	
	£	£	£	£
<b>Technical Account - General Business</b>				
<b>Earned premiums, net of reinsurance</b>				
Gross premiums written	16,463,355		15,156,161	
Outward reinsurance premiums	<u>(16,544,957)</u>	(81,602)	<u>(2,795,452)</u>	12,360,709
Change in gross provision for unearned premiums	(648,793)		(154,553)	
Change in provision for unearned premiums, reinsurers' share	<u>6,970,201</u>	<u>6,321,408</u>	<u>36,222</u>	<u>(118,331)</u>
Earned Premiums net of reinsurance		6,239,806		12,242,378
Other technical income		1,830,428		204,832
<b>Total technical income</b>		<b>8,070,234</b>		<b>12,447,210</b>
<b>Claims incurred, net of reinsurance</b>				
Claims paid				
- gross amount	9,694,544		10,692,666	
- reinsurers' share	<u>(2,738,730)</u>	6,955,814	<u>(864,196)</u>	9,828,470
Change in the provision for claims				
- gross amount	692,121		(1,772,498)	
- reinsurers' share	<u>(3,223,122)</u>	<u>(2,531,001)</u>	<u>1,036,134</u>	<u>(736,364)</u>
Claims incurred, net of reinsurance		4,424,813		9,092,106
Net operating expenses				
- Administrative Expenses	3,056,850		2,858,382	
- Statutory levies	<u>297,001</u>	3,353,851	<u>290,353</u>	3,148,735
Change in equalisation provision		-		(97,549)
<b>Total Technical Charges</b>		<b>7,778,664</b>		<b>12,143,292</b>
<b>Balance On The Technical Account</b>		<b>291,570</b>		<b>303,918</b>

	2010 £	2009 £
<b>Non-Technical Account</b>		
Balance on the general business technical account	291,570	303,918
Investment income	1,413,252	1,217,889
Unrealised gains/(losses) on investments	<u>625,202</u>	<u>1,627,984</u>
	<u>2,330,024</u>	<u>3,149,791</u>
Investment expenses and charges	35,733	33,256
Other charges	<u>140,891</u>	<u>636,501</u>
	<u>176,625</u>	<u>669,757</u>
<b>Profit On Ordinary Activities Before Tax</b>	<b>2,153,400</b>	<b>2,480,034</b>
Tax (charge) credit on profit on ordinary activities	<u>(112,863)</u>	<u>(672,559)</u>
<b>Profit For The Financial Year</b>	<b>2,040,537</b>	<b>1,807,475</b>

# Statement of Total Recognised Gains and Losses

	2010 £	2009 £
Profit for the financial year	2,040,537	1,807,475
Actuarial gain/(loss) recognised in the pension scheme	(449,000)	24,000
Movement in deferred tax relating to pension scheme	(429,520)	(7,840)
<b>Total Recognised Gains and Losses Relating to the Year</b>	<b>1,162,017</b>	<b>1,823,635</b>
<b>Total (Losses) and Gains Recognised Since the last Annual Report</b>	<b>1,162,017</b>	<b>1,823,635</b>



# Balance Sheet

At 30 September 2010

	2010 £	2009 £
<b>ASSETS</b>		
<b>Investments</b>		
Land and Buildings	3,520,000	3,520,000
Other financial investments	21,527,638	24,026,111
Investment in subsidiary undertaking	3	-
	<u>25,047,641</u>	<u>27,546,111</u>
<b>Reinsurers' Share Of Technical Provisions</b>		
Provision for unearned premiums	8,378,856	1,408,655
Claims outstanding	6,354,726	3,131,604
	<u>14,733,582</u>	<u>4,540,259</u>
<b>Debtors</b>		
Debtors arising out of direct insurance operations - policyholders	2,959,928	2,741,360
Debtors arising out of reinsurance operations	2,106,205	-
Other debtors	140,250	145,855
	<u>5,206,383</u>	<u>2,887,215</u>
<b>Other Assets</b>		
Tangible assets	551,274	174,118
Cash at bank and in hand	3,556,827	6,378,333
	<u>4,108,101</u>	<u>6,552,451</u>
<b>Prepayments and Accrued Income</b>		
Other prepayments and accrued income	157,207	132,044
<b>TOTAL ASSETS</b>	<b>49,252,914</b>	<b>41,658,080</b>

	2010 £	2009 £
<b>LIABILITIES</b>		
<b>Capital and Reserves</b>		
Profit and loss account	<u>18,045,473</u>	<u>16,883,456</u>
<b>Gross Technical Provisions</b>		
Provision for unearned premiums	8,378,856	7,730,063
Claims outstanding	<u>14,283,751</u>	<u>13,591,630</u>
	<u>22,662,607</u>	<u>21,321,693</u>
<b>Creditors</b>		
Arising out of direct insurance operations	-	10,748
Arising out of reinsurance operations	4,181,535	470,816
Other creditors including taxation and social security	<u>634,148</u>	<u>831,492</u>
	<u>4,815,683</u>	<u>1,313,056</u>
<b>Accruals and Deferred Income</b>	1,955,682	96,952
<b>Provisions for Liabilities and Charges</b>		
Provision for taxation	846,469	508,923
Provision for pensions	<u>927,000</u>	<u>1,534,000</u>
	<u>1,773,469</u>	<u>2,042,923</u>
<b>Total Liabilities</b>	<b>£49,252,914</b>	<b>£41,658,080</b>

**Approved by the Board of Directors on 7 December 2010**

G T Blewett Director

P S Beaumont Director

A Goddard Managing Director and Secretary

# Statement of the Independent Auditors to the Members of The Cornish Mutual Assurance Company Limited

Year Ended 30 September 2010

We have examined the Summary Financial Statement set out on pages 4 to 29.

This auditors' statement is made solely to the company's Members, as a body, in accordance with Section 427 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's Members those matters we are required to state to them in such a statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's Members as a body, for this statement, or for the opinions we have formed.

## **Respective responsibilities of Directors and auditors**

The Directors are responsible for preparing the Summary Financial Statement, in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the Summary Financial Statement within 'Summary Financial Statement 2010' with full annual financial statements and the Directors' Report, and its compliance with the relevant requirements of section

427 of the Companies Act 2006 and the regulations made thereunder.

We also read the other information contained in 'Summary Financial Statement 2010' Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Summary Financial Statement. The other information comprises only the Chairman's Report and the Report on Corporate Governance.

We conducted our work in accordance with Bulletin 2008/3 issued by the Auditing Practices Board. Our report on the company's full annual financial statements describes the basis of our opinion on those financial statements and on the Directors' Report.

## **Opinion**

In our opinion the Summary Financial Statement is consistent with the full annual financial statements and Directors' Report of Cornish Mutual Assurance Company Limited for the year ended 30 September 2010 and complies with the applicable requirements of section 427 of the Companies Act 2006, and the regulations made thereunder.

**Winter Rule LLP  
Chartered Accountants &  
Statutory Auditors**

Lowin House  
Tregolls Road  
TRURO  
TR1 2NA

**Date: 7 December 2010**

## Director's Statement

The auditor has issued unqualified reports on the full financial statements and on the consistency of the directors' report with those financial statements. Their report on the full annual financial statements contained no statement under sections 498(2)(a), 498(b) or 498 (3) of the Companies Act 2006.







A full set of statutory financial statements can be obtained from

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Cornish Mutual is Authorised and Regulated by the Financial Services Authority.