Solvency and Financial Condition Report

30 September 2023

Cornish Mutual

Solvency and Financial Condition Report

Summary

Cornish Mutual manages our business in a prudent manner for the benefit of Members. We price our products on a technical and consistent basis to deliver stable, fair premiums to Members while delivering a return that supports an appropriate level of growth of Members' Funds over a five-year planning period. Investment returns form an intrinsic part of the financial performance, utilising capital surpluses to take investment risk and generate returns.

The overall sources of profit and loss contributing to changes in Members' Funds are shown below.

	2023	**2022**
	£'000	**£'000**
Technical Profit	(986)	1,146
Other charges	(1,317)	(1,089)
Underwriting result	**(2,303)**	**56**
Investment income net of fair value adjustments	1,217	(1,582)
Tax	0	0
Revaluation of property	(200)	0
Pension adjustments net of tax	82	(154)
Changes in Members' Funds	**(1,205)**	**(1,679)**

Members' funds have decreased by £1.2m during the year to £25.8m on a GAAP basis.

On a Solvency II basis Members' Funds, which represent the total of own funds has remained at £31.4m.[1] All own funds are eligible to cover the Solvency Capital Requirement (SCR) and the Minimum Capital Requirement (MCR).

The ratio of Own Funds to the SCR is 150% compared to last year's figure of 185%. There are no volatility or matching adjustments. No transitional measures have been adopted in the calculation of the technical provisions.

The MCR is calculated as £5.2m being the higher of the Absolute Floor of £3.2m or 25% of SCR, £5.2m at 30 September 2023.

[1] We note this has increased slightly from £31.2m quoted in the Annual Report as a result of the process arising from reviewing the Solvency II Annual Reporting Template Submission.

There are no areas of non-compliance with the SCR or the MCR through the year to 30 September 2023.

With a stable, high retention book of business and broadly similar reinsurance arrangements, we expect our insurance risk to remain relatively consistent. However, this is an area where we are not able to fully reflect the benefits of our stop loss programme due to the mechanics of the standard formula in the insurance risk calculation of our SCR. As such, our internal view of insurance risk differs to the standard formula, with the Solvency Capital Requirement being approximately £6.3m higher overall than our Economic Capital Assessment.

A large source of variability in the total capital required to support the business arises from market risk. This risk changes in response to the allocation of funds to different asset classes within our investments held directly or as part of the assets of the defined benefit pension scheme. The company has considerable scope and flexibility to manage the market risk through its investment policy.

In November 2021, the Pension Trustees of Cornish Mutual's Defined Benefit Scheme entered into a buy-in transaction with Legal and General to match the liabilities of the Cornish Mutual Pension Scheme. The intention is for the Scheme to move to buy-out during financial year 2024.

As a mutual insurance company, Cornish Mutual is owned by its customers who are all Members of the company. Member approved directors make up the Board. The governance objectives of the Board of Cornish Mutual are set out publicly in its *Board Charter* (www.cornishmutual.co.uk).

During the year, the company operated with three Board committees: Risk and Audit, Investment and Capital Management and Remuneration and Nomination.

The following standard sections of the SFCR are considered not applicable and are therefore not included: A5, B8, C7, D4, D5, E3 and E4.

Where numbers are provided on a rounded basis, each individual number is presented using conventional rounding without adjustment. No adjustment is introduced to allow totals to agree so tables and columns of rounded numbers may be subject to rounding errors.
This report is subject to audit in accordance with the PRA Supervisory Statement SS11/16.

Statement of Directors' Responsibilities

We acknowledge our responsibility for preparing the SFCR in all material respects in accordance with the PRA Rules and the Solvency II Regulations.

We are satisfied that:

a) throughout the financial year in question, the insurer has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations as applicable to the insurer; and

b) it is reasonable to believe that, at the date of the publication of the SFCR, the insurer has continued so to comply and will continue so to comply in future.

P S Beaumont
Managing Director
04/01/24

Clare Green
Finance Director
04/01/24

A. Business and performance

A1 - Business

Cornish Mutual Assurance Co Ltd is a company limited by guarantee. Company number 78768.

The company, as a category 4 firm, has no named supervisor and is managed through the smaller insurer regime by the Prudential Regulation Authority. Their address is 20 Moorgate, London, EC2R 6DA. The company is also regulated by the Financial Conduct Authority. Their address is 12 Endeavour Square, EC20 1JN.

This Solvency and Financial Condition report has not been audited as permitted by regulation. The external auditor for the annual report for the year ended 30 September 2023 was:

BDO LLP, Chartered Accountants and Statutory Auditors
55 Baker Street, London, W1U 7EU, United Kingdom.

The Company conducts general insurance business in the four counties of the South West of England. Material lines of business are identified in section A2 by inclusion of the segmental analysis from the financial statements.

A2 – Underwriting performance

The overall sources of profit and loss contributing to changes in Members' Funds are shown below.

	2023 £'000	2022 £'000
Technical Profit	(986)	1,146
Other charges	(1,317)	(1,089)
Underwriting result	**(2,303)**	**56**
Investment income net of fair value adjustments	1,217	(1,582)

Tax	0	0
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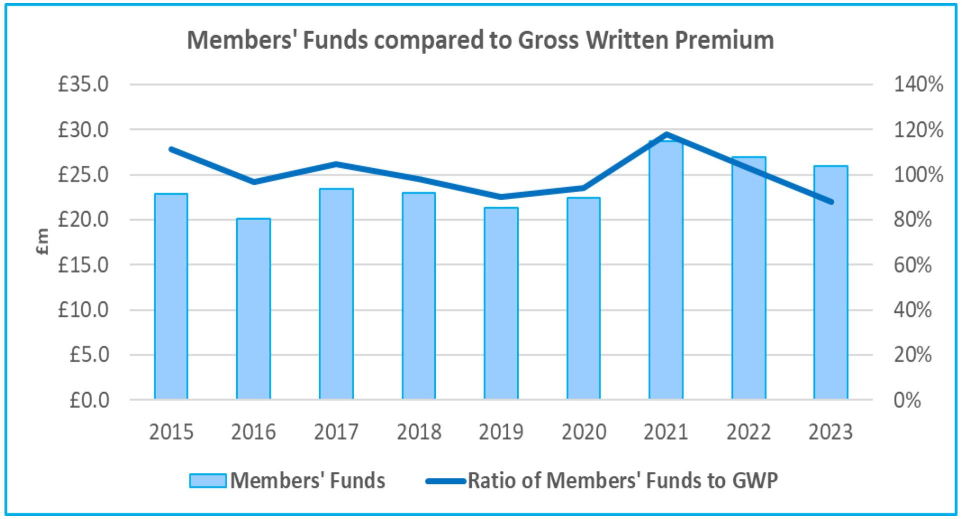
Pension adjustments net of tax	82	(154)
Changes in Members' Funds	**(1,205)**	**(1,679)**

GAAP Members' Funds fell this year by £1.2m to £25.8m (2022: decrease of £1.7m). This is made up of an investment profit of £1.2m, and a loss on our insurance operations. The result can be summarised as follows:

i. at a gross level, our underlying performance is consistent with forecast, with the exception of multiple large, individual claims;
ii. our Truro Head Office building was revalued, and saw a decrease in value consistent with the fall in value of commercial property;
iii. while our investments have made a profit, markets have remained challenging, and we have not made a real return above levels of inflation.



We are required by regulators to maintain a sufficient level of capital, and this is determined in accordance with Solvency II rules by reference to a set of standard calculations. These calculations determine how much capital we need to survive particular stress scenarios.

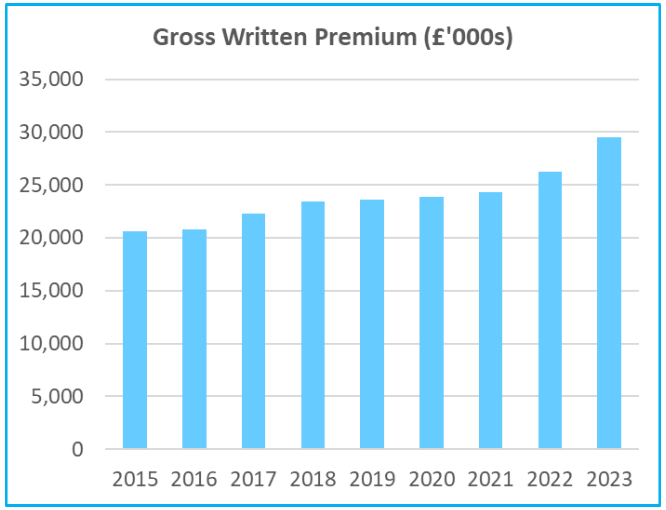
Our Members' Funds need to exceed this level of capital at all times. Members' Funds for this purpose are calculated on a different basis to the balance sheet presented in these accounts. This information can be found in our Solvency and Financial Capital Requirement report on our website.

Description	Financial Year								
	2015	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
	£'000s								
Gross Written Premium	20,590	20,820	22,310	23,440	23,650	23,860	24,330	26,210	29,490
Gross Earned Premium	20,710	20,600	21,500	23,000	23,450	23,880	24,140	25,190	27,750
Less: Gross Claims	(9,460)	(10,870)	(12,070)	(13,830)	(15,360)	(18,340)	(11,060)	(16,550)	(18,100)
Gross Earned Loss Ratio	46%	53%	56%	60%	66%	77%	46%	66%	65%
	11,250	9,730	9,430	9,170	8,090	5,540	13,080	8,640	9,650
Add: Other Income	260	260	250	280	280	290	290	70	90
Less: Expenses	(5,570)	(5,960)	(6,430)	(6,830)	(6,980)	(6,870)	(6,940)	(7,420)	(8,010)
Gross Earned Expense Ratio	26.9%	28.9%	29.9%	29.7%	29.8%	28.8%	28.7%	29.5%	28.9%
Gross Insurance Profit / (Loss)	**5,940**	**4,030**	**3,250**	**2,620**	**1,390**	**(1,040)**	**6,430**	**1,290**	**1,730**
Effect of Reinsurance	**(5,500)**	**(4,260)**	**(2,790)**	**(3,210)**	**(3,320)**	**2,370**	**(2,380)**	**(1,230)**	**(4,020)**
Effect of Reinsurance as % of GEP	**-27%**	**-21%**	**-13%**	**-14%**	**-14%**	**10%**	**-10%**	**-5%**	**-14%**
Net Insurance Profit / (Loss)	**440**	**(230)**	**460**	**(590)**	**(1,930)**	**1,330**	**4,050**	**60**	**(2,290)**
Add: Investment Returns / (Losses)	350	1,820	1,890	580	590	(130)	2,090	(1,580)	1,220
Profit / (Loss) Before Tax	**790**	**1,590**	**2,350**	**(10)**	**(1,340)**	**1,200**	**6,140**	**(1,520)**	**(1,070)**

Rounded to nearest £10,000

The table above includes our financial key performance indicators and 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 2023, the net insurance result reflects the impact of changes in claims values under different types of reinsurance arrangements: quota share, stop loss arrangements and excess of loss.

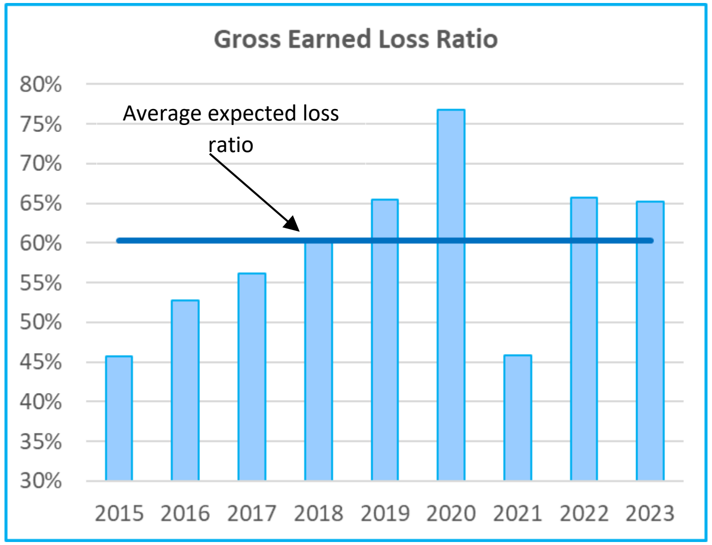
Gross Written Premium



Gross Written Premium increased over the period to £29,490k (2022: £26,205k). This excellent level of growth is above forecast for Financial Year 2023, and has been achieved through a combination of increases in sums insured, new business and an improvement in retention on existing business. Throughout the year, the business has been mindful of the need to make responsible price increases to ensure we are in a position to meet increasing costs, while also recognising the need to minimise these increases for the benefit of the Members.

Profitable, sustainable growth is a key objective for the business and, given the challenging and volatile environment, it is pleasing to see this growth.

Gross Earned Loss Ratio (GELR)



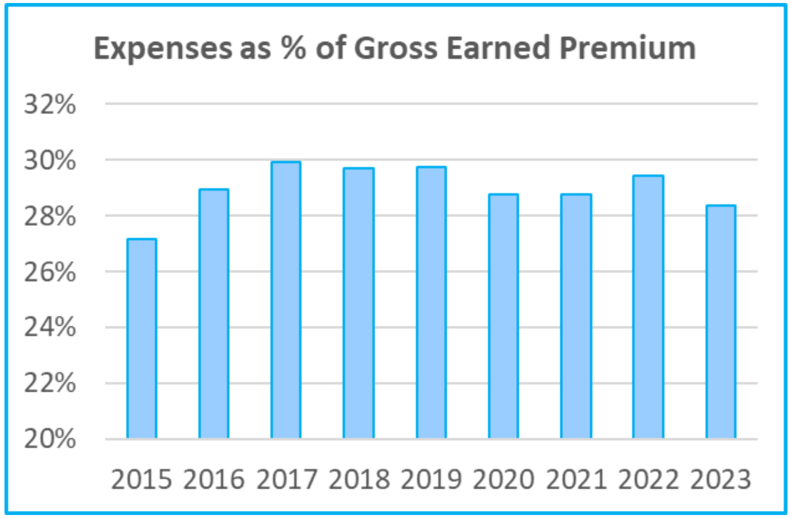
Gross Earned Loss Ratio is the movement in the cost of claims, excluding the effect of reinsurance, as a proportion of Gross Earned Premium. It includes the cost of claims reported in the year and movements in the estimated cost of claims brought forward from previous accounting periods.

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. The increasing trend from 2015 to 2020, shown in the graph, has arisen due to the increase in value of a very small number of large claims during these years. This increase reflects the significant volatility we face as a business rather than the deterioration of the overall portfolio. Without significant movements on one or two very large claims, the loss ratio for 2020 would be much lower and more clearly reflect the reduction in small motor claims during the lockdown of March and April 2020. This trend continues in 2021, with a lower loss ratio resulting from the low claims volumes brought about by multiple lockdowns, and no material increases to claims values in prior years. Our result for Financial Year 2022 is a combination of the impact of Storm Eunice and movement in larger claims – without the latter our loss ratio would be in line with our average expected loss ratio. Our result in 2023 is in line with modelled expectations. However, we have experienced a small number of very large claims, without which our underlying loss ratio would be much lower.

Expenses

Expenses include net operating expenses from the technical account (those directly related to insurance) and other charges from the non-technical account. Our target is to keep expenses below 30% of gross earned premium. In the current year, the ratio of expenses to gross earned premium has fallen to 28.9% from 29.5% last year.



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 our Members want and deserve. During the year we have been developing a change programme, which will increase investment in the business so that we are able to deliver meaningful change while maintaining and enhancing our service levels within a well-controlled expense ratio.

Given we are exclusively located in the South West, the expenses we incur largely flow into the same region. These contribute to making the communities we serve vibrant and sustainable and ensure the value remains where we operate.

The Use and Effect of Reinsurance

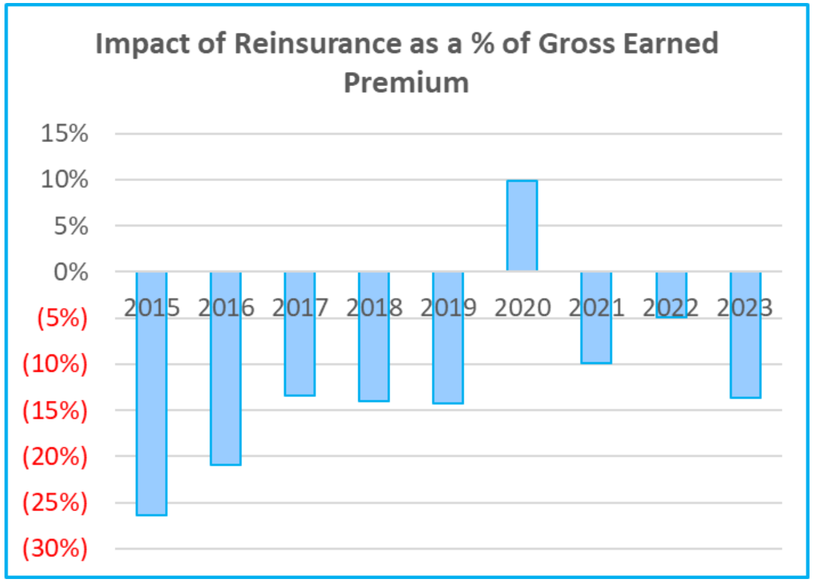
Cornish Mutual, in common with other insurance companies, is exposed to potentially large, though infrequent, losses. Motor insurance in the UK is provided on the basis of unlimited liability, which means one individual claim could be much larger than Members' Funds.

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 2023 reflects the use of three main types of reinsurance; stop loss, excess of loss and quota share.

Our stop loss reinsurance arrangement began on 1 October 2019. Our reinsurers are liable for claims amounts that exceed 70% of premium on an overall basis for losses on policies beginning in a particular year. In addition to the stop loss arrangement, we also have excess of loss reinsurance in place to provide cover in the event of specific, very large claims.

Prior to Financial Year 2020, our primary reinsurance was quota share reinsurance. The insurance result is shared with an external party in return for a commission payable by the reinsurer. The reinsurer takes some of the profit but shares in the risk of any losses which occur. Any policy written after 1 October 2019 was attached to our stop loss arrangement however, we still have a few claims outstanding on policies beginning prior to 1 October 2019 and therefore these attach to our quota share reinsurance. Movements on these older claims can still impact our current financial performance, which is why we still refer to this type of reinsurance here.

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 a recovery which reduced the provision for a large claim from an earlier year. A similar effect is evident for Financial Year 2022, when a large recovery against a claim from an earlier year has the effect of reducing our reinsurance cost to around 5%. Financial Year 2023 looks higher here because of a reduction in the amount due from Profit Share.



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

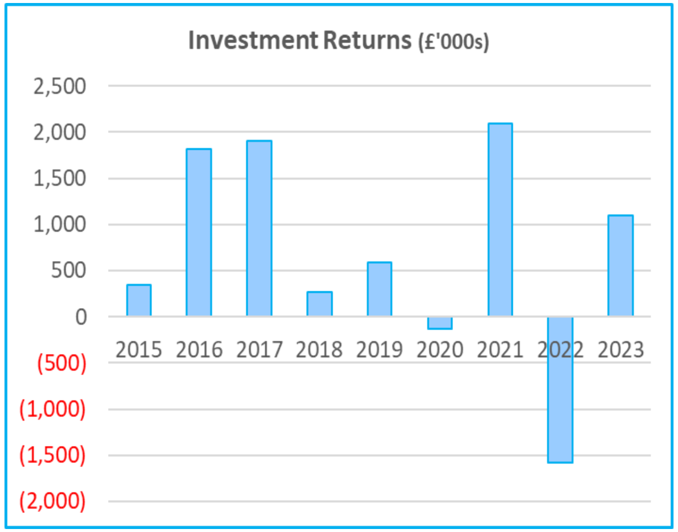
Reinsurance protects Cornish Mutual against losses that would otherwise threaten our capital base, as described in the risk management section of this report. Our previous quota share reinsurance programmes had been in place to protect against loss to the business, but this has been at the cost of sharing our underwriting success with reinsurance partners by a reduction in our profit.

Our current structure retains more risk against certain events which are expected to be infrequent and not occur every year. By retaining more of the risk, we retain more of the profit in intervening years, while continuing to receive sufficient capital protection against large individual losses. Furthermore, the stop loss also benefits Cornish Mutual with protection against a significant cluster of small losses which could impact our results. We will continue to evolve our reinsurance solution, the aim being to balance reinsurance costs with reducing volatility.

Investment Returns

Investment performance in 2023 has improved compared to 2022, but significant volatility remains in the market. We anticipated a low-return environment for the foreseeable future, and this has continued to be the case. The use of multi asset Funds gives our selected expert providers more ability to manage these challenges on our behalf. However, despite avoiding the worst of the poor performance in the markets, we have not recouped all of the losses that we saw in 2022.

It remains a challenging period for investment performance, albeit our investment results are within expected volatility for our five-year forecasting period. During the year we saw investment returns of £1.2m, which compares to a loss of £1.6m in 2022 (net of investment expenses and charges).



Cash Flow

The levels of capital prescribed by the Prudential Regulation Authority (PRA), held in Cornish Mutual as retained profit, result 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. The total amount and timing of claims payments is one of the main factors determining cash flow. This financial year has seen limited unwinding of our previous quota share reinsurance arrangement compared to previous years. Reinvestment has been overseen closely by the Investment and Capital Management Committee.

Segmental Analysis

Set out below is the breakdown of premium and claims incurred from the financial statements.

SEGMENTAL INFORMATION

2023	Motor	Property	Accident & Health	Liability	Total
	£	£	£	£	£
Gross premiums written	15,050,097	10,900,070	166,645	3,373,139	29,489,951
Gross premiums earned	14,186,757	10,184,214	163,889	3,216,828	27,751,690
Reinsurance premium earned	(1,995,057)	(1,088,703)	10,137	(355,021)	(3,428,644)
Change in reinsurers share of unearned premium	134,887	88,892	(5,497)	18,566	236,847
Gross claims incurred	(9,643,390)	(6,260,028)	(50,450)	(2,145,935)	(18,099,803)
Reinsurance claims recoverable	(266,831)	(382,972)	0	(206,067)	(855,870)
Gross operating expenses	3,541,880	2,565,216	39,218	793,832	6,940,145

2022	Motor	Property	Accident & Health	Liability	Total
	£	£	£	£	£
Gross premiums written	13,421,193	9,569,241	159,907	3,055,124	26,205,466
Gross premiums earned	12,958,182	9,184,206	155,118	2,897,361	25,194,867
Reinsurance premium earned	(1,643,774)	(883,658)	(19,461)	(330,631)	(2,877,523)
Change in reinsurers share of unearned premium	59,827	42,126	3,973	17,994	123,920
Gross claims incurred	(9,262,740)	(5,526,322)	(96,190)	(1,661,368)	(16,546,619)
Reinsurance claims recoverable	1,582,999	(450,660)	0	(286,829)	845,510
Gross operating expenses	3,244,440	2,313,269	38,656	738,546	6,334,910

A3 – Investment Performance

The company's investments are disclosed in the financial statements as follows:

Other Financial Investments	Current Value		Historical Cost	
	2023	**2022**	**2023**	**2022**
	£	**£**	**£**	**£**
Collective investments	46,015,351	42,027,184	43,997,000	40,218,000
	46,015,351	**42,027,184**	**43,997,000**	**40,218,000**

The funds we invest in have absolute return targets and we give the fund managers discretion over asset allocation decisions to both increase returns and reduce volatility in a cost-effective way.

The expectation of a low return environment over a longer period of time is challenging for insurers, especially when 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.

The collective funds are not operated under a mandate specific to Cornish Mutual. The funds have investment objectives and typically broad ranges for allocation within different asset classes.

Investment income/(expense)

	2023	2022
	£	**£**
Income from Land & Buildings	76,224	124,778
Income from listed investments	115,296	16,688
Income from other investments	154	4
	191,674	**141,470**
Gains / (Losses) on the realisation of investments	138,215	0
Less accumulated unrealised gains from prior years	0	0
Profit on disposed investments	**138,215**	**0**
Unrealised gain / (loss) on retained investments	1,047,053	(1,561,094)
Total investment gains / (losses)	**1,185,267**	**(1,561,094)**
Total investment income / (expense)	**1,376,941**	**(1,419,624)**

The result lies within the range of reasonably foreseeable outcomes for the overall performance of our chosen investments.

A4 – Performance of Other Activities

Tax

At 30 September 2023 Cornish Mutual carried no tax provisions. The company is carrying forward some untaxed gains and some unrelieved management expenses. The resulting deferred tax asset has not been recognised.

Pension

The company has a defined benefit pension scheme. Details of the accounting for the pension are included within the financial statements. The valuation of the pension scheme by actuaries has indicated a deficit of £116k for accounting purposes.

Between the end of Financial Year 2021 and the signing our Annual Report, the Pension Trustees entered into a buy-in transaction with Legal and General to match the liabilities of the Cornish Mutual Pension Scheme. The fair value of the plan assets are 100% insured through an Insurance Policy with L&G. The intention is for the Scheme to ultimately move to buy-out during the Financial Year 2024. This transaction will be reflected in next year's Financial Statements. During the year £183k of Members Funds was spent on contributions towards the Pension Scheme.

The cost of achieving Buy-Out is estimated to be £65k. This has been accrued and is shown in the statement of comprehensive income.

FINANCIAL COMMITMENTS

The company has entered into operating lease agreements as lessee and this is quantified below; commitments which are not recognised in the balance sheet are shown along with disclosure of amounts recognised in the current year. This note is reproduced from the annual report and financial statements.

	2023	**2022**
	£	**£**
Operating lease commitments as lessee		
Expiry date:		
- within one year	87,472	92,878
- between one and five years	103,698	93,358
- after five years	0	0
	191,170	**186,236**

The cost recognised in profit and loss in respect of operating lease commitments in the current year was £155,056 (2022: £145,271).

B. System of governance

B1 – General Information on the system of governance

As a mutual insurance company, Cornish Mutual is owned by its customers who are all Members of the company. Members are all entitled and encouraged to participate in the stewardship of the company and to influence its culture and direction through voting and participation in its annual general meetings, by becoming qualified to be members of its Board, or by providing feedback to management on any aspect of their current and future insurance protection and service needs.

The governance objectives of the Board of Cornish Mutual are set out publicly in its *Board Charter* (www.cornishmutual.co.uk).

The company operates with three Board committees: Risk and Audit, Investment and Capital Management and Remuneration and Nomination.

Board directors take individual and collective responsibility for determining the Company's objectives and strategy and for ensuring that the Company is managed and directed in such a way as to determine good outcomes for Members as a whole. Directors, where appropriate, are controlled function holders under the Senior Management and Certification Regime (SM&CR).

The Board is responsible for corporate governance; stewardship of Members' Funds; and for the reputation of the Company. The Board's ORSA Policy sets out the role and responsibilities of the Board, its committees, the executive, management and employees in respect of the ORSA process.

Appointment of Directors is initially handled by a Remuneration and Nominations committee. A short list of suitable candidates is derived and from this list candidates for interview are selected by the committee. Interviews take place with the committee using a common format. Successful candidates are recommended for co-option to the Board: Directors co-opted by the Board face election by the Membership at the next AGM.

Most non-executive Directors serve 3 terms of 3 years each, but there is also value through continuity in some directors serving for longer than 9 years, subject to recommendation by the Board and annual approval by Members at the AGM in accordance with good governance.

The composition of the Board and Board succession are managed to maintain the range of skills and experience needed to direct and govern the affairs of the company and to support and constructively challenge management. In addition to the qualities of intelligence, integrity and independent judgement, particular attributes and experience are sought at different times to maintain the right balance: directors are chosen as being fit and proper, with the requisite experience, skills and diversity to influence positively the development of the Company in the interests of Members and other stakeholders.

The Board sets a number of Company Policies, some of which are designed to recognise and control financial risk; others to control conduct risk and to promote a culture of prudent management and customer focused service. In some instances, such as the Company's *Underwriting and Pricing Policy*, both prudential and conduct issues are defined.

The Board has agreed policies in twenty-six areas. Those deemed critical are reviewed annually with all others reviewed at a minimum of every three years. These are supported by Operational policies which in turn are augmented by processes and procedures for delivery of agreed outcomes.

For the SM&CR functions of risk management, internal audit and the actuarial function, the company adopts an approach which reflects the nature, scale and complexity of the business and delivers the desired outcomes.

Ultimate executive responsibility for Risk Management has rested with the Insurance Director during the year, who also performs the role of Chief Risk Officer[2]. The Board view this as both proportionate and appropriate.

In respect of Internal Audit the responsibility, from a regulatory perspective, rests with the Governance Leader. This SM&CR function reports directly to the chair of the Risk and Audit Committee and completes a programme of work which has been agreed with the Committee. This role oversees work which is done internally taking a risk-based approach. This is enhanced by work done by external agencies, usually relevant professionals. The end result is an objective and independent approach.

An independent actuarial review of claims reserves, previously as a stand-alone exercise and now as part of statutory audit is conducted by qualified providers and is subject to oversight by the Risk and Audit Committee.

The remuneration policy is based on ensuring the business attracts and retains staff who can deliver the service the Members desire. As part of this Cornish Mutual does not think paying bonuses to Executives is appropriate and consequently, they form no part of Executives' remuneration. Executive pay is dependent on individual performance and the performance of the Company as a whole and arises from a recommendation by the Remuneration and Nomination Committee.

B2 – Fit and proper requirements

Directors are appointed under the "fit and proper" process adopted by the Company and in addition Senior Management Function holders are pre-approved by the PRA/FCA.

[2] Chief Risk Officer is an internal designation. It is not held as an official SMF function via the SM&CR.

The process within Cornish Mutual which is used to determine, honesty, integrity, reputation, competence/capability and financial soundness, involves a personal declaration, credit checks, criminal record checks as well as the assessment as to whether individuals have the knowledge, skills and experience to undertake a particular role. This is reflected in the Scope of Responsibilities.

"Fit and proper" is reviewed annually and there is a continuing obligation to advise the Chairman if, at any stage, individuals cannot fulfil these requirements.

B3 – Risk management system including the ORSA

The Company identifies and manages risk within a clearly defined framework. The framework comprises our Board Risk Management Policy, Risk Appetite Statement, Risk Appetite, Tolerance and Control Register, and is underpinned by a Three Lines of Defence monitoring mechanism. The framework informs the major risk elements of the Company's Own Risk and Solvency Assessment (ORSA).

This framework begins with the Board who have ultimate responsibility for identifying and managing the risks which the business faces as set out in the Risk Policy, and the appetite to risk the Company exhibits in achieving its business goals. The framework is directly overseen by the Risk and Audit Committee, an advisory Committee to the Board, who have effective ownership of the Company's Risk Appetite, Tolerance and Control Register. On an operational basis, risk is managed by the Management Risk Committee, which met five times during Financial Year 2023 and is chaired by the Chief Risk Officer, with each of the identified risks being owned by an individual member of the Executive and Leadership Team.

The Company's ORSA process pulls together the work which is done on risk within the business and ensures that appropriate monitoring takes place, that reviews are conducted in line with the regulatory guidelines and the appropriate amendments made to any necessary documentation. The ORSA is reviewed and approved by the Board on an annual basis.

Cornish Mutual has adopted the Standard formula as the basis for calculating its solvency capital requirement. The Board has a policy which determines the level of surplus capital it holds in addition to the SCR, currently determined at a minimum of 150% of MCR. During Financial 2023, we reviewed our Risk Appetite Framework to include capital metrics for Insurance Risk, Investment Risk and Overall Risk. We report on these metrics on a quarterly basis, with specific responses to changes in the metrics in place.

B4 – Internal control system

The company's Internal Control Framework is described in the Board policy on Internal Audit and Internal Control. Key elements include the following:

- Shared values bind the organisation together, provide the context in which the company conducts its business and serve as touchstones. This shared culture is the foundation of all the other controls.

- Training and development of the Board and staff is also an important control. All joiners undertake a common induction programme which emphasises culture, values and the mutual aspects of the business. Cornish Mutual has Chartered Insurer status and there is a focus on achieving CII qualifications.
- Performance appraisal is based on behaviours and involves a rigorous process to ensure company-wide consistency.
- Technical controls: a well-established Validation and Support Programme drives improvements in standards and member outcomes; a Pricing Committee is charged with reviewing all products for pricing appropriateness on an annual basis and individual authority levels are set for both claims handling and underwriting acceptance.
- Consumer Duty is now embedded and supported by management information which ensures the agreed outcomes are being delivered in line with the relevant regulations.
- Operational Resilience is a core workstream, ensuring we are on track to meet regulatory deadlines.
- A Management Risk Committee, which meets four to six times a year, ensures all identified risks are closely monitored, reviewed and remedial action taken where appropriate.
- During the 2022 Financial Year an Inflation Working Group was set up to provide a cross departmental focus on inflation to ensure all a proactive approach to tackling inflation was achieved. This Working Group has continued to meet during Financial Year 2023.

This overall framework can be envisaged as layered, with relevant outputs being produced as evidence of the control which is being exercised. There are three layers:

Operational Governance
Executive governance
Board Governance

Within this approach a traditional “three lines of defence” is adopted:

- Internal controls are firmly established in work practices, for example, in the authorisation of expenditure and the acceptance of risk.

- Monitoring takes place at Line Manager level to ensure that correct procedures are adopted, and desired outcomes achieved. Such activities range from file reviews, quality monitoring of phone calls and accompanied visits.

- The obtaining of independent assurance that what is desired is being achieved. This is overseen by the internal audit-controlled function, which reports independently into the Chair of the Risk and Audit Committee. This function ensures that the organisation’s Validation and Support Team focusses on any particular areas of concern, ensures that a system of peer reviews take place which utilise the knowledge and experience in the business and ensures that external reviews have the appropriate focus and are conducted within agreed timescales. Specific internal audits of key functions (e.g. claims) are sanctioned by the Risk and Audit Committee on both a scheduled and ad hoc basis using external specialist auditors in these areas.

Compliance is the responsibility of all within the business. The Governance Leader holds the SMF 16 for Compliance. During Financial Year 2023, our Legal and Regulatory Committee was chaired by our Compliance Leader. This Committee encompasses other parts of the business- and ensures all relevant legislation and regulation is incorporated into the business and adhered to, fostering our embedded approach. A program of validation and internal audit monitors performance with any changes being introduced as required.

B5 – Internal audit function

The Board exercises the Internal Audit control via the Risk and Audit Committee (RAC). Regulatory responsibility rests with the Governance Leader who holds the SMF 5 function. This function holder reports directly to the RAC Chair. This approach gives the necessary independence and objectivity.

There is a rolling programme of internal audit activity in place which includes peer reviews, independent evaluation of compliance with company polices and technical reviews of underwriting and claims functions by external specialists. This process is underpinned by the involvement of an external provider of internal audit services, PKF Littlejohn. This enhances the objectivity and independence of the work which is undertaken.

B6 – Actuarial Function

The Actuarial Function Holder during the year was the Managing Director. While not a qualified actuary, the Board considers this individual has the capability of discharging the responsibility in line with regulations. Additional permanent members of the Actuarial Function include the Finance Director and Finance Business Partner. The Actuarial Function is separate from the Finance Function.

The Actuarial Function deals with uncertainty and risk. It has a key role to play in identifying, analysing and quantifying levels of uncertainty and in assessing Company strategies for managing and mitigating risk. It is recognised that the wide use of judgement and estimation in quantifying uncertain insurance liabilities introduces the potential for bias.

As a vital control function, the key requirement is that the function is effective in delivering robust application of appropriate techniques within the control areas, minimising bias and being conscious of the limitations and sensitivity to the assumptions it uses.

Where senior staff carry a broader responsibility, they should operate with a wider perspective. Accordingly, while the company does not have an actuary who has no operational role, equally there are no directors with narrow responsibilities for whom increasing risk or introducing bias might be actively, if inadvertently, increased. For example, the executive team do not receive performance bonuses.

In Cornish Mutual, full separation of the function cannot be achieved cost effectively. What cannot be sacrificed are the desired features of an effective function.

- Objectivity
- Challenge to others
- Challenge to itself

The approach to the structure of the Actuarial Function within Cornish Mutual has been considered by the Board to be appropriate in achieving the full intended aims of the function. It is proportional in constitution but complete in scope.

B7 – Outsourcing

Cornish Mutual ensure that decisions regarding customer outcomes, where Cornish Mutual are the contracting party, for example whether a claim should be paid and how much, are always retained within the business. There is no appetite to outsource any of this core activity to third parties, Cornish Mutual take the view that such outcomes are critical to the delivery of its business objectives. Hence there is no outsourcing of any critical or important operational functions and activities.

Cornish Mutual makes use of an outsourcing arrangement in respect of the internal audit function to provide independent, expert input to this activity. The relevant Senior Insurance Management Function (SMF5) is held by a Cornish Mutual employee, the Governance Leader.

C. Risk profile

Risks are quantified through the application of the standard formula. The overall risk, quantified as the SCR, is broken down across the relevant risks below.

Description	Sep-23 £m
Insurance Risk	
Premium & Reserve Risk	6.7
Catastrophe Risk	2.6
Lapse and Expense Risk	2.3
Diversification	(3.5)
Total Insurance Risk	**8.2**
Market Risk	
Interest Rate Risk	0.3
Equity Risk	11.5
Property Stress	0.5
Currency Risk	5.7
Credit Risk	1.9
Diversification	(3.9)
Total Market Risk	**16.0**
Counterparty Risk	
Reinsurance and Long Term Deposits	0.9
Credit exposure within collective investments	0.2
Pension	0.0
Total Counterparty Risk	**1.0**
Total Before Diversification	25.2
Overall Diversification Risk (SII)	(5.1)
Total After Diversification	**20.1**
Operational Risk	**0.8**
Loss Absorbing Capacity of TPs & Deferred Tax	**0.0**
Solvency Capital Requirement (a)	**20.9**
Minimum Capital Requirement (b)	**5.2**
Members' Funds (c)	**31.4**
Captial Management Buffer (d) = (b x 1.5)	**7.8**
SCR Plus Buffer (e) = (a+d)	**28.7**
Surplus in addition to SCR plus Buffer (c-e)	**2.6**
Solvency Capital Ratio	**150%**

C1 – Underwriting risk

Underwriting risk is the risk of making losses on the activity of insurance either in assessing the risks it provides policies for or in quantifying claims that occur.

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 uncertain and therefore unpredictable.

The principal underwriting 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 random, and the actual number of claims and benefits will vary year to year from the level established using estimation techniques.

A number of measures are in place to ensure this risk is managed prudently and conservatively; these include meetings of our Large Loss Committee, the Management Risk Committee, the Pricing Committee, the Inflation Working Group and regular leadership meetings. Attendees of the leadership meetings also receive relevant management information in relation 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. The Company has also ensured that sufficient reinsurance arrangements are in place and has an active claims handling team.

As a niche insurer, the Company holds insurance risks entirely within the four counties of the South West being Cornwall, Devon, Somerset and Dorset. This creates a regional concentration of risk in relation to weather events.

The company concentrates on rural risks and this avoidance of urban settings limits concentration risk for certain event types; the majority of property damage exposure is commercial farm business or connected in some way to a farm. The company also maintains limits at an individual risk level to reduce exposure to individual events at the gross level.

Risk is quantified through the risk of catastrophe, uncertainty of claims value (premium and reserve risk) and the risk of policies lapsing.

The material lines of business against which these risks are quantified are motor liability, motor damage, property and non-motor liability (public and employers).

In addition to the rural nature of the business and the individual risk limits, the chief mitigation for underwriting risk is reinsurance and the company utilises it as described in section A2 above.

Core to our reinsurance arrangements is a stop loss contract which responds when the loss ratio exceeds 70% on an overall basis, howsoever that is caused. The stop loss responds to a loss ratio of up to 120%, combined with the excess of loss reinsurance we have in place. The stop loss benefits from excess of loss protection in respect of catastrophe, property, motor and liability events. All reinsurance elements are placed with a panel of reinsurers.

The principle effect of stop loss reinsurance is to reduce premium and reserve risk to £6.7m from an expected £7.8m without reinsurance under the standard formula before the application of diversification. The change in reinsurance from quota share to stop loss has led to an increase in premium and reserve risk. This is because the mechanics of the standard formula mean that we have been unable to identify a way to fully reflect the benefits of our stop loss reinsurance. Our alternative Economic Capital Assessment suggests an insurance risk of approximately £3.5m, which reduces our overall insurance risk capital requirement by approximately £4.6m after diversification.

The principle effect of excess of loss insurance is a significant reduction of the gross diversified SCR for catastrophe from £34.7m to £23.3m. The stop loss reinsurance then reduces this further to £2.6m.

C2 – 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.

Market risk under the standard formula represents the largest component of Cornish Mutual's SCR at £16m in the table above. The capitalisation of the company allows for this level of risk to be carried within the limits of the Board Capital Management Policy.

Our investment policy ensures that we have a suitable 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 SCR. Cornish Mutual makes wide use of collective investment funds. These collective funds are not operated under a mandate specific to Cornish Mutual. The funds have investment objectives and typically broad ranges for allocation within different asset classes. Accordingly the contribution of market risk to the SCR can be quite volatile. The SCR is monitored on a quarterly basis. Quarterly monitoring does not allow for timely adjustment and maintaining the SCR is required at all times. Accordingly, sensitivity analysis has been carried out to ensure the capital of the company can bear the capital charge which would arise if the funds trade at the upper end of their limits for the asset classes which attract the highest level of capital charge, most notably equities.

C3 – Counterparty risk

Counterparty 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.

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 the risk is minimised.

As quantified in D1 below, Cornish Mutual has a reinsurance recoverable balance with quota share and excess of loss partners, albeit the quota share element has reduced significantly as we see a reduction of claims under this reinsurance arrangement in run-off. Overall, the credit quality of those counterparties means the SCR is relatively modest. The company recognises the potential for this risk and has significant mitigation in place to deal with counterparty risk and the related operational risk identified in C5 below. Additionally, the 1 in 200 catastrophe risk faced by the company gives rise to a potential reinsurance recoverable of £32.4m under the standard formula calculation. The crystallisation of this additional recoverable amount is included within the calculation of the counterparty SCR.

There are significant controls in place to ensure that the risk is minimised:

- The stop loss and excess of loss covers are placed with a panel of reinsurers, reducing concentration risk.

- The excess of loss treaties which could give rise to a significant recovery are placed with a panel of reinsurers to avoid excessive concentration.

C4 – 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. We pursue an investment policy that means we have sufficient liquid assets to ensure that liquidity is not a significant risk for Cornish Mutual.

C5 – Operational risk

Operational risk relates 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.

The range of operational risks, identified by the Board is captured in a risk register. The risk register is actively managed through a quarterly Management Risk Committee (MRC) which monitors, quantifies, and assigns actions on a quarterly basis. The activities of the MRC are supported through the operational organisation of the company and the MRC is subject to oversight by the Risk and Audit Committee and the Board, both of which receive the minutes of MRC meetings.

Given the reliance on reinsurance, any failure in the arrangement, placement or conduct of reinsurance activities in line with our contracts could have a material impact on the company.

Given their potential impact, particular focus is placed on such operational reinsurance 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. Multiple layers of review take place within the reinsurance process, primary wordings are reviewed in line with the reinsurance contracts and extensive training around acceptance criteria and limits is provided. We also had an independent review undertaken of our wording during Financial Year 2021. In relation to claims there are further mitigating activities such as audit activity and the inclusion of reinsurers within the large loss committee to aid awareness of potential recoveries and scenarios under which specific notification is required.

All identified operational risks have a documented approach to the monitoring, control and mitigation of the risk according to the nature, scale and complexity of the risk.

Operational risk is quantified under the standard formula at £0.8m and the company has determined, through an examination of the operational risks it faces, that the operational SCR sufficiently captures a wide range of potential, independently operating risks on a probability weighted basis.

C6 – Other material risks - Climate Change

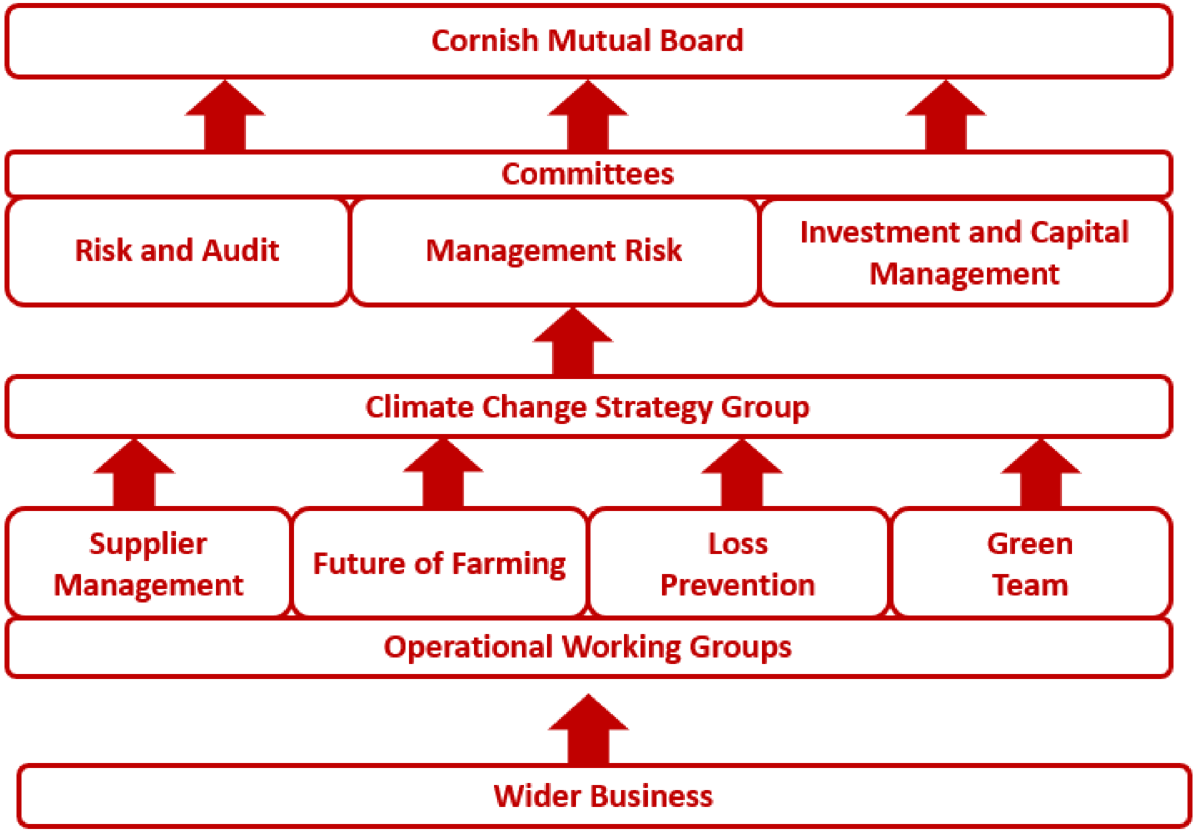
Continuing on from previous years themes, focus has been on developing our understanding of climate change and the financial risks it brings to the business. Additionally, focus has broadened to better understand the impacts that Members are currently experiencing and those that may be felt by future generations.

To provide a framework to our approach we have chosen to align with the recommendations as set out by the Taskforce on Climate-related Financial Disclosures (TCFD), a financial industry led body with the specific purpose of creating recommendations for companies on the information stakeholders should be provided with on climate risk. This is consistent with our previous public disclosure and enables us to show progress as it occurs. The TCFD has published its recommendations, which are categorised as Governance, Strategy, Risk Management and Metrics and Targets.

Governance

The Board bears ultimate accountability for overseeing our response to climate change and work with the executive to ensure there is clear governance embedded to ensure all risk and opportunities are captured and considered. Our climate change governance framework was introduced in 2020, and has since been further developed, with an emphasis on it being relevant and proportionate for the level of risk presented to us.

Since last year we have developed our loss prevention offering, which has provided a high level of engagement with the Membership on climate related risks they are facing and how to tackle these. This department along with others provides feedback to the Climate Change Strategy Group which is headed by our Insurance Director who is assigned responsibility for managing the financial risks from climate change in line with the PRA’s requirements as per SS3/19. The strategy group is responsible for overseeing and delivering against the Climate Change plan.



The Climate Change Strategy Group reports to the board and its sub-committees via the Insurance Director who attends the committee meetings and provides updates and management information on progress at each meeting. This ensures the committees have the adequate knowledge and access to data to fulfil their responsibility of overseeing and addressing the financial risks from climate change. Climate Change considerations are detailed in the Terms of Reference of all Board Committees and any strategic planning will include Climate Change thinking. Strategic planning could be over a variety of horizons, short term (up to 5 years), mid-term (5-10 years) or longer term (up to 30 years). The climate considerations for these periods vary and the Board engages with appropriate industry experts for guidance which may fall outside of business knowledge.

Senior Managers and risk owners have identified climate risks and considered these for their areas and departments. The Executive also have climate related objectives on which the Board will measure and monitor business progress

Following on from the 2022 company-wide Climate Change Day all new starters have received training on our approach to Climate Change as part of their formal induction. In addition to this, inductees can take part in an offsite day where the focus is on offsetting or nature friendly activities such as tree planting and hedge laying. Other colleagues are offered the chance to join these offsite activities as part of paid volunteering days and can give feedback to the business on how they feel we are progressing and communicating with them on climate related risks through staff surveys as well as making suggestions to the green team and management throughout the year.

Strategy

We recognise climate change as a key risk to the business and we are seeking to play our part in tackling the climate crisis that we all face. This is the right thing to do for our Members, the wider South West agricultural community, our staff and other stakeholders.

In transitioning to a net zero economy, we recognise the vital importance of industry collaboration and co-ordination. We have participated in wider insurance industry initiatives such as and the Association of Financial Mutual's (AFM) climate change roundtables.

The changing climate will impact the Company through both physical and transition risks and cuts across all aspects of our business. Our aim is for effective climate risk management supported by climate awareness across the Company enabling all business decisions to take climate change into account.

We are taking a proportionate approach to climate risk relative to the nature, scale and complexity of our business. As a smaller insurer underwriting predominantly agricultural risks in the South West of England, we recognise that we underwrite risks in a potentially vulnerable sector.

Greenhouse gas (GHG) emissions from UK farms represent approximately 10% of the UK's total GHG emissions. Every farm is starting their journey to reach net zero from a different point and there is no single answer to address the problem. The National Farmers Union's (NFU) believe that the required activity falls under 3 main headings:

- Improving farming's productive efficiency;
- Improving land management and changing land use to capture more carbon; and
- Boosting renewable energy and the wider bioeconomy.

The ability of our Members to successfully adapt their businesses is inextricably linked to the Company's future fortunes. We recognise that Climate Change represents an opportunity for Cornish Mutual and we will work with our Membership to support them in their journeys to more resilient, sustainable, lower carbon businesses, hence our investment earlier this year into Terrafarmer, with its focus on soil health. We will further seek to achieve this through incentivisation via our underwriting activity, through the provision of climate related guidance and services, tailored insurance products and by facilitating collaborations and sharing of best practice as it develops. Anchoring practical climate related actions for our Members flows directly from our enduring purpose: Working to protect the farming community. We believe that it is important that we lead the way and are seen to be leading the way in tackling climate risk within our chosen niche.

We believe that our actions in relation to addressing our own direct carbon footprint whilst supporting our Members and our supply chain in their transitions to net zero will contribute to both climate risk mitigation and adaptation.

Our ambition is to become a net zero Company by 2050. Committing to becoming net zero means that we are continually trying to reduce our carbon emissions, not just offsetting, and this is the long-term goal for our business. We are also supportive of the Paris Agreement's objective of limiting global warming to below 2^{0}C (relative to pre-industrial times) by 2050 and have aligned the Company to this.

Cornish Mutual has continued to build on the Scenario Analysis work identified in last year's report with particular focus on windstorm stress testing where, in collaboration with our reinsurance broker, we have used high-resolution climate models to establish how historical return periods may differ in the near (to 2040), mid (2041-2070) and far (2071-2100) future. The output has been encouraging particularly for the near and mid-term periods, but we recognise the need to continually review these physical exposures as models and data sources become more sophisticated. We will also continue to review and develop the work already undertaken on the transitional exposures from climate change with input from across the business, from external consultants and, importantly, from our Members.

Risk Management

We recognise Climate Change as a risk which interacts and impacts multiple other risks posed to the business and so define it as a cross cutting risk.

We also classify Climate Change as a standalone strategic risk due to it being far reaching, external and dependant on a global response to reduce.

All business risks undergo review at the Management Risk committee to establish the level of risk they pose to the business at the current time and looking further ahead. Factors such as Climate Change will be considered against the risk to understand potential impacts and enable the business to put immediate actions in place or plan future actions to mitigate the risk to an acceptable level. Actions which are decided are reviewed at future committee meetings to establish whether they were effective and if future planning is required.

Metrics and Targets

We have an overall ambition to be Net Zero across all scopes by 2050. Net Zero means that we have measured our carbon footprint, we are putting steps in to reduce our footprint and in the interim period we will commit to offsetting any remaining emissions. To provide us with better oversight of our Carbon Footprint we have engaged with a new external company to provide us with a tool and dashboard through which we can manage and monitor our emissions. This gives us a better in the moment view of emissions and can be used to help plan future changes.

In 2021/22 we took action to reduce our carbon footprint, by offering our field insurance advisers the option to use personal vehicles for business travel with a financial contribution where certain conditions are met. This has resulted in the emissions from the vehicles being moved from scope 1 to scope 3 as per the industry standard Green House Gas Protocol approach. Set out below is a summary of our emissions for each scope by year.

	Scope 1	Scope 2	Scope 3	Total	Emissions to offset
2018/19	106.1	69.4	86.4	261.9	192.5
2020/21	132.9	63.7	65.8	262.4	198.7
2021/22	60.9	0	89.6	150.5	150.5

Our focus will now move to engaging with our Members and suppliers to understand their journeys to net zero and how we best reflect these in our own Scope 3 targets. We have already started to see encouraging moves in this space from our supply chain. For example, we are engaged with Richfords, a flood and fire restoration specialist who have developed a remote moisture monitoring system. This removes the need for engineers physically checking equipment, which reduces mileage and travel emissions, as well as shortening the time a claim takes to progress for a Member. We will continue to identify and share emerging industry best practice.

D. Valuation for solvency purposes

D1 – Assets

We set out below the basis for our Solvency II asset valuation for each material class of assets. Assets are measured on a market value basis at the balance sheet date of 30 September 2023. Except where stated, the valuations of other assets is in line with those disclosed in Note 3 of the annual report available on the Cornish Mutual website.

Assets	Solvency II	Statutory GAAP Accounts
	£	£
Intangible assets	0	44,001
Property, plant & equipment held for own use	2,160,747	2,160,747
Collective Investment Undertakings	46,015,351	46,015,351
Holdings in related undertakings, including participations	229,000	229,000
Other Loans and Mortgages	300,000	300,000
Reinsurance recoverables	2,209,139	5,306,073
Insurance and intermediaries' receivables	0	7,632,035
Reinsurance receivables	621,422	1,552,395
Cash and cash equivalents	2,102,295	2,102,295
Receivables (trade, not insurance)	0	0
Any other assets, not elsewhere shown	171,094	507,918
Total Assets	**53,809,049**	**65,849,816**

Property

Freehold property is valued for Solvency II purposes on the same basis as the annual Financial Statements, which follow UK GAAP. Full valuations are made by an independent, professionally qualified valuer every three years. A valuation took place on 20 April 2023.

Plant and equipment is held at historical cost less depreciation which has been judged to be equivalent to fair value. The difference in Any Other Assets relates to balances that have been moved to Technical Provisions under Solvency II.

Collective Investments

Our investments are valued on a Solvency II basis. Fair value is based on quoted bid prices on 30 September 2023.

As at 30 September 2023 the total value of investment assets was £48.02 million, analysed as follows:

	£m
Collective investments funds	46.02
Freehold property partially occupied	2.00
Investment in Subsidiary	0.23
Total investments	**48.25**

At the start of the year approximately 44% of the portfolio was invested in the Insight Broad Opportunities Fund. The fund is a multi-asset fund with a wide-ranging mix of investment classes and assets. This fund aims to deliver positive returns over the medium term while minimising losses. The manager has freedom to make significant asset allocation decisions. The Fund targets a return based on a percentage in excess of LIBID (a technical measure for the return expected from cash holdings) and is measured against its own absolute return targets as opposed to a benchmark. During the year we divested our entire holding in BNY Mellon Absolute Return Fund and invested this into the Insight Broad Opportunities Fund. At year end our holding in IBOF had increased to approximately 58% of our portfolio.

While the performance of the ARB fund has been strong during the period, the decision to sell our holding of ARB and to invest the proceeds in IBOF was made for two reasons:

- The capital requirement for the ARB fund was too high for the level of risk and return generated and so the IBOF fund represented a less capital intensive opportunity compared to ARB, as well as having the capacity to invest in different asset classes across a broad range of distributions;
- The ARB fund is limited to a narrower opportunity set and is not able to invest in holdings such as infrastructure or equities. While these asset classes struggled during the year, we wanted to hold a fund able to participate in any re-bound when the time is right. The IBOF fund is able to invest in the broadest range of asset classes. The ARB Fund targets a return based on a percentage in excess of 3 Months EURIBOR (a further technical measure for the return expected on cash holdings). As mentioned above this was completely divested during the year and our holding at year end was nil.

All of our holdings of long-term investment funds have a focus on capital preservation and the management of risk. The Committee recognises and has actively sought to reduce the overall level of risk and volatility our investment portfolio is exposed to. While this is expected to reduce the return profile of the portfolio moving forwards, we consider this to be appropriate given the importance of preserving Member's Funds while growing these in real terms.

As part of maintaining liquidity we hold specific liquidity funds within our collective investment funds. The Company maintains sufficient cash balances to meet short-term liabilities.

Other investments

In addition, during the year, Cornish Mutual acquired a subsidiary, Terrafarmer. The initial cost of the shares were £0.25m, valued at £0.23m at the end of the Financial Year.

Other Loans and Mortgages

This relates to an intercompany loan to Terrafarmer.

Reinsurance recoverable (Reinsurers' share of technical provisions)

Under the Solvency II balance sheet the reinsurers' share of technical provisions are valued as part of net technical provisions. This has been calculated as the reinsurers' share of the unearned premium provision multiplied by the expected claim rate for each Solvency II line of business.

Insurance and intermediaries' receivables

Under GAAP these figures relate primarily to the amount owed to us by Members through direct debits. However, under Solvency II, these amounts are included as part of premium provisions within Technical Provisions and therefore do not feature within Solvency II assets. This represents one of the most significant differences between the GAAP and Solvency II technical provisions.

Reinsurance receivables

Reinsurance receivables primarily relate to the amount owed to us from our reinsurers arising from claims payments made or profit share due. The difference between the Solvency II amount and GAAP figure relates to an unexpired minimum reinsurance commitment from one reinsurer. However, it is excluded from the Solvency II figures because it has no future cash flow.

Other Assets

Remaining assets not covered above represent prepayments. Included within prepayments in the statutory balance sheet is an amount for reinsurance prepayments which is not recognised in the Solvency II balance sheet.

D2 – Technical provisions

Components of Technical Provisions

Technical provisions represent the current cost of insurance liabilities at the balance sheet date. They are calculated on a discounted cash flow basis and include the following high-level components to be calculated separately:

- Best estimate of claims provisions being claims incurred at the balance sheet date
- Best estimate of premium provision being claims expected to be incurred after the balance sheet date on contracts incepted prior to that date.
- Risk Margin representing the amount a third party would require in addition to the best estimates to assume the liability, calculated on a cost of capital basis.

	Technical Provisions	
Description	**Per Solvency II**	**Per GAAP**
	£	**£**
Technical Provisions	19,806,156	37,059,413
Risk Margin	927,750	
Total Technical Provisions	**20,733,907**	**37,059,413**

We set out in the table below a summary of the Solvency II valuation of technical provisions split between best estimate and risk margin in the table below by Solvency II line of business **(S.17.01.01 Non-Life Technical Provisions)**

S.17.01.02
Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance					Total Non-Life obligation
		Motor vehicle liability insurance	Other motor insurance	Fire and other damage to property insurance	General liability insurance	Miscellaneous financial loss	
		C0050	C0060	C0080	C0090	C0130	C0180
R0010	**Technical provisions calculated as a whole**	0.00	0.00	0.00	0.00	0.00	0.00
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole						0.00
	Technical provisions calculated as a sum of BE and RM						
	Best estimate						
	Premium provisions						
R0060	**Gross - Total**	539,089.26	164,715.95	157,197.93	530,994.81	1,322.50	1,393,320.45
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty de	266,980.79	-559,056.80	-267,355.73	278,741.78	-0.68	-280,690.64
R0150	**Net Best Estimate of Premium Provisions**	272,108.47	723,772.75	424,553.66	252,253.03	1,323.18	1,674,011.09
	Claims provisions						
R0160	**Gross - Total**	6,523,596.62	3,607,165.53	4,183,082.00	4,090,810.32	8,181.23	18,412,835.70
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty de	2,673,054.21	-191,476.62	-117,575.55	125,827.52	0.00	2,489,829.56
R0250	**Net Best Estimate of Claims Provisions**	3,850,542.41	3,798,642.15	4,300,657.55	3,964,982.80	8,181.23	15,923,006.14
R0260	**Total best estimate - gross**	7,062,685.88	3,771,881.48	4,340,279.93	4,621,805.13	9,503.73	19,806,156.15
R0270	**Total best estimate - net**	4,122,650.88	4,522,414.90	4,725,211.21	4,217,235.83	9,504.41	17,597,017.23
R0280	**Risk margin**	139,620.43	82,314.79	575,923.04	128,202.07	1,690.29	927,750.62
	Amount of the transitional on Technical Provisions						
R0290	TP as a whole						0.00
R0300	Best estimate						0.00
R0310	Risk margin						0.00
R0320	**Technical provisions - total**	7,202,306.31	3,854,196.27	4,916,202.97	4,750,007.20	11,194.02	20,733,906.77
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	2,940,035.00	-750,533.42	-384,931.28	404,569.30	-0.68	2,209,138.92
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total**	4,262,271.31	4,604,729.69	5,301,134.25	4,345,437.90	11,194.70	18,524,767.85

Gross claims cash flows and reinsurance recoveries

Our best estimate calculations have been completed on a deterministic basis in line with the Directive. No transitional measure has been used in the calculation of technical provisions.

1. **Claims provision**

The current claims provisions have been developed over time to separate out best estimate and prudent elements. The claims provisions on a GAAP basis have been used as a starting point for the expected nominal value of the Solvency II future cash flow. We have excluded elements within our GAAP provisions which we consider to represent prudence. We have also only included expenses which relate to the cost of handling existing business.

Projected cash flows are estimated by applying payment patterns to the estimates of gross claims and recoveries. These payment patterns have been calculated based on historic trends for each Solvency II line of business. However, given the relatively short tail nature of our book, the impact of discounting on our technical provisions is limited.

2. **Premium provision**

Premium provision replaces UK GAAP unearned premium reserve (UEPR). Premium provisions are split between a future claims element and a future expenses element. In addition, all of CM premium, which is uncollected due to instalment patterns is treated as premium provision. The rationale is that all instalment patterns are designed so that Members are effectively in credit with respect to insurance exposure. To determine the nominal number of future claims we take the amount of UEPR for each segment within the GAAP accounts and multiply it by the planned loss ratio for the current year. The loss ratios used are in line with Solvency II guidance. We have included an amount for expenses which represents our estimate of the cost of handling the remaining element of this business.

Discounting

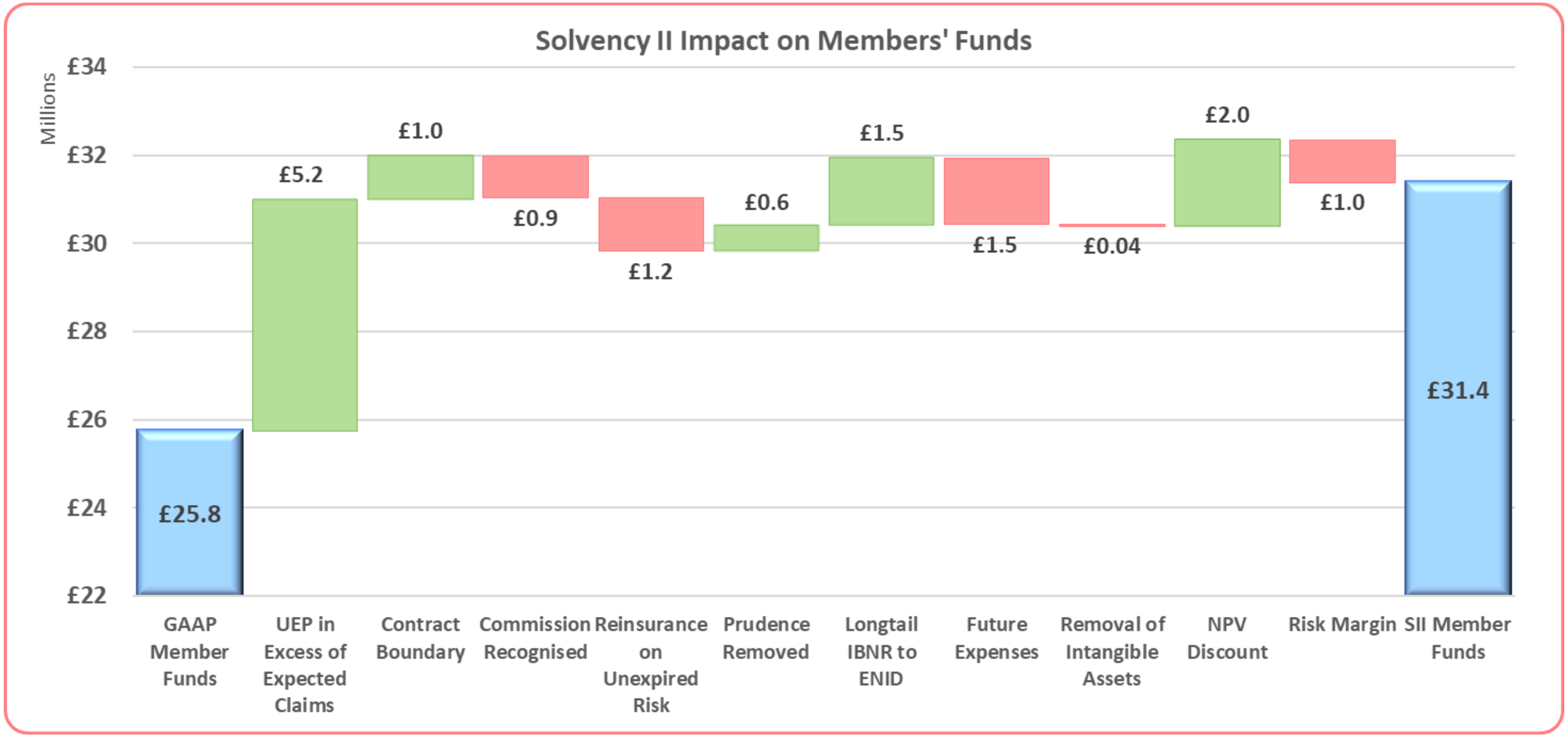
Claims, premium and expense cash flows have been discounted using the EIOPA yield curve.

Risk Margin

To calculate the risk margin we have estimated the SCR using the Standard Formula. We have then projected future SCRs using different runoff patterns for different elements of the SCR. We have discounted and summed the projected SCRs and multiplied this by the cost of capital.

Solvency II Adjustments Impact on Members' Funds

We set out in the graph below a reconciliation between GAAP Members' Funds and Solvency II Members' Funds all of which are derived from movements in Technical Provisions which are in line with expectations.



UEP in Excess of Expected Claims

In the statutory financial statements, unearned premium (UEP) is deferred to the extent that it relates to unexpired term of each policy. Under Solvency II, all premium is recognised and the future expected value of claims is provided for. This adjustment represents the difference between the two approaches.

Contract Boundary

Under Solvency II the recognition of insurance contracts is extended to include policies on which terms have been agreed even if the renewal date lies in the future. This is the estimate of the effect on technical provisions of including these contracts.

Prudence removed and long tail IBNR to ENID adjustment

Under UK GAAP the inclusion of prudence is permitted within the technical provisions whereas within the Solvency II balance sheet, provisions are made on the probability weighted best estimate of future cash flows. These two adjustments take account of this different policy. ENID is Events Not In Data and is an estimate of claims which might occur that lie outside of the provisions which have been estimated using existing historical data. We have used the cost of reinsurance as a reference point for ENIDs. Our logic is that material tail events which would change technical provisions are likely to arise in liability classes which are covered by reinsurance. While not in our data, these events are likely to be in reinsurer data or priced in. Accordingly the starting point for our ENIDs is an interpolation from the amount paid to reinsurers for excess of loss cover in relation to liability classes.

Future Expenses

This is an accrual of the expected cost of expenses required to discharge the provisions within technical provisions.

NPV Discount (Net Present Value)

The technical provisions are allocated over future periods in which the cash flows are expected to occur. The cash flows in future periods are discounted at a prescribed rate to reflect the ‘time value of money’. This is the effect of that discount.

Risk Margin

The technical provisions are an estimate of what the company would have to pay a third party to assume the insurance liabilities. A third party would need to hold capital to meet regulatory conditions if they assumed these liabilities. The risk margin is the extra amount the third party would require to accept the liabilities and represents a 6% annual cost of capital on the reducing balance of regulatory capital required.

Commission Recognised on Written Premium

Under Solvency II, all profit on existing contracts is recognised in the period. In the annual statements the commission relating to unearned premium (UEP) is also deferred. In line with the adjustment to premium, the related commission is also recognised in the Solvency II net assets.

Data adjustments and recommendations

Overall we consider that the technical provisions are prepared on a suitable basis, in line with the approach laid down in the legislation and sources of interpretation we have referred to. It is expected that our approach will continue to develop and be refined in response to external audit, ongoing commentary and guidance by the regulator and our own ongoing continuous improvement reviews.

In the face of uncertainty we have taken a cautious approach. Where we believe our best estimate lies in a range of values we are biased towards higher values at this stage through our choice of estimates or parameters within calculations.

Control over our sources of data and the processing of that data are good. The link between our GAAP reserves and our Solvency II provisions is straightforward, well understood by those undertaking the work and enables reliance to be placed on underlying accounting controls as well as those specific to the technical provision exercise. There are some opportunities to refine our approach. There will always be a trade-off between model precision and error rate. Where simplified approaches are warranted, proportional and will not lead to a material error, we have adopted such approaches.

Sensitivity Analysis

The following table lays out the key components of the TPs. For each component there is a sensitivity column which gives an idea of the degree of confidence in each number. There are three key sources of sensitivity: uncertainty, volatility and model inaccuracy. The sensitivities quoted are against the intended calculated value of TPs prescribed in the directive. It is not a view on the result as a measure of the fair value of the liabilities. For example the risk margin methodology is prescribed as a cost of capital calculation at the rate of 6%. The sensitivity below is a reflection of confidence in the calculation of this item rather than its appropriateness as a method.

Uncertainty arises in incurred claims where the final outcome is not known.

Volatility arises in future claims cost expectations, particularly large claims.

Model inaccuracy arises in incorrect assumptions or calculations. The sensitivity captured here is the difference to the intended model rather than overall model inaccuracy. The main source of model inaccuracy is the estimate of the allocated expense nominal cash amount. ENIDs also represent a challenge in arriving at a well-supported number.

Element of Technical Provisions	Balance (£M)	Sensitivity Estimate	Sensitivity (£M)	Source of Sensitivity	Notes
Net Claims Provisions - Attritional	5.3	5%	0.26	Accuracy of savings model. High volume, low value claims are subject to accurate statistical analysis and capable of achieving accurate results.	Analysis of run-off of aggregate small claims cost. High confidence in figure.
Net Claims Provisions - Large	10.9	15%	1.64	Accuracy subject to expert judgement.	High volatility in large claims run-off but small net figure. Original best estimate error lies in case estimate.
Claims Expenses	0.4	3%	0.01		Cost of settling outstanding 1,500 claims.
Premium Provisions	7.9	8%	0.59	Underlying volatility in each class of business.	Uncertainty higher as not yet incurred. Looked at loss ratio volatility over time for portfolio.
Contract Boundary	1.8	3%	0.06	Estimated premiums.	
Expenses - Premium	2.2	15%	0.33	Uncertainty over the method of calculation.	Lack of prescribed methods in directive.
Reinsurer Payments	1.4	3%	0.04	This is the future cost of unexpired risk based on the existing contracts, so known figure.	
Future Premium - Policy Holders	(10.4)	1%	(0.10)	Absolute number.	Potentially could split a small amount (<£0.2M) into Claims Provisions.
ENIDs	0.0	50%	0.00	Huge amount of judgement here. Look to refine and benchmark.	Unknown, but low on a probability weighted basis. Record gross and net.
Effect of Discounting	(2.0)	3%	(0.06)	Uncertainty is driven by cash flow profiles. Short-tail book is relatively insensitive.	Sensitivity to potential best estimate error is diluted by the high discount rate.
Reinsurer Default	0.0	0%	0.00	No allowance made at this stage.	Not material.
Best Estimate	**17.6**		**2.77**	**Sum of individual sensitivities.**	
Risk Margin	1.0	10%	0.10		
TOTAL	**18.5**		**1.80**	**Diversified uncertainty. (Square root of sum of squares of individual sensitivities).**	

D3 – Other liabilities

Set out in the table below are our other liabilities under Solvency II and GAAP. Except where stated, the valuations of liabilities is in line with those disclosed in Note 3 of the Annual Report available on the Cornish Mutual website.

	Liabilities	
Description	**Per Solvency II**	**Per GAAP**
	£	**£**
Reinsurance Payables	308,000	907,133
Payables (trade, not insurance)	1,199,936	1,199,936
Pension benefit obligations	0	0
Deferred tax liabilities	0	0
Any other liabilities, not shown elsewhere	180,000	914,764
Total Liabilities	**1,687,936**	**3,021,833**

Any other liabilities in the GAAP accounts represents commission income unearned on the unearned proportion of premium ceded to reinsurers. Within the Solvency II balance sheet these amounts are recognised on a written basis and all associated commission has been taken to Members' Funds rather than remain outstanding within liabilities.

Deferred tax liabilities

Deferred tax liabilities are recognised where transactions or events have occurred at the balance sheet date that will result in an obligation to pay tax in the future.

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.

The deferred tax liability held in the balance sheet at the reporting date is made up as follows:

	2023	2022
	£	£
Unrealised gains on investments	211,991	143,361
Fixed asset timing differences	13,333	13,368
Short term timing differences	(26,750)	(39,250)
Tax losses carried forward	(198,574)	(117,479)
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**

When realised, the untaxed gains on investments can be offset against the carried forward losses. No specific date has been set for sale of the assets but it is envisaged that these timing differences will expire within the next 3 years.

Pension benefit obligations

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 trustee's bank account and invested with Legal and General. The scheme is closed to future accrual.

An actuarial valuation of the scheme was carried out on 31 July 2019. The valuation of the scheme used the projected unit credit method and was carried out by Barnett Waddingham LLP who are professionally qualified actuaries. This valuation basis is the same as the Solvency II basis.

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

	2023	**2022**
Rate of increase in pensions in payment	3.55%	3.90%
Discount rate	5.60%	5.45%
Inflation assumption	3.55%	3.90%

The amounts recognised in the statement of financial position were are as follows:

	2022
	£000's
Fair value of assets	4,891
Present value of funded obligations basic calculation	(5,071)
Surplus/ (Deficit) in scheme	(180)
Restriction to surplus	nil
Net Pension (Deficit)	(180)

The fair value of the plan assets are 100% insured through an Insurance Policy with L&G. It is anticipated that a full buy out of the scheme will be completed in 2024 and no liability will remain on the Cornish Mutual balance sheet for future reporting periods.

E. Capital management

E1 Own Funds

Cornish Mutual's Own Funds are made up 100% of Members' Funds which equal retained profits as adjusted for Solvency II, which have arisen from past underwriting and investment surpluses. As such all capital is Tier 1 and there are no restrictions on the availability of Cornish Mutual's own funds to support the MCR or SCR.

Cornish Mutual has adopted the Standard formula as the basis for calculating its solvency capital requirement. The Board have a policy which determines the level of surplus capital it holds in addition to the SCR, currently determined at 150% of MCR. The expectation of meeting the SCR and the higher internal capital requirement in future periods is tested annually. If the Solvency Capital Ratio falls below 170%, there is a clear process to be followed by the ICMC initially, and then subsequently the Board to identify next steps. The current SCR is 150%. The Company are comfortable with this position due to the inability to fully recognise the benefit from the stop loss reinsurance programme in the standard formula.

The Company has put in place a Risk Appetite Framework to articulate our Capital Appetite, based on our core capital metrics for Insurance Risk, Investment Risk and Overall Risk, with specific actions in place to respond to pre-determined triggers. The Company also uses an additional monitoring trigger which is a blend of the ECA and the SCR. The blended trigger uses the standard formula SCR, with the exception of insurance risk where the ECA is adopted to determine the insurance risk capital requirement. ECA insurance risk is reached by calculating the actual additional claims costs that would be required to attach to earned premium to reach the stop loss attachment of 70% and a reinstatement premium added. Lapse risk and diversification is included based on the standard formula. Based on the position as at the end of September, this ratio was 214%, and therefore above the monitoring trigger for this metric.

The Company produces a five-year plan with a forecast balance sheet for each year. 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. Additionally, we test these future balance sheets against our own internal capital standard.

As a mutual the Company does not set out to make a specific return on capital. Rather it seeks to use its capital for the benefit of Members by delivering a high quality and cost-effective service. The Company does not return capital to Members through any specific distribution mechanism. Accordingly, premiums are maintained at a level which allows for sustainable growth and provides a reasonable expectation that Own Funds meet the capital appetite described above, without generating excessive profits over the five-year planning period.

E2 Minimum Capital Requirement and Solvency Capital Requirement

Cornish Mutual uses the standard formula as the basis for calculating capital requirements having reviewed the assumptions underlying the formula and assessed them as appropriate for the firm. We have not adopted any simplified calculations or undertaking specific parameters (USPs). Set out below is a summary of Own Funds, which also includes the appendix reference where a more detailed breakdown can be found.

	2023		
Description	**Per Solvency II**	**Per GAAP**	**Appendix Reference**
	£	**£**	
Own Funds	31,387,206	25,768,588	S.23.01.b
Minimum Capital Requirement	5,226,646		S.28.01.b
Solvency Capital Requirement	20,906,584		S.25.01.b
Solvency Ratio	**150%**		

	2022		
Description	**Per Solvency II**	**Per GAAP**	**Appendix Reference**
	£	**£**	
Own Funds	31,372,118	26,973,091	
Minimum Capital Requirement	4,240,355		
Solvency Capital Requirement	16,691,422		
Solvency Ratio	**185%**		

Set out below is a summary of our overall MCR Calculation.

E5 Non-compliance with MCR and SCR

The company has fully complied with the standard formula calculation of MCR and SCR throughout the period. Cornish Mutual uses the standard formula as the basis for calculating capital requirements having reviewed the assumptions underlying the formula and assessed them as appropriate for the firm.

S.02.01.02
Balance sheet

		Solvency II value
	Assets	C0010
R0010	Goodwill	
R0020	Deferred acquisition costs	
R0030	Intangible assets	0.00
R0040	Deferred tax assets	0.00
R0050	Pension benefit surplus	0.00
R0060	Property, plant & equipment held for own use	2,160,746.89
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	46,244,351.25
R0080	*Property (other than for own use)*	0.00
R0090	*Holdings in related undertakings, including participations*	229,000.00
R0100	*Equities*	0.00
R0110	*Equities - listed*	0.00
R0120	*Equities - unlisted*	0.00
R0130	*Bonds*	0.00
R0140	*Government Bonds*	0.00
R0150	*Corporate Bonds*	0.00
R0160	*Structured notes*	0.00
R0170	*Collateralised securities*	0.00
R0180	*Collective Investments Undertakings*	46,015,351.25
R0190	*Derivatives*	0.00
R0200	*Deposits other than cash equivalents*	0.00
R0210	*Other investments*	0.00
R0220	Assets held for index-linked and unit-linked contracts	0.00
R0230	Loans and mortgages	300,000.00
R0240	*Loans on policies*	0.00
R0250	*Loans and mortgages to individuals*	0.00
R0260	*Other loans and mortgages*	300,000.00
R0270	Reinsurance recoverables from:	2,209,138.92
R0280	*Non-life and health similar to non-life*	2,209,138.92
R0290	*Non-life excluding health*	2,209,138.92
R0300	*Health similar to non-life*	0.00
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0.00
R0320	*Health similar to life*	0.00
R0330	*Life excluding health and index-linked and unit-linked*	0.00
R0340	*Life index-linked and unit-linked*	0.00
R0350	Deposits to cedants	0.00
R0360	Insurance and intermediaries receivables	0.00
R0370	Reinsurance receivables	621,422.45
R0380	Receivables (trade, not insurance)	0.00
R0390	Own shares (held directly)	0.00
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0.00
R0410	Cash and cash equivalents	2,102,295.07
R0420	Any other assets, not elsewhere shown	171,094.37
R0500	**Total assets**	53,809,048.95

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	20,733,906.77
R0520	*Technical provisions - non-life (excluding health)*	20,733,906.77
R0530	*TP calculated as a whole*	0.00
R0540	*Best Estimate*	19,806,156.15
R0550	*Risk margin*	927,750.62
R0560	*Technical provisions - health (similar to non-life)*	0.00
R0570	*TP calculated as a whole*	0.00
R0580	*Best Estimate*	0.00
R0590	*Risk margin*	0.00
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0.00
R0610	*Technical provisions - health (similar to life)*	0.00
R0620	*TP calculated as a whole*	0.00
R0630	*Best Estimate*	0.00
R0640	*Risk margin*	0.00
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0.00
R0660	*TP calculated as a whole*	0.00
R0670	*Best Estimate*	0.00
R0680	*Risk margin*	0.00
R0690	Technical provisions - index-linked and unit-linked	0.00
R0700	*TP calculated as a whole*	0.00
R0710	*Best Estimate*	0.00
R0720	*Risk margin*	0.00
R0730	Other technical provisions	
R0740	Contingent liabilities	0.00
R0750	Provisions other than technical provisions	0.00
R0760	Pension benefit obligations	0.00
R0770	Deposits from reinsurers	0.00
R0780	Deferred tax liabilities	0.00
R0790	Derivatives	0.00
R0800	Debts owed to credit institutions	0.00
R0810	Financial liabilities other than debts owed to credit institutions	0.00
R0820	Insurance & intermediaries payables	0.00
R0830	Reinsurance payables	308,000.00
R0840	Payables (trade, not insurance)	1,199,936.22
R0850	Subordinated liabilities	0.00
R0860	*Subordinated liabilities not in BOF*	0.00
R0870	*Subordinated liabilities in BOF*	0.00
R0880	Any other liabilities, not elsewhere shown	180,000.00
R0900	**Total liabilities**	22,421,842.99
R1000	**Excess of assets over liabilities**	31,387,205.96

S.05.01.02
Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)					Total
		Motor vehicle liability insurance	Other motor insurance	Fire and other damage to property insurance	General liability insurance	Miscellaneous financial loss	
		C0040	C0050	C0070	C0080	C0120	C0200
	Premiums written						
R0110	*Gross - Direct Business*	3,762,524.21	11,287,572.62	10,435,169.56	3,838,039.45	166,644.80	29,489,950.64
R0120	*Gross - Proportional reinsurance accepted*						0.00
R0130	*Gross - Non-proportional reinsurance accepted*						0.00
R0140	*Reinsurers' share*	498,763.85	1,496,291.54	1,037,276.53	406,448.92	-10,136.66	3,428,644.18
R0200	*Net*	3,263,760.36	9,791,281.08	9,397,893.03	3,431,590.53	176,781.46	26,061,306.46
	Premiums earned						
R0210	*Gross - Direct Business*	3,546,689.36	10,640,068.09	9,776,314.44	3,652,572.76	163,889.34	27,779,533.99
R0220	*Gross - Proportional reinsurance accepted*						0.00
R0230	*Gross - Non-proportional reinsurance accepted*						0.00
R0240	*Reinsurers' share*	465,042.22	1,395,126.65	951,423.39	384,844.09	-4,639.19	3,191,797.16
R0300	*Net*	3,081,647.14	9,244,941.44	8,824,891.05	3,267,728.67	168,528.53	24,587,736.83
	Claims incurred						
R0310	*Gross - Direct Business*	1,619,927.58	8,125,241.61	6,051,156.24	2,254,678.95	48,800.34	18,099,804.72
R0320	*Gross - Proportional reinsurance accepted*						0.00
R0330	*Gross - Non-proportional reinsurance accepted*						0.00
R0340	*Reinsurers' share*	254,054.93	12,549.96	-2,966.49	592,231.27	0.00	855,869.67
R0400	*Net*	1,365,872.65	8,112,691.65	6,054,122.73	1,662,447.68	48,800.34	17,243,935.05
	Changes in other technical provisions						
R0410	*Gross - Direct Business*	0.00	0.00	0.00	0.00	0.00	0.00
R0420	*Gross - Proportional reinsurance accepted*						0.00
R0430	*Gross - Non-proportional reinsurance accepted*						0.00
R0440	*Reinsurers' share*	0.00	0.00	0.00	0.00	0.00	0.00
R0500	*Net*	0.00	0.00	0.00	0.00	0.00	0.00
R0550	**Expenses incurred**	978,069.90	2,985,975.96	2,757,881.64	1,015,152.73	42,101.48	7,779,181.71
R1200	**Other expenses**						
R1300	**Total expenses**						7,779,181.71

S.17.01.02
Non-Life Technical Provisions

	Direct business and accepted proportional reinsurance					Total Non-Life obligation
	Motor vehicle liability insurance	Other motor insurance	Fire and other damage to property insurance	General liability insurance	Miscellaneous financial loss	
	C0050	C0060	C0080	C0090	C0130	C0180
Technical provisions calculated as a whole	0.00	0.00	0.00	0.00	0.00	0.00
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole						0.00
Technical provisions calculated as a sum of BE and RM						
Best estimate						
Premium provisions						
Gross - Total	539,089.26	164,715.95	157,197.93	530,994.81	1,322.50	1,393,320.45
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	266,980.79	-559,056.80	-267,355.73	278,741.78	-0.68	-280,690.64
Net Best Estimate of Premium Provisions	272,108.47	723,772.75	424,553.66	252,253.03	1,323.18	1,674,011.09
Claims provisions						
Gross - Total	6,523,596.62	3,607,165.53	4,183,082.00	4,090,810.32	8,181.23	18,412,835.70
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	2,673,054.21	-191,476.62	-117,575.55	125,827.52	0.00	2,489,829.56
Net Best Estimate of Claims Provisions	3,850,542.41	3,798,642.15	4,300,657.55	3,964,982.80	8,181.23	15,923,006.14
Total best estimate - gross	7,062,685.88	3,771,881.48	4,340,279.93	4,621,805.13	9,503.73	19,806,156.15
Total best estimate - net	4,122,650.88	4,522,414.90	4,725,211.21	4,217,235.83	9,504.41	17,597,017.23
Risk margin	139,620.43	82,314.79	575,923.04	128,202.07	1,690.29	927,750.62
Amount of the transitional on Technical Provisions						
TP as a whole						0.00
Best estimate						0.00
Risk margin						0.00
Technical provisions - total	7,202,306.31	3,854,196.27	4,916,202.97	4,750,007.20	11,194.02	20,733,906.77
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	2,940,035.00	-750,533.42	-384,931.28	404,569.30	-0.68	2,209,138.92
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	4,262,271.31	4,604,729.69	5,301,134.25	4,345,437.90	11,194.70	18,524,767.85

S.19.01.21

Non-Life insurance claims

Total Non-life business

Accident year / underwriting year: Accident Year

Gross Claims Paid (non-cumulative)

(absolute amount)

	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
Year	Development year											**In Current year**	**Sum of years (cumulative)**
	0	1	2	3	4	5	6	7	8	9	10 & +		
Prior											-480.00	-480.00	-480.00
N-9	8,726,015.98	3,775,430.33	459,665.06	263,732.07	281,662.32	63,922.81	21,692.88	19,039.43	815.59	0.00		0.00	13,611,976.47
N-8	5,377,224.80	2,929,591.07	740,604.31	655,366.97	207,902.22	135,554.55	114,451.94	7,825.76	21,131.35			21,131.35	10,189,652.97
N-7	6,183,761.53	3,038,253.99	625,580.99	386,731.31	390,660.47	145,278.50	59,046.30	56,442.48				56,442.48	10,885,755.57
N-6	6,230,272.43	3,134,765.89	679,823.97	371,015.92	499,083.30	566,085.40	268,736.61					268,736.61	11,749,783.52
N-5	8,545,703.18	3,443,903.07	1,173,864.45	832,046.28	5,720,918.50	693,195.95						693,195.95	20,409,631.43
N-4	7,109,179.74	3,126,438.66	969,836.35	1,104,282.67	440,403.21							440,403.21	12,750,140.63
N-3	6,843,521.99	3,649,795.57	620,148.65	463,811.43								463,811.43	11,577,277.64
N-2	5,862,860.22	3,071,364.68	740,171.48									740,171.48	9,674,396.38
N-1	8,387,369.77	4,957,242.06										4,957,242.06	13,344,611.83
N	7,898,549.28											7,898,549.28	7,898,549.28
											Total	15,539,203.85	122,091,295.72

Gross undiscounted Best Estimate Claims Provisions

(absolute amount)

	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
Year	Development year											**Year end (discounted data)**
	0	1	2	3	4	5	6	7	8	9	10 & +	
Prior											0.00	0.00
N-9	5,820,075.74	1,099,296.26	1,430,056.67	572,888.44	198,694.68	122,642.05	26,345.72	10.00	0.00	0.00		0.00
N-8	4,035,110.43	1,453,020.08	1,062,137.25	610,509.58	506,306.87	325,462.10	156,591.60	92,010.70	51,124.78			51,124.78
N-7	5,336,170.57	2,022,232.30	1,040,524.10	968,796.72	452,223.07	242,721.94	38,191.34	0.00				0.00
N-6	5,731,551.79	2,775,725.78	2,157,526.21	1,969,928.97	1,390,820.12	615,427.71	22,895.97					21,065.62
N-5	5,772,067.10	2,465,678.62	8,634,897.20	7,882,862.53	1,848,819.53	343,810.47						316,000.90
N-4	7,261,877.08	4,548,315.55	4,067,370.87	3,939,682.35	3,418,111.35							3,196,299.20
N-3	5,481,988.21	2,195,596.05	2,002,312.44	1,359,052.64								1,267,614.92
N-2	4,539,663.30	1,638,120.87	1,698,407.44									1,584,306.79
N-1	7,087,869.94	4,675,190.89										4,324,245.74
N	8,227,305.11											7,652,177.74
											Total	18,412,835.69

S.23.01.01
Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35					
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	0.00	0.00		0.00	
R0030	Share premium account related to ordinary share capital	0.00	0.00		0.00	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0.00	0.00		0.00	
R0050	Subordinated mutual member accounts	0.00		0.00	0.00	0.00
R0070	Surplus funds	0.00	0.00			
R0090	Preference shares	0.00		0.00	0.00	0.00
R0110	Share premium account related to preference shares	0.00		0.00	0.00	0.00
R0130	Reconciliation reserve	31,387,205.96	31,387,205.96			
R0140	Subordinated liabilities	0.00		0.00	0.00	0.00
R0160	An amount equal to the value of net deferred tax assets	0.00				0.00
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0.00	0.00	0.00	0.00	0.00
	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
R0220	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0.00				
	Deductions					
R0230	Deductions for participations in financial and credit institutions	0.00				
R0290	**Total basic own funds after deductions**	31,387,205.96	31,387,205.96	0.00	0.00	0.00
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0.00				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0.00				
R0320	Unpaid and uncalled preference shares callable on demand	0.00				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0.00				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0.00				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0.00				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0.00				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0.00				
R0390	Other ancillary own funds	0.00				
R0400	**Total ancillary own funds**	0.00			0.00	0.00
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	31,387,205.96	31,387,205.96	0.00	0.00	0.00
R0510	Total available own funds to meet the MCR	31,387,205.96	31,387,205.96	0.00	0.00	
R0540	Total eligible own funds to meet the SCR	31,387,205.96	31,387,205.96	0.00	0.00	0.00
R0550	Total eligible own funds to meet the MCR	31,387,205.96	31,387,205.96	0.00	0.00	
R0580	**SCR**	20,906,584.21				
R0600	**MCR**	5,226,646.05				
R0620	**Ratio of Eligible own funds to SCR**	150.13%				
R0640	**Ratio of Eligible own funds to MCR**	600.52%				

	Reconciliation reserve	C0060
R0700	Excess of assets over liabilities	31,387,205.96
R0710	Own shares (held directly and indirectly)	0.00
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	0.00
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0.00
R0760	**Reconciliation reserve**	31,387,205.96

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	16,005,818.47		
R0020	Counterparty default risk	883,117.07		
R0030	Life underwriting risk	0.00		
R0040	Health underwriting risk	0.00		
R0050	Non-life underwriting risk	8,152,225.03		
R0060	Diversification	-4,967,962.38		
R0070	Intangible asset risk	0.00		
R0100	**Basic Solvency Capital Requirement**	20,073,198.19		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	833,386.02
R0140	Loss-absorbing capacity of technical provisions	0.00
R0150	Loss-absorbing capacity of deferred taxes	
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0.00
R0200	**Solvency Capital Requirement excluding capital add-on**	20,906,584.21
R0210	Capital add-ons already set	0.00
R0220	**Solvency capital requirement**	20,906,584.21

S.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

		C0010
R0010	MCR_{NL} Result	3,787,006.64

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	α	β	α.B + β.C
		C0020	C0030			
R0020	Medical expense insurance and proportional reinsurance	0.00		4.7%	4.7%	0
R0030	Income protection insurance and proportional reinsurance	0.00		13.1%	8.5%	0
R0040	Workers' compensation insurance and proportional reinsurance	0.00		10.7%	7.5%	0
R0050	Motor vehicle liability insurance and proportional reinsurance	4,122,650.88	3,263,760.36	8.5%	9.4%	657218.7986
R0060	Other motor insurance and proportional reinsurance	4,522,414.90	9,791,281.07	7.5%	7.5%	1073527.198
R0070	Marine, aviation and transport insurance and proportional reinsurance	0.00		10.3%	14.0%	0
R0080	Fire and other damage to property insurance and proportional reinsurance	4,725,211.21	9,397,893.03	9.4%	7.5%	1149011.831
R0090	General liability insurance and proportional reinsurance	4,217,235.83	3,431,590.53	10.3%	13.1%	883913.6499
R0100	Credit and suretyship insurance and proportional reinsurance	0.00		17.7%	11.3%	0
R0110	Legal expenses insurance and proportional reinsurance	0.00		11.3%	6.6%	0
R0120	Assistance and proportional reinsurance	0.00		18.6%	8.5%	0
R0130	Miscellaneous financial loss insurance and proportional reinsurance	9,504.41	176,781.46	18.6%	12.2%	23335.15838
R0140	Non-proportional health reinsurance	0.00		18.6%	15.9%	0
R0150	Non-proportional casualty reinsurance	0.00		18.6%	15.9%	0
R0160	Non-proportional marine, aviation and transport reinsurance	0.00		18.6%	15.9%	0
R0170	Non-proportional property reinsurance	0.00		18.6%	15.9%	0
				TS MCR.12		3787006.636

Linear formula component for life insurance and reinsurance obligations

		C0040
R0200	MCR_{L} Result	0.00

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk	α	
		C0050	C0060		
R0210	Obligations with profit participation - guaranteed benefits			3.7%	0
R0220	Obligations with profit participation - future discretionary benefits			-5.2%	0
R0230	Index-linked and unit-linked insurance obligations			0.7%	0
R0240	Other life (re)insurance and health (re)insurance obligations			2.1%	0
R0250	Total capital at risk for all life (re)insurance obligations			0.07%	0
				TS MCR.13	0

Overall MCR calculation

		C0070
R0300	Linear MCR	3,787,006.64
R0310	SCR	20,906,584.21
R0320	MCR cap	9,407,962.89
R0330	MCR floor	5,226,646.05
R0340	Combined MCR	5,226,646.05
R0350	Absolute floor of the MCR	3,444,600.00
R0400	**Minimum Capital Requirement**	5,226,646.05