

JERSEY MUTUAL INSURANCE SOCIETY, INCORPORATED

155th ANNUAL REPORT AND FINANCIAL STATEMENTS

30 September 2024

JERSEY MUTUAL INSURANCE SOCIETY, INCORPORATED

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JERSEY MUTUAL INSURANCE SOCIETY, INCORPORATED

NOTICE OF 155th ANNUAL GENERAL MEETING

THE 155th ANNUAL GENERAL MEETING OF MEMBERS

to be held at St Pauls Centre, St Helier, on
Friday the 6th day of December 2024 at 3.15 p.m.

BUSINESS:

1. Annual Report for 2024
2. Election of Directors
3. Appointment of Auditors
4. Remuneration of the Directors for the ensuing year

An electronic copy of the financial statements, annual report and bye-laws is available on the Society's website at the following address: www.jerseymutual.com

I Greenwood
President

Note

Please contact the office if you would like to request a printed copy of the Annual Report & Financial Statements.

If any Member has any questions on the Annual Report it would be appreciated if they would address them to:-

Mr S Kavanagh, General Manager
Jersey Mutual Insurance Society
Third Floor, One Seaton Place, St Helier, Jersey, JE2 3QL
Telephone: 01534 734246; Email: info@jerseymutual.com

JERSEY MUTUAL INSURANCE SOCIETY, INCORPORATED

BOARD OF ADMINISTRATION

The directors of the Society during the year ended 30 September 2024 were: -

| Director | Appointed | Retired/Resigned |
|-----------------|------------------|------------------|
| P Wade | | 24 December 2023 |
| D Curtis | | 24 December 2023 |
| Mrs A Pryke | | 24 December 2023 |
| P Gaudin | | 24 December 2023 |
| P Garrett | | 30 November 2023 |
| J De Gruchy | | |
| I Greenwood | | |
| T Frain | | |
| D Webber | | |
| A Harvey | 25 December 2023 | |
| M Birch | 25 December 2023 | |
| Mrs J Greenwood | 1 January 2024 | |
| M MacDonald | 27 March 2024 | |
| M Johnson | 20 May 2024 | |

JERSEY MUTUAL INSURANCE SOCIETY, INCORPORATED

REPORT OF THE BOARD OF ADMINISTRATION

TO BE PRESENTED AT THE ONE HUNDRED AND FIFTY FIFTH
ANNUAL GENERAL MEETING OF MEMBERS
TO BE HELD ON FRIDAY THE 6TH DAY OF DECEMBER 2024 AT 3.15P.M.

The Board of Administration (the “Board”), in accordance with Article 22 of the Fundamental Rules, has pleasure in presenting their one hundred and fifty fifth annual report and the audited financial statements for the year ended 30 September 2024.

REVIEW OF THE BUSINESS

The Society is a mutual insurance society and its principal activity continues to be the transaction of general insurance of property and associated risks business in Jersey.

BOARD OF ADMINISTRATION'S RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for preparing the Board's report and the financial statements in accordance with the Fundamental Rules of the Society and with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standards 102 and 103. The financial statements are required to give a true and fair view of the state of affairs of the Society and the profit or loss of the Society for that year. In preparing these financial statements, the Board is required to:

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

The Board is responsible for keeping proper accounting records that are sufficient to show and explain the Society's transactions which disclose with reasonable accuracy, at any time, the financial position of the Society. It is also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Society is licensed to operate as an insurance business by the Jersey Financial Services Commission. As such the Board is required to comply with the requirements of the Insurance Business (Jersey) Law 1996.

The Board confirms that these financial statements comply with these requirements.

RESULTS

The financial statements show a total comprehensive income of £1,934,606 (2023: total comprehensive income of £1,188,059).

Total Members' funds show an increase of £1,934,606 to £27,817,162 (2023: £25,882,556).

The value of the real and personal property insured during the year has increased by 7% (£527,013,338) to £7,628,684,072 as at 30 September 2024 as shown on page 9.

Gross premiums written have increased in the year by 12% (£1,100,110) to £10,489,058. Discounts given to Members during the year amounted to £2,794,702 (2023: £2,629,072).

JERSEY MUTUAL INSURANCE SOCIETY, INCORPORATED
REPORT OF THE BOARD OF ADMINISTRATION *continued*

RESULTS *continued*

A summary analysis of claims paid is shown on page 8. A list of claims is available for inspection at the Society's office.

The value of the financial investment portfolio increased in the year by £847,162 and exceeds cost by £567,367 at 30 September 2024.

Realised net losses on the disposal of certain financial investments during the year amounted to £436,383 (2023: £2,276,152 Loss).

The Society is required to pay tax on its net investment income which has resulted in an estimated tax charge of £156,299 in the current year (2023:£122,005).

In accordance with the Insurance Business (Solvency Margin) (Jersey) Order 1996, the Society is restricted in its investment strategy as it must maintain 75% of assets as approved assets. The Society's investment brokers, with our approval, have therefore continued with a cautious approach, maintaining a high level of investments in fixed income securities. For the coming year, the Society intends to maintain the current conservative investment policy in order to preserve and grow the value of the investment portfolio.

IRREGULAR ACTIVITY

As originally detailed in 2018, the Society became aware of potentially fraudulent activity that occurred over a number of years.

The Society is satisfied that no additional amounts are due to any third party other than the exceptional items included in the current and previous years' Statements of Comprehensive Income. In light of a number of ongoing matters in this regard, professional fees will continue to be incurred in respect of the attempted recovery of historic losses. As highlighted in the previous financial statements from 2018 onward, the directors remain satisfied that: -

1. The Society's Members remain fully insured in line with the terms and conditions of their respective insurance schedule;
2. The Society's reinsurance partners are satisfied that the matter has been resolved and continue to fully support the Society. Furthermore, the Society has once again renewed its reinsurance programme, with effect from 1 April 2024, on a similar basis to previous years;
3. As detailed in the balance sheet, the Society retains significant reserves backed by a portfolio of liquid investments; and
4. As a result, the future strength of the Society and the interests of its Members have not been compromised.

The Society has kept its regulator, the Jersey Financial Services Commission, and the Joint Financial Crime Unit informed. All relevant parties will continue to be kept apprised of the situation.

Having obtained legal advice, the Society has taken appropriate measures to seek the recovery of misappropriated sums and to mitigate its losses where possible.

JERSEY MUTUAL INSURANCE SOCIETY, INCORPORATED

REPORT OF THE BOARD OF ADMINISTRATION *continued*

IRREGULAR ACTIVITY *continued*

The financial statements include £4,583 (2023: £47,813) in respect of professional fees paid in relation to this activity.

The criminal investigation has been concluded and two defendants pleaded guilty to all indictments. The guilty parties were sentenced in January 2024. The court has asked for a total of £656k to be paid back to the Society, but in the event of default, the guilty parties will spend extra time in prison. Therefore, no provision has been made in anticipation of receiving these amounts as there is no certainty of receipt at this time.

STRATEGY

The Society's continuing success is dependent on many factors including: -

- appropriate risk selection;
- pricing;
- adherence to its underwriting principles; and
- careful management of its claims.

Above all we believe that by providing a quality customer service the Society will engender continued loyalty of its membership and create a basis of recommendation to others.

We shall look to continue to deliver on these objectives thereby enabling us to consolidate our position as a leading provider of household and other property insurances within the Island and concentrate our efforts on achieving manageable growth within the local marketplace.

REINSURANCE AGREEMENTS

The Directors have pleasure in reporting that, from the period 1 October 2023 through to 31 March 2024 inclusive, under agreements entered into by the Society with Lloyds Underwriters and Company Market Reinsurers, the Society accepted all individual risks above £30,000 through a Proportional Treaty, subject to an Event Limit of £22.5million. In addition such Lloyds Underwriters and Company Market Reinsurers indemnified the Society through respective Excess of Loss Treaties for each and every ultimate loss occurring under all policies covering Fire, Lighting, Explosion and Comprehensive Risks (including All Risks) which exceeded £500,000, and in respect of Employers and Public Liability which exceeded £250,000.

From 1 April 2024, the Society requested a modernisation of its previous arrangements to ensure its suitability for the future and entered into agreements with Lloyds Underwriters and Company Market Reinsurers, which accepted all individual risks above 7.5% (Monetary) through a new Quota Share Treaty, subject to an Event Limit of £30.0 million. In addition such Lloyds Underwriters and Company Market Reinsurers indemnified the Society through respective Excess of Loss Treaties for each and every ultimate loss occurring under all policies covering Fire, Lighting, Explosion and Comprehensive Risks (including All Risks) which exceeded £500,000, and in respect of Employers and Public Liability which exceeded £500,000 and in respect of a Fire Risk Excess of Loss which exceeded £100,000.

FINANCIAL INSTRUMENTS

Financial instruments held by the Society include simple instruments such as equities, bonds, borrowings, other creditors and debtors, cash, and more complex instruments incorporated within the managed portfolio of investments.

JERSEY MUTUAL INSURANCE SOCIETY, INCORPORATED

REPORT OF THE BOARD OF ADMINISTRATION *continued*

PRINCIPAL RISKS AND UNCERTAINTIES

The Board, through the Supervisory Committee and Management ensures that the risks which the Society faces are managed in a prudent and conservative manner. The key tools to enable this to happen are our Policies & Procedures, Business Risk Assessment and a robust Compliance Monitoring Plan.

The key risks which the Society face are as follows: -

Insurance Risk

The insurance risk the Society faces arises from the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities. This is the essence of the business and there is a framework of measures which will ensure that such liabilities are managed prudently and appropriately which include, where necessary, the use of independent Loss Adjusters.

Furthermore, the Society has an extensive reinsurance programme which offsets the majority of its exposures to all claims.

Credit Market & Liquidity Risks

The assets of the Society are considerable and the investment portfolio is managed on a conservative investment strategy by local professional investment managers via a Discretionary Mandate arrangement. These assets are considered to be very satisfactory for the contingency and liquidity purposes of the Society and exceed the local minimum regulatory capital requirements.

Given the Society's reliance on its reinsurance partners, our credit risk is substantial. This arises from the risk of a loss if another party fails to fulfil its obligations or fails to perform in a timely or appropriate fashion. Contractually the Society pays its reinsurers quarterly in arrears with the claims being paid out by the Society from the premiums received.

Our reinsurers Standard & Poor's ratings are monitored and their financial strength is reviewed annually.

Operational Risk

The risks of loss resulting from inadequate or failing processes, people and systems both internally and externally are duly recognised by the Board and are subject to regular review. As such a number of mechanisms are in place which mitigate their effect should they arise and prevent them arising in the first instance. The increased risk to the Society of "Cyber" incidents are also considered as part of the regular reviews and a series of enhanced security measures have been put in place together with a regular programme of training for the directors and staff.

The Society's Disaster Recovery plans embrace the provision of a full duplicate computer system held within a bespoke data centre off island which has the benefit of being professionally managed and monitored.

FUTURE DEVELOPMENTS

It seems a constant theme over recent times that we continue to talk about political uncertainties in the Middle East and Ukraine, with the latter now approaching its third year. Closer to home the UK has changed its Government with the Labour Party coming to power after some 14 years, at a time when the previously high inflation rate has finally fallen below the Bank of England target of 2.0%. However there remains some hesitancy to cut interest rates too much and too quickly, as to ensure inflation does not return, to the detriment of existing mortgage holders.

On the local scene, it seems unreal that it has already been a year since the Island suffered its worst storm in recent times, Storm Ciaran, which created significant challenges for the Society and the local insurance industry, as a whole. We have had reported some 1,300 separate incidents (this being three fold the normal claim count), and it is very pleasing to report that some 80.0% have been concluded with the balance being those yet to finalise repair costs or the more significantly affected premises. As can be seen from the Summary of Claims Paid during 2024 some 74% of claims costs are related to storm events with obviously the vast majority being attributable to events

JERSEY MUTUAL INSURANCE SOCIETY, INCORPORATED

REPORT OF THE BOARD OF ADMINISTRATION *continued*

FUTURE DEVELOPMENTS – Continued

of 2 November last. The Total Cost as at year end is forecast at £11.43m, this being by far the largest singular event to hit the Society in its 155 year history.

As many Members would have now seen, it was with much regret that for the first time in some 40 years the Society has had to increase our rates leading to increased insurance premiums across all of its products. This was explained to our members in the renewal notice. However, it is very pleasing to note that despite this, some 90% of Members have recognised that our products are competitive and quality service remain.

Looking forward, the introduction of our new insurance IT platform in March has also provided some initial challenges but as these abate we remain excited about potential future efficiencies and cost savings this will bring to the long term benefit of the Society.

DIRECTORS

In accordance with Articles 2 and 22 of the Fundamental Rules, the Members are called upon to elect two Directors to replace the following Members for a term of three years to commence from 25 December 2024:

D WEBBER
T FRAIN

ST HELIER
ST CLEMENT

RULES OF THE SOCIETY

The contingent liability of Members is set out in rules 10, 16 and 26 of the Fundamental Rules of the Society, copies of which are available on request from the General Manager. The Board wishes to state that, in their opinion, calling upon Members to contribute a sum of £5.00 in accordance with these Rules is a remote possibility, particularly in view of the Society's reinsurance arrangements.

WEBSITE

As part of a 'green' policy our financial statements are published on our website. A limited number of printed copies will be available on request (see Notice of Meeting).

AUDITORS

Alex Picot act as auditors for the Society, and have indicated their willingness to continue in office for the coming year.

VOTE OF THANKS

The Board wishes to record a vote of thanks to all members of staff for all the hard work that they have carried out during another busy albeit challenging year.

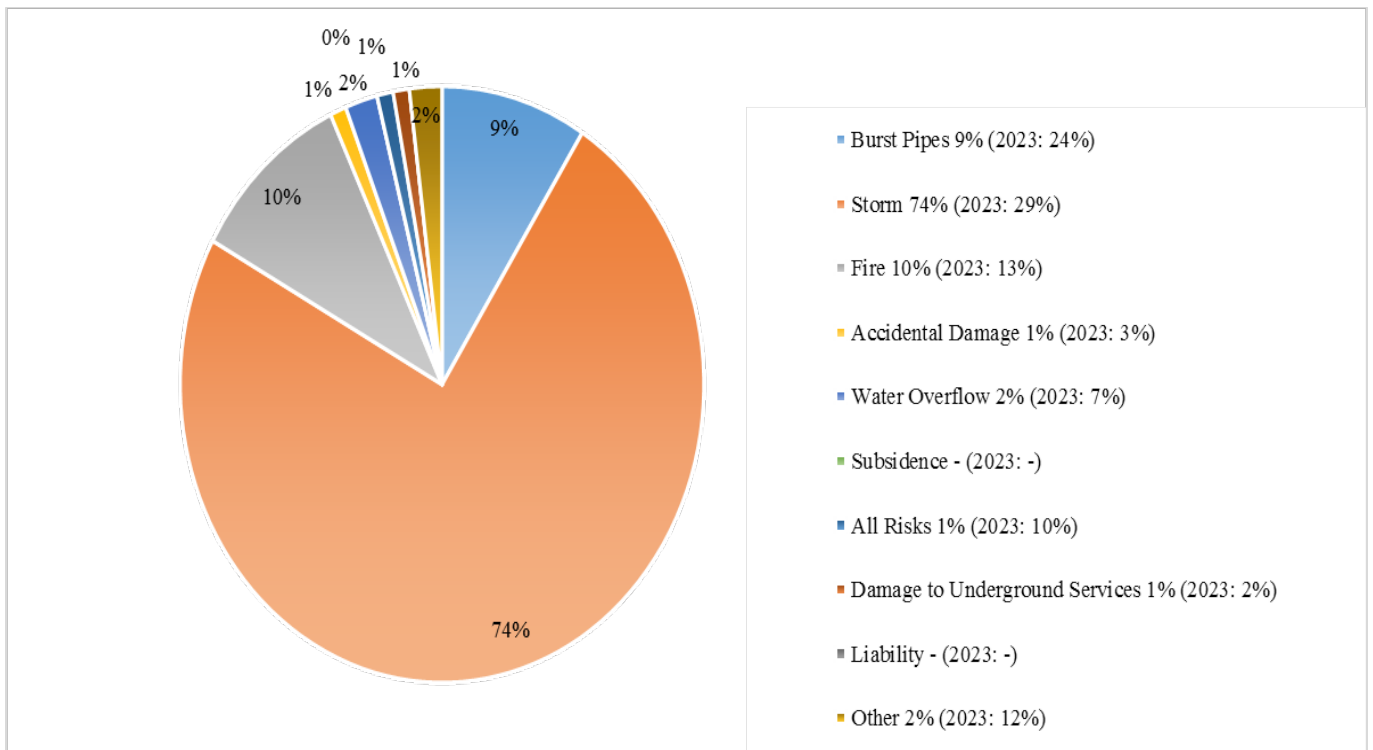
A Harvey Vice President

G Derrien Deputy General Manager

20 November 2024 Date

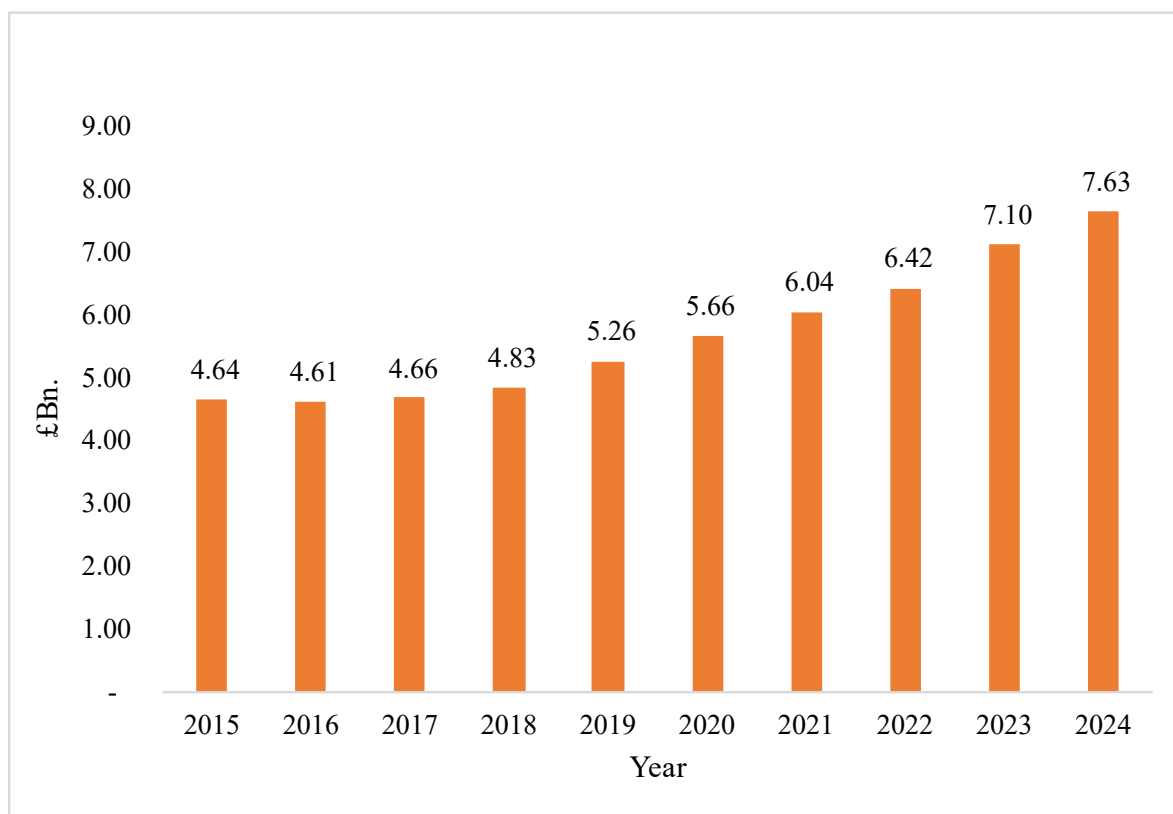
JERSEY MUTUAL INSURANCE SOCIETY, INCORPORATED

SUMMARY OF CLAIMS PAID DURING 2024



JERSEY MUTUAL INSURANCE SOCIETY, INCORPORATED

VALUE OF PROPERTY INSURED



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
JERSEY MUTUAL INSURANCE SOCIETY, INCORPORATED**

Opinion

We have audited the financial statements of Jersey Mutual Insurance Society, Incorporated (the "Society") for the year ended 30 September 2024 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes In Members' Funds, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and Financial Reporting Standard 103 "Insurance Contracts".

In our opinion, the financial statements:

- give a true and fair view of the state of the Society's affairs as at 30 September 2024 and of its total comprehensive income for the year then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards;
- have been prepared in accordance with the Fundamental Rules of the Society and the Insurance Business (Jersey) Law 1996; and
- have been properly prepared in accordance with the Financial Services (General Insurance Mediation Business (Accounts, Audits, Reports and Solvency)) (Jersey) Order 2005.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Society's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.



Alex Picot
chartered accountants

1st Floor, The Le Gallais Building
6 Minden Place, St Helier
Jersey JE2 4WQ

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JERSEY MUTUAL INSURANCE SOCIETY, INCORPORATED (CONTINUED)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board of administration are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Insurance Business (Jersey) Law 1996 requires us to report to you if, in our opinion:

- proper accounting records have not been kept in accordance with Article 16;
- the Balance sheet and the Statement of Comprehensive Income are not in agreement with the Society's accounting records and returns; or
- have not obtained all the information and explanations which, to the best of the auditor's knowledge and belief, are necessary for the purposes of the audit.

Responsibilities of directors

As explained more fully in the Board of administration's responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of administration either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud:

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

During our audit we assessed the risk of material misstatement of the financial statements as a result of non-compliance with relevant laws and regulations (irregularities), including fraud. Based on our understanding

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
JERSEY MUTUAL INSURANCE SOCIETY, INCORPORATED (CONTINUED)**

Auditor's responsibilities for the audit of the financial statements (Continued)

of the Society and its environment, together with discussion with senior management where appropriate, we were able to identify those laws and regulations which would have a direct effect on the financial statements as well as those which may have an effect on amounts in the financial statements, for instance through the imposition of fines or litigation. These included, but were not limited to the Insurance Business (Jersey) Law 1996, relevant Financial Services Legislation as well as general legislation applicable to a business operating in Jersey, such as Data Protection requirements and Employment Law. The risks arising from these laws and regulations were discussed amongst the audit engagement team, including consideration as to how and where fraud might occur.

Based on our assessment, the Engagement Partner ensured that the audit engagement team was composed appropriately with suitable competence and capabilities in order to allow identification and recognition of non-compliance with laws and regulations. The risks identified were communicated to all engagement team members who remained alert during the course of the audit for any indication of irregularities, including fraud.

Our procedures in response to the risks identified included the following:

- Enquiry of management, including consideration of known or suspected instances of non-compliance with laws and regulation or fraud;
- Review all available minutes of meetings held by those charged with governance;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- In common with all audits carried out under the ISAs(UK), we carried out procedures in response to the threat of management override, including those considering the appropriateness of journal entries and judgements made in making accounting estimates;
- Review for any changes to activities which the Society undertakes;
- Review of reports received by those charged with governance, in relation to the Society's regulatory compliance; and
- Review of correspondence with the Jersey Financial Services Commission.

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

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

Use of our report

This report is made solely to the Society's members, as a body, in accordance with the Fundamental Rules of the Society, Article 18(1) of the Insurance Business (Jersey) Law 1996 and Article 5 of the Financial Services (General Insurance Mediation Business (Accounts, Audits, Reports and Solvency))(Jersey) Order 2005. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

2024

Donald Connolly
for and on behalf of
Alex Picot Chartered Accountants

JERSEY MUTUAL INSURANCE SOCIETY, INCORPORATED

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 September 2024

| | | <i>Year ended 30-Sep-24</i> | <i>Year ended 30-Sep-23</i> |
|--|--------------|-------------------------------------|-------------------------------------|
| | <i>Notes</i> | <i>£</i> | <i>£</i> |
| EARNED PREMIUMS, NET OF REINSURANCE | | | |
| Gross premiums written before discounts to members | | 10,489,058 | 9,388,947 |
| Discounts given to members | | <u>(2,794,702)</u> | <u>(2,629,072)</u> |
| | | 7,694,356 | 6,759,875 |
| Outward reinsurance | | (5,064,309) | (4,968,097) |
| Change in the provision for unearned premiums | 16 | (499,593) | (264,454) |
| Change in the provision (reinsurers' share) | 16 | <u>273,346</u> | <u>141,231</u> |
| | | <u>(5,290,556)</u> | <u>(5,091,320)</u> |
| Other technical income | | 45,880 | - |
| Total technical income | | <u>2,449,680</u> | <u>1,668,555</u> |
| CLAIMS INCURRED, NET OF REINSURANCE | | | |
| Claims paid | | | |
| - gross amount | | (9,145,806) | (1,532,342) |
| - reinsurers' share | | <u>8,417,983</u> | <u>1,320,856</u> |
| | | (727,823) | (211,486) |
| Change in provision for claims | | | |
| - gross amount | 16 | (4,040,153) | (630,713) |
| - reinsurers' share | 16 | <u>3,890,242</u> | <u>626,191</u> |
| Claims incurred net of reinsurance | | (877,734) | (216,008) |
| Net operating expenses - administrative expenses | 8 | <u>(1,909,013)</u> | <u>(1,861,337)</u> |
| Total technical charges | | <u>(2,786,747)</u> | <u>(2,077,345)</u> |
| BALANCE ON THE TECHNICAL ACCOUNT FOR GENERAL BUSINESS | | <u>(337,067)</u> | <u>(408,790)</u> |

The notes on pages 19 to 36 form an integral part of these financial statements.

JERSEY MUTUAL INSURANCE SOCIETY, INCORPORATED

STATEMENT OF COMPREHENSIVE INCOME *continued*
For the year ended 30 September 2024

| | <i>Notes</i> | <i>Year ended 30-Sep-24</i> | <i>Year ended 30-Sep-23</i> |
|--|--------------|-------------------------------------|-------------------------------------|
| | | <u>£</u> | <u>£</u> |
| BALANCE ON THE TECHNICAL ACCOUNT FOR GENERAL BUSINESS | | (337,067) | (408,790) |
| NON-TECHNICAL ACCOUNT | | | |
| Income from land and buildings | | 52,524 | 50,000 |
| Income from financial investments | | 953,349 | 809,578 |
| Interest income | | 12,713 | 17,700 |
| Net losses on realisation of financial investments | | (436,383) | (2,276,152) |
| Movement in unrealised gains on financial investments | | 1,881,985 | 3,285,492 |
| Movement in valuation of investment property | 12 | 40,000 | (45,000) |
| Foreign exchange gains/(losses) | | 7,359 | (8,996) |
| Investment management and custody fees | | (83,575) | (113,768) |
| | | <hr/> | <hr/> |
| | | 2,427,972 | 1,718,854 |
| Profit on ordinary activities before tax | | 2,090,905 | 1,310,064 |
| Taxation | 10 | (156,299) | (122,005) |
| | | <hr/> | <hr/> |
| Total comprehensive income for the year | | <u>1,934,606</u> | <u>1,188,059</u> |

All results are derived from continuing operations.

There are no recognised gains or losses other than the total comprehensive income attributable to the members of the Society of £1,934,606 in the year ended 30 September 2024 and income of £1,188,059 in the year ended 30 September 2023.

The notes on pages 19 to 36 form an integral part of these financial statements.

JERSEY MUTUAL INSURANCE SOCIETY, INCORPORATED

BALANCE SHEET
As at 30 September 2024

| | <i>Notes</i> | <u>30-Sep-24</u> | <u>30-Sep-23</u> |
|--|--------------|--------------------------|--------------------------|
| | | £ | £ |
| ASSETS | | | |
| INVESTMENTS | | | |
| Land and buildings | 12 | 685,000 | 645,000 |
| Other financial investments | 13 | <u>24,883,185</u> | <u>24,043,023</u> |
| | | <u>25,568,185</u> | <u>24,688,023</u> |
| REINSURERS' SHARE OF TECHNICAL PROVISIONS | | | |
| Provision for unearned premiums | 16 | 2,606,269 | 2,332,923 |
| Claims outstanding | 16 | <u>5,736,971</u> | <u>1,846,729</u> |
| | | <u>8,343,240</u> | <u>4,179,652</u> |
| DEBTORS | | | |
| Debtors due from members | | 27,177 | 153,379 |
| Debtors arising out of reinsurance operations | | <u>3,075,488</u> | <u>350,739</u> |
| | | <u>3,102,665</u> | <u>504,118</u> |
| OTHER ASSETS | | | |
| Tangible assets | 14 | 1,216,633 | 1,036,507 |
| Deferred tax | 10 | 45,000 | 45,000 |
| Cash at bank and broker | | <u>1,394,673</u> | <u>1,751,906</u> |
| | | <u>2,656,306</u> | <u>2,833,413</u> |
| PREPAYMENTS AND ACCRUED INCOME | | | |
| Accrued investment income | | 210,893 | 207,409 |
| Claim payments and prepayments | 17 | <u>65,761</u> | <u>801,547</u> |
| | | <u>276,654</u> | <u>1,008,956</u> |
| TOTAL ASSETS | | <u>39,947,050</u> | <u>33,214,162</u> |

The notes on pages 19 to 36 form an integral part of these financial statements.

JERSEY MUTUAL INSURANCE SOCIETY, INCORPORATED

BALANCE SHEET *continued*
As at 30 September 2024

| | <i>Notes</i> | <u>30-Sep-24</u> | <u>30-Sep-23</u> |
|--|--------------|--------------------------|--------------------------|
| | | £ | £ |
| LIABILITIES | | | |
| RESERVES | | | |
| Members' funds | | <u>27,817,162</u> | <u>25,882,556</u> |
| TECHNICAL PROVISIONS | | | |
| Provision for unearned premiums - gross amount | 16 | 4,116,942 | 3,617,349 |
| Claims outstanding - gross amount | 16 | <u>5,929,153</u> | <u>1,889,000</u> |
| | | <u>10,046,095</u> | <u>5,506,349</u> |
| CREDITORS | | | |
| Creditors due to reinsurers | | 1,448,454 | 1,309,050 |
| Taxation payable | | 217,308 | 168,672 |
| Other creditors | | <u>418,031</u> | <u>347,535</u> |
| | | <u>2,083,793</u> | <u>1,825,257</u> |
| TOTAL LIABILITIES | | <u>12,129,888</u> | <u>7,331,606</u> |
| TOTAL MEMBERS' FUNDS AND LIABILITIES | | <u>39,947,050</u> | <u>33,214,162</u> |

The notes on pages 19 to 36 form an integral part of these financial statements.

These financial statements on pages 13 to 36 were approved and authorised for issue by the Board of Administration and were signed on their behalf by:

A Harvey Vice President

G Derrien Deputy General Manager

20 November 2024 Date

JERSEY MUTUAL INSURANCE SOCIETY, INCORPORATED

STATEMENT OF CHANGES IN MEMBERS' FUNDS
As at 30 September 2024

| | <i>Notes</i> | <i>Year Ended 30-Sep-24</i> | <i>Year ended 30-Sep-23</i> |
|--|--------------|-------------------------------------|-------------------------------------|
| | | <u>£</u> | <u>£</u> |
| Balance brought forward | | <u>25,882,556</u> | <u>24,694,497</u> |
| Profit for the financial year | | 1,934,606 | 1,188,059 |
| Total comprehensive income for the year | | <u>1,934,606</u> | <u>1,188,059</u> |
| Balance carried forward | | <u><u>27,817,162</u></u> | <u><u>25,882,556</u></u> |

The notes on pages 19 to 36 form an integral part of these financial statements.

JERSEY MUTUAL INSURANCE SOCIETY, INCORPORATED

STATEMENT OF CASH FLOWS
For the year ended 30 September 2024

| | <i>Year ended 30-Sep-24</i> | <i>Year ended 30-Sep-23</i> |
|--|-------------------------------------|-------------------------------------|
| | <u>£</u> | <u>£</u> |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit for the financial year | 1,934,606 | 1,188,059 |
| Depreciation charges | 116,758 | 34,612 |
| Income from financial investments | (953,349) | (809,578) |
| Interest income | (12,713) | (17,700) |
| Realised and unrealised (gains) on financial investments | (1,445,602) | (1,009,340) |
| Taxation charge | 156,299 | 122,005 |
| Movement in valuation of investment property | (40,000) | 45,000 |
| Movement in technical provision | 376,158 | 127,743 |
| Movement in other debtors and creditors | (1,652,861) | (571,926) |
| Net cash (outflow) from operating activities | <u>(1,520,704)</u> | <u>(891,125)</u> |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Sale of investments | 19,288,414 | 21,278,398 |
| Purchase of investments | (18,688,213) | (21,315,530) |
| Purchase of tangible assets | (296,884) | (293,059) |
| Income from financial investments | 948,104 | 766,704 |
| Interest income | 12,713 | 17,700 |
| Income taxes paid | (107,663) | (85,670) |
| Repayment of staff loans | 7,000 | 307,500 |
| Net cash inflow from investing activities | <u>1,163,471</u> | <u>676,043</u> |
| Net decrease in cash and cash equivalents | (357,233) | (215,082) |
| Cash and cash equivalents at 1 October | <u>1,751,906</u> | <u>1,966,988</u> |
| Cash and cash equivalents at 30 September | <u>1,394,673</u> | <u>1,751,906</u> |
| Cash and cash equivalents consist of: | | |
| Cash at bank and in hand - society | 928,906 | 1,138,989 |
| Cash at bank and in hand - investment broker | 465,767 | 612,917 |
| | <u>1,394,673</u> | <u>1,751,906</u> |

The notes on pages 19 to 36 form an integral part of these financial statements.

JERSEY MUTUAL INSURANCE SOCIETY, INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

30 September 2024

1. GENERAL INFORMATION

Jersey Mutual Insurance Society, Incorporated ('the Society') is incorporated in Jersey under the Insurance Business (Jersey) Law 1996 with company number 35913, and transacts general insurance business in Jersey, Channel Islands.

The Society is a mutual organisation, has only members and reinvests surpluses. The Society arranges insurance for Class 1 (Non – Hazardous) risks being primarily private dwelling houses split between owner occupied and those rented out including associated liability and other risks.

The address of its registered office is Third Floor, One Seaton Place, St Helier, Jersey, JE2 3QL.

2. STATEMENT OF COMPLIANCE

The financial statements of the Society have been prepared under the historical cost convention, adjusted by the revaluation of investment property and quoted investments, in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), Financial Reporting Standard 103, "Insurance Contracts" (FRS 103) and the Insurance Business (Jersey) Law 1996.

The financial statements have been prepared in compliance with the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 relating to insurance companies.

3. ACCOUNTING POLICIES

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

a. Basis of preparation

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

b. Going concern

Having assessed the principal risks, the Directors have at the time of approving the financial statements, a reasonable expectation that the Society has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements. The Board has reviewed the forecasts and budgets for the foreseeable future and believe the Society is a going concern.

c. Exemptions for qualifying entities under FRS 102

The Society is not a member of a group and hence is not able to take advantage of any disclosure exemptions afforded to such entities.

JERSEY MUTUAL INSURANCE SOCIETY, INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS *continued* 30 September 2024

3. ACCOUNTING POLICIES *continued*

d. Foreign currency

The Society's financial statements are presented in pounds sterling, which is also the functional currency of the Society.

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each year end foreign currency monetary items are translated using the closing rate.

Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the non-technical account.

e. Insurance contracts

Classification of insurance contracts

Insurance contracts are defined as a contract under which one party accepts significant insurance risk.

As a guideline, the Society defines an insurance contract as a contract under which the Society accepts significant insurance risk from another (the Member) by agreeing to compensate the Member if a specified uncertain future event adversely affects the Member.

All of the Society's insurance products are classified as insurance contracts.

The results are determined on an annual basis whereby the incurred cost of claims, commissions and related expenses are charged against the earned proportion of premiums, net of reinsurance as follows:

Premiums written

General business premiums written reflect gross business incepted during the year, together with any differences between booked premiums for prior years and those previously accrued, and include estimates of premiums due but not yet receivable or notified to the Society, less cancellations.

Unearned premiums

Unearned premiums represent the proportion of premiums written in the year that relate to the unexpired terms of policies in force at the reporting balance sheet date.

Acquisition costs

Outward reinsurance portfolio premiums are accounted for in the same reporting period as the premiums for the related direct business being reinsured.

Claims

Claims incurred comprise claims and related expenses paid in the year and changes in the provisions for outstanding claims together with any adjustments to claims from previous years.

JERSEY MUTUAL INSURANCE SOCIETY, INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS *continued* 30 September 2024

3. ACCOUNTING POLICIES *continued*

e. Insurance contracts *continued*

Claims provisions and related reinsurance recoveries

Where possible, the Society adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected, taking into account the characteristics of the business class and the extent of the development of each accident year.

Reinsurance

Reinsurance premiums are accounted for when paid or payable depending on the terms of the individual contract. Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amount that will be recoverable from reinsurers based upon the gross provisions and having regard to collectability.

f. Employee benefits

The Society provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and additional payments towards employees own pension arrangements.

Short term benefits

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

Defined contribution pension plans

The Society no longer operates a pension scheme for its employees, but employees receive additional payments, over and above their basic salary, to make their own pension arrangements. Once the contributions have been paid the Society has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet.

g. Taxation

Tax is recognised in the non-technical account within the Statement of Comprehensive Income.

Deferred tax is recognised in respect of all timing differences, which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different to those in which they are recognised in the financial statements. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted at the year end date.

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Technical income is not taxed. Jersey income tax of 20% is payable on rental income net of attributable expenses and on investment income net of attributable expenses.

h. Land and buildings

Investment property is property held by the Society to earn rentals and for capital appreciation, rather than for (a) use in the production or supply of goods or services or for administrative purposes or (b) sale in the ordinary course of business.

Investment property is revalued periodically at open market value, by qualified external valuers and reassessed annually by the Directors.

The aggregate surplus or deficit on revaluation of investment properties is taken to the non-technical account.

JERSEY MUTUAL INSURANCE SOCIETY, INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS *continued* 30 September 2024

3. ACCOUNTING POLICIES *continued*

i. Tangible assets

Tangible assets, excluding land and buildings (as detailed in note 3h), are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs. Items purchased for less than £1,000 are written off to revenue in the year of purchase.

Depreciation

Assets exceeding £1,000 are depreciated from the time when they are available for use. Depreciation is calculated using the straight-line method to allocate the depreciable amount to their residual values over their estimated useful lives, as follows:

| | |
|---------------------------------|---------------|
| Computer equipment and software | 20% per annum |
| Insurance management software | 10% per annum |
| Office furniture and equipment | 10% per annum |

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively. Depreciation is charged to the technical account and is included in Net Operating Expenses (see Note 8).

The insurance management software system went live from the beginning of March 2024. From this date, depreciation was charged at the rate stated above.

De-recognition

Tangible assets are de-recognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised through profit and loss and included in Net Operating Expenses (see Note 8).

j. Cash and cash equivalents

Cash and cash equivalents include cash in hand, and deposits held on call with banks and investment brokers with original maturities of three months or less.

k. Financial assets

Investments, consisting of listed equity shares, money market funds and fixed interest securities, are stated at current market values provided by the Society's investment brokers at the balance sheet date.

Shares and other variable-yield securities and units in unit trusts – at fair value through profit and loss

A financial asset is classified into this category at inception if they are acquired principally for the purpose of selling in the short term, if they form part of a portfolio of financial assets in which there is evidence of short term profit-taking, or if so designated by management to minimise any measurement or recognition inconsistency with the associated liabilities.

Financial assets designated as at fair value through statement of comprehensive income at inception are those that are managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the Society's Board. The Society's investment strategy is to invest in listed and unlisted equity securities and fixed interest rate debt securities in accordance with the solvency provisions set out by the Jersey Financial Services Commission.

JERSEY MUTUAL INSURANCE SOCIETY, INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS *continued* 30 September 2024

3. ACCOUNTING POLICIES *continued*

k. Financial assets *continued*

The fair values of financial instruments traded in active markets are based on quoted bid prices on the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair values of financial instruments that are not traded in an active market (for example, unlisted equities), are established by the brokers using valuation techniques which seek to arrive at the price at which an orderly transaction would take place between market participants. The valuation techniques used are further described in Note 4.

Net gains or losses arising from changes in the fair value of financial assets at fair value through statement of comprehensive income are presented in the statement of comprehensive income within 'movement in unrealised gains on financial investments' in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Society intends to sell in the short term or that it has designated as fair value through profit or loss. Material loans and receivables are subsequently measured at amortised cost using the effective interest rate method.

Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables. This basis of valuation is viewed by the Board as having prudent regard to the likely realisable value.

Impairment of financial assets

All financial assets are stated at fair value.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed through the profit and loss account for the period within the Statement of Comprehensive Income.

Loans secured by mortgages

Loans receivable are recognised at the present value of cash receivable.

l. Financial liabilities

Creditors are financial liabilities and are recognised initially at fair value, net of directly attributable transaction costs. Creditors are subsequently stated at amortised cost, using the effective interest rate method.

m. Investment return

Interest, rents and expenses are accounted for on an accruals basis.

Dividend income is recognised in respect of fixed income securities on an accruals basis and in respect of equity shares on a cash receipts basis.

JERSEY MUTUAL INSURANCE SOCIETY, INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS *continued* 30 September 2024

3. ACCOUNTING POLICIES *continued*

m. Investment return *continued*

Realised investment gains and losses carried at fair value through statement of comprehensive income are calculated as the difference between net sales proceeds and purchase price. In the case of investments included at amortised cost, realised gains and losses are calculated as the difference between sale proceeds and their latest carrying value.

Movements in unrealised investment gains and losses represent the difference between the fair value at the balance sheet date and their purchase price or their fair value at the last balance sheet date or purchase value during the year, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current year.

Investment return is recorded in the non-technical account.

n. Related party transactions

The Society discloses transactions with related parties. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the Society's financial statements. More information regarding related party transactions has been included in Note 19.

4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATION UNCERTAINTY

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a. Significant judgements in applying the accounting policies

Significant insurance risk

Insurance contracts are those contracts that transfer significant insurance risk; they do not transfer financial risk.

As a guideline, the Society defines an insurance contract as a contract under which the Society accepts significant insurance risk from another (the Member) by agreeing to compensate the Member if a specified uncertain future event adversely affects the Member.

All of the Society's insurance products are classified as insurance contracts.

JERSEY MUTUAL INSURANCE SOCIETY, INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS *continued* 30 September 2024

4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATION UNCERTAINTY *continued*

a. Significant judgements in applying the accounting policies *continued*

Allowance for risk and uncertainty within claims outstanding continued

The Society takes all reasonable steps to ensure that it has appropriate information regarding its claims exposure. The provisions are based on information available at the year end reporting date. Significant delays are sometimes experienced in the quantification of certain claims, and accordingly the ultimate cost of such claims cannot be known with certainty at the balance sheet reporting date.

Consideration is given to the probability and magnitude of future experience being more adverse than previously assumed, such that no adverse run-off deviation is envisaged. Given the uncertainty in establishing claims provisions, subsequent information and events may result in the ultimate liability being less than, or greater than, the amount provided.

b. Sources of estimation uncertainty

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

The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Society's most critical accounting estimate. The carrying amount of the liability is £5,929,153 (2023: £1,889,000). The level of provision has been set on the basis of the information that is currently available, including potential outstanding loss advices, experience of development of similar claims and case law.

Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The carrying value of these instruments is £10,551,375 (2023: £7,451,704). The broker uses their judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. See Note 5 for discussion of the related risks.

Fair value of land and buildings

The valuation of the Society's investment property is inherently subjective due to, among other factors, the individual nature of the property, its location and the expected future rental revenue from the property. As a result, the valuation is subject to a degree of uncertainty and made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility or low transaction flow in the property market. The adjusted carrying value at year end is £685,000 (2023: £645,000).

The investment property valuation contains a number of assumptions upon which independent, professionally qualified valuers have based their valuation of the Society's properties. The assumptions on which the property valuation reports have been based include, but are not limited to, matters such as the tenure and tenancy details for the property, ground conditions at the property, the structural condition of the property, prevailing market yields and comparable market transactions. These assumptions are market standard and accord with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards 2012. However, if any assumptions made by the property valuer prove to be inaccurate, this may mean that the value of the Society's property differs from their valuation, which could have a material effect on the Society's financial position.

JERSEY MUTUAL INSURANCE SOCIETY, INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS *continued*

30 September 2024

4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATION UNCERTAINTY *continued*

Unearned premiums

The estimation of unearned premiums is calculated on a cash basis. The estimate assumes cash received in one month pertains to policies being effective the following month and that these policies are all annual. This estimation technique is in line with historic treatment.

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS

The Society issues contracts that transfer insurance risk. The Society is also exposed to a range of financial risks through its financial assets, financial liabilities (investment contracts), reinsurance assets and Member liabilities.

This section summarises these risks and the way the Society manages them:

a. Insurance risk

For a portfolio of insurance contracts the principal risk that the Society faces are 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 and benefits are greater than estimated.

Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques. Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. Factors that aggravate insurance risk include lack of risk diversification in terms of class and amount of risk, geographical location and type of industry covered. A more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio.

The Society has developed its insurance underwriting strategy in recognition of the limited type of insurance contracts it offers and has set its reinsurance programme accordingly.

The frequency and severity of claims can be affected by several factors, such as the risk profile of the business, inflation, legal rulings and weather events. The Society manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well controlled in terms of class and amount of risk, industry and geography. As a mutual organisation it has consistently been the philosophy of the Society to reserve cautiously. This conservative approach is designed to create a margin held in reserves to allow for adverse developments in outstanding claims. The recorded claims reserves continue to include a margin above projected best estimate of ultimate claims costs.

Underwriting limits are in place to enforce appropriate acceptance criteria. The Society has the right not to renew individual policies, to reprice the risk on renewal, or to impose deductibles or other conditions. It also has the right to reject the payment of a fraudulent claim. Insurance contracts also entitle the Society to pursue third parties for payment of some or all costs.

The reinsurance arrangements include risk excess which limits the financial impact from any one claim and catastrophe coverage. The greatest likelihood of significant losses arises from storm or flood damage, and catastrophe. The Society has reinsurance cover to limit its exposure to loss at a level approved by the Board.

The risk that the current estimates of claim liabilities will be different from those ultimately paid out on existing claims is minimised through the use of active claims management, regular reviews of claims estimates, and the use of statistical methods to assess the likely ultimate cost of claims.

JERSEY MUTUAL INSURANCE SOCIETY, INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS *continued*

30 September 2024

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS *continued*

a. Insurance risk *continued*

The Society is exposed at any given time to latent risk which, by its very nature is uncertain and in many cases is only expected to emerge in the long term. Whilst every effort has been made to ensure the claims provision appropriately allows for such, there remains uncertainty in the eventual reserve outcome as a result.

This uncertainty can change from year to year depending on the timing and magnitude of these items. The Society has identified the major uncertainties surrounding the future development of claims. Where appropriate, this has been allowed for. An additional provision is also held within the claims provision to cover the uncertainty around further fluctuations in the development of claims.

The Society has determined that in view of the insurance contracts it makes available to Members, being property and associated risks, that all claims are adequately assessed and reserved and typically resolved within 12 months of the incident date.

b. Financial risks

Management objectives

The Society is exposed to a range of financial risks. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from insurance policies and investment contracts as they fall due. The most important components of this financial risk are market risk (including interest rate risk, equity price risk and currency risk), credit risk and liquidity risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Society faces due to the nature of its investment and liabilities are interest rate risk and equity price risk.

The Society's overall risk management programme focuses on the need to comply with stringent regulations laid down by the regulator. These are designed to minimise potential adverse effects on the Society's financial performance. It manages these positions within an asset liability management (ALM) framework using the services of an independently regulated investment management firm with the aim of achieving investment returns in excess of obligations under insurance contracts. The Society produces regular reports at portfolio, legal entity and asset and liability class level that are circulated to the Society's key management personnel. The principal technique of the Society's ALM is to match assets to the liabilities arising from insurance contracts by reference to the type of benefits payable to contract holders. The Society's ALM is also integrated with the management of the financial risks associated with the Society's other financial assets and liabilities not directly associated with insurance and investment liabilities. The Society does not use hedge accounting.

The Society has not changed the processes used to manage its risks from previous periods. The notes below explain how financial risks are managed using the categories utilised in the Society's ALM framework.

Market risk - interest rate risk

Interest rate risk arises primarily from investments in fixed interest securities. In addition to the extent that claims inflation is correlated to interest rates, liabilities to policyholders are exposed to interest rate risk.

Due to market conditions at the balance sheet date the directors have considered it appropriate for the investment manager to carry out sensitivity analysis for interest rate risk. The sensitivity analysis for interest rate risk illustrates how changes in market interest rates would impact on the value of fixed interest securities held by the Society at the reporting date. A decrease of 100 basis points in interest yields would result in additional profit for the period and members' funds of £807k assuming all other assumptions remain unchanged. An increase of 100 basis points in interest yields would result in an additional loss for the period and a decrease in members' funds of £731k assuming all other assumptions remain unchanged.

JERSEY MUTUAL INSURANCE SOCIETY, INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS *continued* 30 September 2024

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS *continued*

b. Financial risks *continued*

Market risk - equity price risk

The Society is exposed to equity securities price risk as a result of its holdings in equity investments, classified as financial assets at fair value through profit or loss. Exposures to individual companies and to equity shares in aggregate are monitored in order to ensure compliance with the relevant regulatory limits for solvency purposes. Investments held are listed and traded on the UK and other recognised stock exchanges (primarily in Europe and North America).

The Society has a defined investment policy which sets limits on the Society's exposure to equities both in aggregate terms and by geography, industry and counterparty. This policy of diversification is used to manage the Society's price risk arising from its investments in equity securities.

Listed equity securities and equivalent represent 21% of total equity investments. If equity market indices had increased/decreased by 5%, with all other variables held constant, and all the Society's equities moving according to the historical correlation with the indices, the profit for the year would increase/decrease by £196k.

Investment Management meetings are held quarterly. At these, senior investment managers meet to discuss investment return and concentration.

Market risk - currency risk

The Society is not exposed to external currency risk outside the normal investment portfolio.

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Society is exposed to credit risk are:

- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders;
- amounts due from insurance intermediaries;
- amounts due from corporate bond issuers; and
- counterparty risk with respect to derivative transactions.

The Society manages the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties, and to geographical and industry segments in accordance with Jersey Financial Services Commission solvency requirements. Such risks are subject to regular review. Limits on the level of credit risk by category and territory are approved quarterly by the Board.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Society's liability as primary insurer. If a reinsurer fails to pay a claim, the Society remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract. In addition, management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. The recent payment history of reinsurers is also used to update the reinsurance purchasing strategy. In certain circumstances, deposits from reinsurers are also held as collateral.

The concentration of credit risk is substantially unchanged compared to prior year. No credit limits were exceeded during the year. No financial assets are past due or impaired at the reporting date and management expects no significant losses from non-performance by these counterparties. The Society's broker does not hold open derivative positions.

JERSEY MUTUAL INSURANCE SOCIETY, INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS *continued* 30 September 2024

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS *continued*

b. Financial risks *continued*

Credit risk continued

The total portfolio includes bond funds and we can confirm that the average overall credit rating of the bond portfolio, including funds, is not lower than BBB-, Baa3 or an equivalent grade of investment rating.

Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The primary liquidity risk of the society is the obligation to pay claims to Members as they fall due.

Capital management

The Society maintains an efficient capital structure from a combination of Members' funds and investments, consistent with the Society's risk profile and the regulatory and market requirements of its business.

The Society's objectives in managing its capital are:

- to match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- to maintain financial strength to support new business growth;
- to satisfy the requirements of its Members, regulators and rating agencies;
- to retain financial flexibility by maintaining strong liquidity and access to a range of capital markets; and
- to allocate capital efficiently to support growth.

The Society has a number of sources of capital available to it, however, it has no debt.

The Society is externally regulated by the Jersey Financial Services Commission and is subject to insurance solvency regulations set by the Jersey Financial Services Commission which specify the minimum amount and type of capital that must be held in addition to the insurance liabilities. The Society has complied with all externally imposed capital requirements throughout the year.

Fair value estimation

The following table presents the Society's assets measured at fair value, by valuation method, at 30 September 2024 and at 30 September 2023. No liabilities were measured at fair value at 30 September 2024 or 30 September 2023.

The different valuation methods are:

- Level 1. The fair value of financial instruments traded in active markets is based on quoted bid prices at the balance sheet date as described in Note 3(k). Instruments included in Level 1 comprise primarily FTSE listed equity investments.
- Level 2. If observable prices are available for recent arm's length transactions, the instrument is included in Level 2. The Society has units in unit trust investments which are classified as Level 2. The valuations for these reflect the price of a recent transaction for an identical asset. The Society's brokers closely monitor the valuation of assets in markets that have become less liquid. Determining whether a market is active requires the exercise of judgement and is determined based upon the facts and circumstances of the market for the instrument being measured.
- Level 3. If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, an entity estimates the fair value by using a valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

JERSEY MUTUAL INSURANCE SOCIETY, INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS *continued*
30 September 2024

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS *continued*

b. Financial risks *continued*

Fair value estimation continued

| | <i>Level 1</i> | <i>Level 2</i> | <i>Level 3</i> | <i>Total</i> |
|-------------------------|----------------|----------------|----------------|--------------|
| | £ | £ | £ | £ |
| 2024 | | | | |
| Land and buildings | - | - | 685,000 | 685,000 |
| Equity shares | 383,759 | 4,176,831 | - | 4,560,590 |
| Fixed income securities | 13,604,051 | 6,374,544 | - | 19,978,595 |
| | | | | |
| | 13,987,810 | 10,551,375 | 685,000 | 25,224,185 |
| | | | | |
| | | | | |
| | <i>Level 1</i> | <i>Level 2</i> | <i>Level 3</i> | <i>Total</i> |
| | £ | £ | £ | £ |
| 2023 | | | | |
| Land and buildings | - | - | 645,000 | 645,000 |
| Equity shares | 457,997 | 2,220,317 | - | 2,678,314 |
| Fixed income securities | 15,782,322 | 5,231,387 | - | 21,013,709 |
| | | | | |
| | 16,240,319 | 7,451,704 | 645,000 | 24,337,023 |
| | | | | |

6. PARTICULARS OF BUSINESS

The Society conducts one class of business; no analysis by class is therefore necessary.

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

No material adverse run-off deviation was experienced during the year in respect of 2024.

JERSEY MUTUAL INSURANCE SOCIETY, INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS *continued*
30 September 2024

8. NET OPERATING EXPENSES

| | <i>Year ended 30-Sep-24</i> | <i>Year ended 30-Sep-23</i> |
|--|-------------------------------------|-------------------------------------|
| | <u>£</u> | <u>£</u> |
| Staff costs (see Note 9) | 869,460 | 910,507 |
| Advertising | 70,141 | 80,781 |
| Professional fees | 175,021 | 257,148 |
| Computer | 197,408 | 139,762 |
| Rent and service charges | 182,668 | 145,245 |
| Property expenses | 1,754 | 7,513 |
| Printing, stationery, postage | 52,101 | 51,070 |
| Bank charges | 37,992 | 41,133 |
| Marketing | 14,626 | 16,300 |
| PI & D&O insurance | 23,563 | 26,150 |
| Other office and administration expenses | 40,928 | 33,553 |
| Directors' remuneration | 94,828 | 89,235 |
| Auditors' remuneration | 31,765 | 28,328 |
| Depreciation (see Note 14) | 116,758 | 34,612 |
| | <u>1,909,013</u> | <u>1,861,337</u> |

9. STAFF COSTS

| | <i>Year ended 30-Sep-24</i> | <i>Year ended 30-Sep-23</i> |
|---------------------------------|-------------------------------------|-------------------------------------|
| | <u>£</u> | <u>£</u> |
| Salaries | 720,534 | 761,570 |
| Social security costs | 39,030 | 40,190 |
| Health and life insurance costs | 22,592 | 11,965 |
| Pension costs | 87,304 | 96,782 |
| | <u>869,460</u> | <u>910,507</u> |

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

| | <i>Year ended 30-Sep-24</i> | <i>Year ended 30-Sep-23</i> |
|----------------|-------------------------------------|-------------------------------------|
| | <u> </u> | <u> </u> |
| Directors | 9 | 11 |
| Management | 4 | 4 |
| Administration | 6 | 6 |
| | <u>19</u> | <u>21</u> |

JERSEY MUTUAL INSURANCE SOCIETY, INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS *continued*
30 September 2024

10. TAXATION

The Society is not subject to tax on its technical income. However, it is subject to tax on the return it generates from property rental and investment income.

No provision for taxation in respect of property rental activities has been made in 2024 due to utilisation of brought forward losses.

Included in the Society's Balance Sheet is £45,000 of deferred tax, which relates to historic losses arising on net income generated from investment properties. This has been included as an asset on the basis the Society anticipates that it is probable these losses will be utilised based upon the timing and level of future taxable profits arising from rental activity.

| | <i>Year ended</i> <i>30-Sep-24</i> £ | <i>Year ended</i> <i>30-Sep-23</i> £ |
|--------------------------|--|--|
| Jersey income tax charge | | |
| Current year | 156,299 | 122,005 |
| | 156,299 | 122,005 |

The tax assessed for the period is higher than the Society's standard rate of 0% (2023 0%). The differences are explained as follows:

| | <i>2024</i> | <i>2023</i> |
|--|----------------|----------------|
| Profit on ordinary activities before tax | 2,090,905 | 1,310,064 |
| Statutory tax rate | 0% | 0% |
| Income tax expense at the statutory tax rate | - | - |
| Adjustment in taxes resulting from: | | |
| Profits taxable at 20% | 166,299 | 132,005 |
| Brought forward losses | (10,000) | (10,000) |
| Tax charge | 156,299 | 122,005 |

11. GOODS AND SERVICES TAX

Insurance transactions are exempt transactions for Goods and Services Tax (GST) but the Society incurs GST at 5% on various goods and services from registered suppliers. This cost is included in net operating expenses.

JERSEY MUTUAL INSURANCE SOCIETY, INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS *continued*
30 September 2024

12. LAND AND BUILDINGS

| | <i>30-Sep-24</i> | <i>30-Sep-23</i> |
|---------------------|------------------|------------------|
| | £ | £ |
| Investment property | 685,000 | 645,000 |
| | 685,000 | 645,000 |

The Society owns 28 Halkett Place, St Helier, Jersey which is classified as an investment property and its historical cost was £24,866.

The property 28 Halkett Place was professionally valued, at open market value, by Buckley & Company Limited (Commercial Property Specialists) in August 2021 at £690,000. A subsequent desktop valuation undertaken by Maillard & Co in September 2024 valued the aforementioned property at £685,000. The directors consider this valuation to be applicable as at 30 September 2024 and reflected this valuation in the financial statements.

Post-acquisition expenditure, such as on-going maintenance and repairs, is written off as incurred in the non-technical account within the Statement of Comprehensive Income.

Future minimum rentals receivable under non-cancellable operating leases in respect of investment property are as follows: -

| | <i>30-Sep-24</i> | <i>30-Sep-23</i> |
|--------------------------------|------------------|------------------|
| | £ | £ |
| Due within one year | 55,050 | 50,000 |
| Due between one and five years | 220,200 | 200,000 |
| Due in over five years | 798,225 | 775,000 |
| | 1,073,475 | 1,025,000 |

JERSEY MUTUAL INSURANCE SOCIETY, INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS *continued*
30 September 2024

13. INVESTMENTS

| | <i>30-Sep-24</i> | <i>30-Sep-23</i> |
|--------------------------------------|------------------|------------------|
| | £ | £ |
| Financial investments at fair value: | | |
| Equity shares | 4,560,590 | 2,678,313 |
| Fixed income securities | 19,978,595 | 21,013,710 |
| | 24,539,185 | 23,692,023 |
| Loans secured by mortgages | 344,000 | 351,000 |
| | 24,883,185 | 24,043,023 |

The historical cost of the financial investments amounted to £23,971,818 at 30 September 2024 and £25,006,640 as at 30 September 2023.

A detailed list of financial investments is available for inspection at the Society's office.

Loans secured by mortgages have been made to one member of staff. The loan bears interest at 2% and is repayable over a period of 35 years. The term of the loan is subject to a market review every five years. The value of loan receivable after more than one year is £344,000. The loan is secured over Jersey residential property.

14. TANGIBLE ASSETS

| | <i>Insurance Management Software</i> | <i>Computer Equipment/ Software</i> | <i>Office Furniture and Equipment</i> | <i>Total</i> |
|------------------------|--|---|---|--------------|
| | £ | £ | £ | £ |
| Cost | | | | |
| At 1 October 2023 | 837,031 | 64,539 | 272,117 | 1,173,687 |
| Additions | 296,337 | 547 | - | 296,884 |
| At 30 September 2024 | 1,133,368 | 65,086 | 272,117 | 1,470,571 |
| Depreciation | | | | |
| At 1 October 2023 | 24,116 | 51,366 | 61,698 | 137,180 |
| Charge for the year | 79,396 | 11,173 | 26,189 | 116,758 |
| At 30 September 2024 | 103,512 | 62,539 | 87,887 | 253,938 |
| Net book values | | | | |
| At 30 September 2024 | 1,029,856 | 2,547 | 184,230 | 1,216,633 |
| At 30 September 2023 | 812,915 | 13,173 | 210,419 | 1,036,507 |

JERSEY MUTUAL INSURANCE SOCIETY, INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS *continued*
30 September 2024

15. DISCOUNTED CLAIMS

The Society specifies all outstanding claims provisions at gross costs and does not discount.

16. RECONCILIATION OF INSURANCE BALANCES

The reconciliation of opening and closing unearned premium provision is as follows:

| | <u>Gross</u> | | <u>Reinsurers' share</u> | |
|-----------------------|------------------|------------------|--------------------------|------------------|
| | <u>30-Sep-24</u> | <u>30-Sep-23</u> | <u>30-Sep-24</u> | <u>30-Sep-23</u> |
| | £ | £ | £ | £ |
| Brought forward | 3,617,349 | 3,352,895 | 2,332,923 | 2,191,692 |
| Increase in provision | <u>499,593</u> | <u>264,454</u> | <u>273,346</u> | <u>141,231</u> |
| | <u>4,116,942</u> | <u>3,617,349</u> | <u>2,606,269</u> | <u>2,332,923</u> |

The reconciliation of opening and closing provision for claims is as follows:

| | <u>Gross</u> | | <u>Reinsurers' share</u> | |
|-----------------------|------------------|------------------|--------------------------|------------------|
| | <u>30-Sep-24</u> | <u>30-Sep-23</u> | <u>30-Sep-24</u> | <u>30-Sep-23</u> |
| | £ | £ | £ | £ |
| Brought forward | 1,889,000 | 1,258,287 | 1,846,729 | 1,220,538 |
| Increase in provision | <u>4,040,153</u> | <u>630,713</u> | <u>3,890,242</u> | <u>626,191</u> |
| | <u>5,929,153</u> | <u>1,889,000</u> | <u>5,736,971</u> | <u>1,846,729</u> |

17. OTHER PREPAYMENTS AND ACCRUED INCOME

| | <u>30-Sep-24</u> | <u>30-Sep-23</u> |
|--|------------------|------------------|
| | £ | £ |
| Accrued income - interim claim payments made | - | 751,960 |
| Other prepayments | <u>65,761</u> | <u>49,587</u> |
| | <u>65,761</u> | <u>801,547</u> |

18. OPERATING LEASE COMMITMENTS

The Society has entered into a non-cancellable operating lease for office space at One Seaton Place, St Helier, Jersey. The lease is for a term of 21 years commencing 16th August 2021. The future aggregate minimum lease payments due by the Society under the lease are as follows:

| | <u>30-Sep-24</u> | <u>30-Sep-23</u> |
|--------------------------------|------------------|------------------|
| | £ | £ |
| Due within one year | 159,243 | 126,786 |
| Due between one and five years | 636,973 | 507,144 |
| Due in over five years | <u>2,091,704</u> | <u>1,792,156</u> |
| | <u>2,887,920</u> | <u>2,426,086</u> |

JERSEY MUTUAL INSURANCE SOCIETY, INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS *continued* **30 September 2024**

19. RELATED PARTY TRANSACTIONS

The Rules of the Society require that the directors are selected from members of the Society. As such, insurance premiums are received from, and insurance claims may be paid to, directors in accordance with the Society's usual terms of business.

The Society's key management personnel are considered to be directors and management. Total compensation paid to these individuals during the year amounted to £506,695 (including social security contributions) (2023: £505,329).

20. CONTROLLING PARTY

In the opinion of the Directors there is no ultimate controlling party, since the Society is owned by its members.