THE
GRIFFIN
INSURANCE ASSOCIATION

ANNUAL REPORT AND
FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2024

CONTENTS

STRATEGIC REPORT

The directors present their Strategic Report for the year ended 30 September 2024.

The Griffin Insurance Association Limited (Griffin or the Association) is a mutual insurance company which provides professional indemnity insurance to a select group of insurance intermediaries, which includes both brokers and Managing General Agents, (the Members), and reinsurance cover to the Atlas Insurance PCC Limited – Griffin Cell, which provides professional indemnity insurance to Members' EU-based operations. The Association was founded in 1988 and currently has 81 (2023 – 71) Members.

The Association's strategic objectives were first established in response to the aspirations and concerns of its founding Members and are regularly reviewed to ensure that they remain relevant, valid and appropriate. The most recent review took place during March 2023, at which it was agreed that the main strategic objectives of the Association should remain as follows:

- Provide the Members with control over an important aspect of their business through the appropriate management of their professional indemnity risk;
- Secure the continuing availability and continuity of cover that meets the membership's requirements;
- Achieve stability in the cost of cover;
- Avoid the inherent conflict of interest in maintaining professional indemnity insurance in the same market in which the Members operate;
- Provide confidentiality in a sensitive area of business;
- Ensure that the relationship between the Members and the Griffin is based on a spirit of partnership and mutuality;
- Raise awareness of the Association as an alternative to the commercial market for the provision of professional indemnity cover, drawing attention to the particular benefits offered through membership, with a view to maximising opportunities for sustainable growth.

Financial review

The Association remains in a strong financial position, with capital resources within the corridor set by the Board. The financial strength is built on the prudent approach to setting Advance Call for renewing policy years and to reserving reported claims liabilities. This has led to a robust balance sheet, enabling the Association to make returns of call when feasible, while ensuring that claims are settled as needed.

The result for the year to 30 September 2024 shows a surplus on the technical account before returns of call of £25.8m. The table below shows the underwriting results for the past five years, including the impact of returns of call:

	2024 £m	2023 £m	2022 £m	2021 £m	2020 £m
Balance on the technical account before returns of call	**25.8**	23.4	(0.9)	19.4	9.5
Returns of call	**(8.0)**	(8.0)	(7.8)	(7.9)	(8.1)
Balance as reported in the Income and Expenditure Account	**17.8**	15.4	(8.7)	11.5	1.4
	%	%	%	%	%
Net combined ratio (before returns of call)*	**30.0**	23.8	113.9	6.8	50.8

* The net combined ratio (before returns of call) is calculated by dividing the sum of claims incurred (net of reinsurance) and net operating expenses by the total of Calls and premiums, minus reinsurance premiums, as shown in the Association's Income and Expenditure Account on page 15. The Association is a monoline insurer and the combined ratio is impacted by a small number of notifications being reported during a financial year. During years where there are high estimates attributed to notifications the combined ratio will be closer to or above 100% and when the Association experiences a benign claims year or notifications that were previously reserved at a high loss estimate improve the Association will see a significantly improved combined ratio well below 100%.

The Association has remained in a strong capital position and this capital strength allowed the Board at its meeting in June 2024 to approve a return of call of approximately £8.0m (2023 – £8.0m), the sixth successive year in which the return of call has been at this level. Returns of call amounting to approximately £60.0m have now been made to the membership over the course of the last eight financial years.

At the renewal on 1 October 2023 there was a general rate reduction of 10%. Members' commission income was higher compared with the previous policy year. This resulted in Calls and premiums being higher when compared with the previous year, up from £32.2m to £33.5m.

STRATEGIC REPORT (continued)

The return of call during the current financial year was made from three policy years as detailed in note 3 for Members of those policy years renewing in the 2024/25 policy year.

Reinsurance premiums paid by the Association were lower than the previous year, totalling £4.7m (2023 – £4.9m). However, the prior year included a reinstatement premium of £0.6m relating to the settlement of a notification during the prior year. The underlying comparison year on year ignoring the reinstatement premium saw an increase in the premium for both the £15.0m xs £5.0m layer and the £10.0m xs £20.0m layer.

The number of claims notified to the Association in the 2023/24 policy year decreased to 159 (from 226 in 2022/23, including 15 accepted after year-end). This decrease in claims frequency is not considered significant as it reflects that some larger Members are now handling small claims within their excess, without notifying them to the Association.

The aggregate value of claims after 12 months was lower at the same stage reflecting one large claim that was notified to the Association in the 2022/23 policy year in excess of the Association's retention of £5.0m. This highlights the significant claims volatility that the Association can experience year on year. The Association also maintains significant Incurred But Not Enough Reported (IBNER) reserves, in excess of the 90th percentile of confidence, which have been retained within the individual policy years in order to absorb any future deterioration in notified claims.

Gross claims paid in the year were £6.7m (2023 – £19.7m) with reinsurance recoveries of £Nil (2023 – £10.2m). The provision for gross outstanding claims decreased by £3.8m partially offset by decrease in reinsurers' share of gross outstanding claims of £0.3m. The claims position in older policy years showed an improvement of £11.3m (2023 – £19.0m). Overall, the level of claims incurred in the financial year was £3.1m (2023 – £2.0m).

Net operating expenses rose to £5.5m, compared to £4.5m in 2023. The balance on the technical account, which represents the underwriting result, was a surplus of £17.8m compared with a surplus of £15.4m in the previous year.

The investment return (net of management expenses) for the year was £11.6m, compared to £2.6m in the prior year. More detailed commentary on the investment performance is set out in the Investment Strategy and Performance section below.

The Association's net surplus after tax for the financial year was £21.9m (2023 – surplus of £16.4m).

The value of the Association's investment portfolio increased by £22.0m (2023 – £4.6m) in the year, the result of the £12.0m gain (2023 – £2.7m gain), before investment management expenses and foreign exchange gains/losses, in the invested assets referred to above, and a £10.0m net transfer to (2023 – £2.0m transfer to) the portfolio. At 30 September 2024, the value of the portfolio stood at £149.6m (2023 – £127.6m). A detailed analysis of the investments held at the year-end is shown in note 9 to the financial statements.

The free reserves of the Association at 30 September 2024 totalled £114.9m (2023 – £93.0m), which is within the corridor set by the Board for the Association's capital target, based on its economic capital benchmark (ECB). The corridor is set between 85% and 115% of the ECB.

Investment Strategy and Performance

The Association's investment strategy is the responsibility of the Board, assisted by its investment managers, Schroders. Detailed discussions are delegated to the Investment Strategy Group, which makes recommendations for the Board's approval. No strategy changes were recommended or implemented during the financial year under review.

The Association's investment strategy is long-term, recognising that it trades as a mutual and reflecting the long-tail nature of its liabilities. The strategy is twofold:

- The Association holds a portfolio of government bonds and cash that matches, in terms of average duration and currency, the claims liabilities of the Association. This is known as the 'matching portfolio'; and

- The Association invests assets in excess of the matching portfolio in line with the Prudential Regulation Authority's (PRA) 'prudent person principle,' aiming to achieve the maximum return for a level of risk consistent with the Association's investment risk appetite. This is known as the 'growth portfolio'.

The investment market remained volatile throughout the year, driven by ongoing geopolitical conflicts, including the war in Ukraine, and a persistently high interest rate environment. However, inflation in the UK eased closer to the Bank of England's target. Despite significant fluctuations, with notable gains and losses across various sectors, the market delivered positive overall returns for the year.

In the year ended 30 September 2024, the overall return on investments was 8.0%, equivalent to a gain of £11.6m (while the portfolio increased by £12.0m excluding investment management expenses and foreign exchange gains/losses), compared with a long-term rate of 4.2%. The best performing asset class was equity and other investments, which achieved a return of 10.5% before investment management expenses. All other investment classes also contributed positively to the overall return.

Key performance indicators

The key performance indicator used to manage the Association is the total capital available to meet both regulatory and internal capital requirements. This indicator offers a comprehensive view of the Association's financial position.

The total reserves of £114.9m (2023 – £93.0m) are more than sufficient to meet regulatory requirements and provide the resources needed to achieve the Association's strategic objectives, as outlined on page 1.

Claims

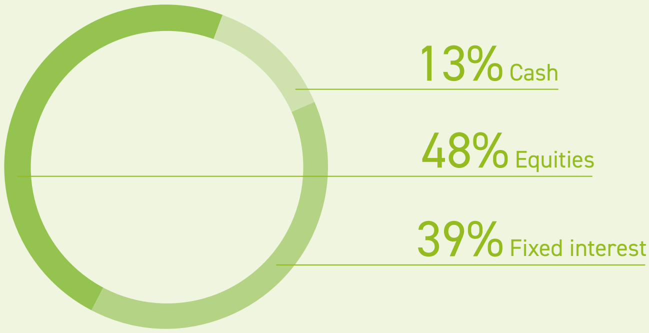
In 2023/24 the number of notifications decreased by 34% compared with the previous year. However, this decrease in claims frequency is not considered significant as it reflects that some larger Members are now handling small claims within their excess, without notifying them to the Association.

During the last financial year the Association had favourable outcomes on two significant exposures. The first was a notification reported during the 2013/14 policy year which concerned a US marine loss. That matter went to trial and a US Court found the Member had no liability. The other notification was a claim, in the UK Courts, for approximately USD9.0m, reported during the 2019/20 policy year. That claim was settled for USD3.6m. Although the Association has achieved favourable outcomes that control claims severity, there is still volatility in the underlying notified claims.

Risk Management of Members

Risk across the membership continues to be monitored through the Association's risk management programme. The principal focus of the programme is based on the regular reviews, with the scope of each individual review being agreed with the Member in advance to ensure that any particular areas of potential risk are considered. A risk-based approach is applied to the review timetabling, with consideration being given to the size and complexity of the Member and the business transacted, any issues raised by the claims handlers or risk managers, legal/regulatory focus or changes, Griffin Cell exposure and time elapsed since the previous review. A high level review of the Members Compliance function and the various policies and procedures in place can also offered, as applicable. After each review, a report is produced and discussed with the Member at a summary meeting. Support is provided to assist Members in implementing any recommendations arising out of the review, frequently including training being given to staff as part of the follow-up. The file review work is carried out either in person or remotely, through a combination of video conferencing and remote access to Members' systems. Meetings are carried out in person, where possible.

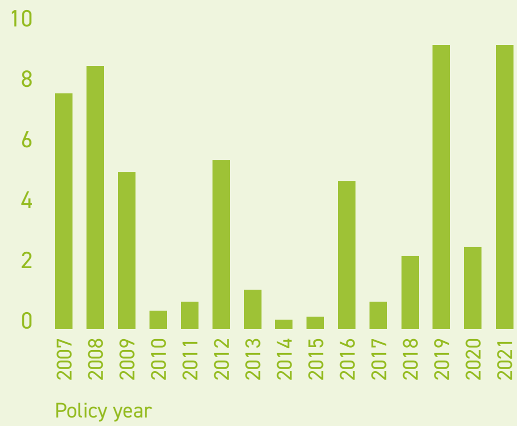
Investment holdings at 30 September 2024



The return on investments comprises:

	2024 £	2023 £
Investment (loss)/income (note 6)	**(154,533)**	1,112,345
Unrealised gain on investments	**11,959,892**	1,657,534
Investment management expenses	**(157,886)**	(160,105)
Total return on investments	**11,647,473**	2,609,774

Net claims £m



STRATEGIC REPORT (continued)

The structure of files and the quality of electronic filing remains an important focus of the programme. The ability to follow an audit trail of the handling of a piece of business is essential to the successful defence of a professional indemnity claim. The Managers also continue to stress the importance to Members of peer review, and that diligent checking should eliminate many of the errors identified across the various documentation reviewed during the risk management visits. The Managers have also continued to provide guidance on templates given to clients at the principal stages in the placement/underwriting process. This guidance includes the use of suitable disclosure and important provisions warnings, as well the inclusion of claims made warnings, and the perils of under insurance, as appropriate. In the previous twelve months the Managers have seen an increase in Members failing to identify and consequently manage potential conflicts of interest. This has been particularly noticeable in relation to understanding the capacity the Member is acting at any given time.

The Managers use a variety of tools to raise awareness of risk amongst the membership. External speakers are invited to present on topical issues at the quarterly Technical Forums. Recent subjects have included Mitigating Risk Relating to Appointed Representatives; The Power of Progress; and From Infinity and Beyond - an update on broker negligence claims. In addition, various presentations are available to the membership which can be tailored to reflect the particular training needs of individual Members. The Association's website has a Member portal which gives Members access to a range of resources. This includes regularly updated MGA and Broker Risk Management Guidelines and a number of regularly published bulletins on topical market, legal and regulatory issues. These resources are all produced in accordance with the Association's objective of developing risk awareness at all levels of the business.

Rules of the Association

The Managers and the Board continue to review the cover provided by the Association to ensure that it meets the needs of the Members and responds to developments in the market, while remaining as broad as is sustainable in the long term.

No amendments were made to the Rules for the renewing 2024/25 policy year and the Rules remained unchanged from the Rules for the 2023/24 policy year.

Market Conditions

The market has started to become less challenging in the professional indemnity sector with rates softening but the Managers have still continued to receive a steady stream of enquiries from firms wishing to discuss membership. Whilst there is no imperative for the Association to grow, its strategy is to promote sustainable growth by introducing new Members who by joining will benefit the mutual as a whole.

Six Members joined the Association during the 2023/24 policy year with a combined commission income of £15.0m while one Member terminated its membership following acquisition and there was a further cancelled entry. Three new Members joined the Association for the 2024/25 policy year while existing Members added three new certificates of entry. The Managers have continued to adopt robust due diligence reviews before any firm is put before the Board for approval to offer terms.

Griffin Cell

The Griffin Cell continues to provide cover to Members' EU-based operations and the risks are reinsured by the Association under a 90% quota share for the first €5.5m (approximately £5.0m) of aggregate claims per Member, with the excess over this amount being reinsured on a 100% basis. The relationship with the cell host, Atlas Insurance Company PCC Limited, intermediated by SRS Europe Limited, continues to be positive with Cell Committee meetings held on a quarterly basis. Premium written and earned for the 2023/24 policy year by the Griffin Cell amounted to £5.0m.

Principal Risks and Uncertainties

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. The Association is focussed on identification and management of potential risks. The key areas of risk to the Association are set out below:

- **Underwriting risk** – incorporating premium and reserving risk;
- **Market risk** – incorporating interest rate risk, equity risk, spread risk and currency risk;
- **Counterparty risk** – being the risk that a counterparty is unable to pay amounts in full when due;
- **Operational risk** – being the risk of failure of internal processes or controls.

The business risks and uncertainties are discussed further in note 11 to the financial statements.

Future Development

Prudent financial management and the absence of pressure from any outside interests seeking a short-term return ensure that the Association has the financial security and sustainability that allow it to continue to deliver the support and protection sought by its Members. The Managers continue to welcome discussion with potential Member firms, but terms are not offered unless specific approval to do so has been obtained from the Board.

Climate Change

While there may be an increase in weather- or climate-related claims covered by insurance or reinsurance policies, the Association does not currently believe that climate change will lead to a material increase in negligence-related claims against insurance intermediaries. As such, the Association does not anticipate a significant increase in claims payments due to climate change. Currently, weather- or climate-related risks within the investment portfolio are not considered significant, but they will be assessed in due course, with an appropriate monitoring strategy to be developed.

There is still work to be done in identifying metrics to assess the Association's climate-related risks and opportunities. These metrics are more likely to be quantifiable in relation to the operational activities of the Managers. Various steps have already been taken, including initiatives on recycling and energy use. The Managers continue to collaborate with the building managers of their London premises, from where the Association is managed, to set targets and assess performance against those targets. Energy and carbon reporting disclosures have been included in the Directors' Report of the Managers.

Statement of Compliance with Section 172(1) of the Companies Act 2006

Section 172(1) of the Companies Act 2006 requires the directors to promote the success of the Association for the benefit of the Members and other key stakeholders. In doing so, the directors must have regard to six areas:

- The likely consequences of any decision taken in the long term;
- The interests of employees, which in the case of the Association relate to those employed by the Association's Managers;
- The need to foster business relationships with suppliers, customers and others;
- The impact of the operations of the Association on the community and the environment;
- The desire to maintain a reputation for high standards of business conduct; and
- The need to act fairly between the Members of the Association.

The primary stakeholders are the Members whose professional indemnity insurance is provided by the Association. The Association's corporate governance structure includes a Committee, which has a representative from each Member firm, and which allows wider engagement with the membership on the impacts of the main decisions of the Board. While the Committee does not have decision-making authority, it provides an opportunity for Members to ask questions and exchange views with the Managers and the Board on matters related to the Association's operations and broader commercial interests.

At the Committee meeting in July 2024 the Managers provided a briefing on the key decisions that had been taken during the year, primarily in relation to the Call setting for the policy year renewing on 1 October 2024. This included the decision to apply expiring terms for this renewal.

Further engagement with the membership takes place through the technical forums and risk management of Members as described earlier in the Strategic Report.

The other principal stakeholders that have been identified by the Board are the Managers and their employees, who carry out all the day to day operational and management functions of the Association, and those others that provide services to the Association such as investment managers, professional advisers, the Association's reinsurers and its reinsurance broker.

The Association has built strong relationships with these stakeholders over the years. In particular, the mean length of the current membership of the Association is 8.5 years, a reduction from previous years. The Association has seen remarkable growth in Membership since the renewal at 1 October 2019 with 51 current Members joining since that date which has significantly diluted the mean length of membership. Six Members have been Members of the Association for at least 32 years.

One of the Board's seven risk appetite statements relates to the long-term sustainability of the Association's business. All key decisions of the Board, such as those set out above, have regard to this principle such that 'short-termism' is avoided in favour of the long-term view. The Board also sets economic capital targets at very high levels of confidence with the aim of achieving long-term financial stability.

The relationship between the Association and the Managers, which dates back over 35 years, is symbiotic, in that the success of one is inextricably linked to the success of the other. Decisions taken by the Board that directly impact the Managers, such as the amount of the management fee, take full account of this relationship, having regard to service levels and accountability.

The Board of the Association assesses the impact of its operations on the communities in which it operates and on the wider environment. It includes an assessment of the likely effects of political and climate change as part of the Own Risk and Solvency Assessment (ORSA) process. As a mutual insurance business, the fair treatment by the Association of its Members is a fundamental principle. It has in place a Standards of Business Conduct policy which sets out the regulatory conduct rules and covers additional areas such as the whistleblowing policy, how the Association manages conflicts of interest, its remuneration policy and its anti-bribery and corruption policy. The Association also has a Financial Crime policy.

The Association's reputation is central to its ability to conduct business, and it seeks to protect this reputation by adhering firmly to the principles of fairness and sound business conduct established by the Board.

The financial statements were authorised for issue by the Board on 19 December 2024.

Mark Warren
Chair of the Association
15 January 2025

STATUTORY DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements for the year ended 30 September 2024.

The principal activity of the Association is the insurance of the professional indemnity risks of a select group of insurance intermediaries. The Strategic Report on the preceding pages provides a summary of the principal matters affecting the Association's business during the year.

The names of the directors are shown on page 36. At the Annual General Meeting on 3 July 2024, Mark Warren, Hugh Armytage and Maryse Hazell retired by rotation and were reappointed. Julian McGuiggan was appointed to the Association as the executive director of the Managers on 20 December 2023 following the resignation of Samantha Peat on 3 November 2023. Andrew Hedger was appointed to the Association Board with effect from 26 March 2024 to fill a vacancy created by the retirement of Anthony Phillips on 10 February 2024. Rebecca Scott was appointed to the Association Board with effect from 1 October 2024 to fill a vacancy created by the sudden passing of William Bloomer on 14 March 2024.

The Board met four times during the year under review, in October, December, March and June. The list below details the more important matters considered at those meetings, many of which are discussed in the Strategic Report:

- Strategy and Emerging Risks
- Membership and Opportunities for Growth
- Investment Performance and Strategy
- Report and Financial Statements
- Call Rates
- Reinsurance Arrangements
- Claims and Claims Trends
- Risk Management of Members
- Risk and Compliance
- Corporate Governance
- Appointment and Retirement of Directors and Senior Managers
- Regulatory Capital Requirements and Technical Provisions
- Rules of the Association
- Managers' and Directors' Remuneration

Financial Instruments

Information on the use of financial instruments by the Association and its management of financial risk is disclosed in note 11 to the financial statements. The Association's exposure to cash flow risk is addressed under the headings of Credit risk, Liquidity risk and Market risk.

Future Developments

Likely future developments of the Association are set out in the Strategic Report.

Directors' Indemnity Insurance

The Association purchases directors' and officers' liability insurance in respect of all the Association's directors.

Audit

The directors have delegated day to day responsibility for the maintenance of the Association's accounting records and the preparation of the financial statements to the Managers. They have confirmed that they have provided the auditor with all relevant audit information of which they are aware.

The Audit Group has considered the financial statements with the Managers, met privately with the auditor, and reported to the Board.

So far as each person who is a director at the time of this report is aware, there is no relevant audit information of which the Association's auditor is unaware. The directors confirm that they have taken all steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the Association's auditor is aware of that information.

Forvis Mazars LLP has expressed its willingness to be reappointed as auditor of the Association and, subject to no objections being received, will be deemed to be reappointed in accordance with Section 487 of the Companies Act 2006.

The directors confirm that, to the best of their knowledge, the Strategic Report on pages 1 to 6 includes a fair review of the development and performance of the business and the position of the Association, together with a description of the principal risks and uncertainties that it faces. The Association has considerable financial resources and the directors believe that it is well placed to manage its business risks successfully.

Energy and Carbon Reporting

The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 require the Association to report publicly on its UK energy use and carbon emissions if the Association meets two or more of the following criteria:

- Turnover (or gross income) of £36m or more;
- Statement of financial position assets of £18m or more;
- 250 employees or more.

As the Association does not meet two out of the three criteria listed above it is exempt from the reporting criteria and therefore no disclosures have been made.

Going Concern

The directors have a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. They therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements. Subsequent events have been considered and if required are disclosed in note 14.

Subsequent events

There are no subsequent events which require adjustment or disclosure in the financial statements.

By order of the Board

Matthew Tam
Secretary
15 January 2025

AUDIT GROUP REPORT

I am pleased to present my first Audit Group Report since taking over, subject to regulatory approval, as Chair of the Audit Group on 1 January 2024. Regulatory approval was obtained on 17 May 2024.

I must start by thanking Anthony Phillips for his dedicated leadership of the Audit Group as its Chair over the six years before I took over. Anthony became a director of the Association on 10 February 1993, joined the Audit Group on 26 November 2013 and became Chair of the Audit Group on 24 October 2017. I would like to express the appreciation of the Board for Anthony's significant contribution to the Association. I was approached in late 2022 by the Managers on behalf of the Nominations Group with a request to take over as Chair of the Audit Group upon Anthony's retirement. This was planned to ensure that there was sufficient time for the handover process to run smoothly.

Composition of the Audit Group

The Audit Group has been established by the Board and consists entirely of independent non-executive directors shown in the table below. The Audit Group invites the non-executive Chair of the Board, Executive Directors (including the Chief Executive), Chief Finance Officer, Chief Risk Officer, Head of Internal Audit, Chief Actuary, and senior representatives of the external audit firm to attend its meetings, although it reserves the right to request any of these individuals to withdraw from any meeting.

Member	Appointment Date	Retirement Date	Attendance for the year
Anthony Phillips	26/11/2013	31/12/2023	1 out of 1
Chetan Shah	05/10/2017	N/A	4 out of 4
Duncan McKechnie	05/10/2017	N/A	4 out of 4
Adam Stafford	27/05/2021	N/A	2 out of 4
Andrew Hedger	18/06/2024	N/A	2 out of 2

No member of the Audit Group has any connection with the Association's External Auditor, Forvis Mazars LLP.

The Audit Group's Terms of Reference

The Audit Group is responsible to the Board for ensuring that the Association:

- Prepares financial statement and regulatory returns in accordance with appropriate financial reporting standards and regulatory requirements;
- Has an effective and efficient external audit service from a firm that is qualified, independent, and appropriately resourced; and
- Has an effective system of internal control, including an effective internal audit function and a compliance framework that monitors conformance with regulatory obligations.

The Audit Group's Terms of Reference are reviewed annually, and on 18 March 2024 the Audit Group approved changes to its Term of Reference to require that the Chair plus at least one other member should have recent relevant financial experience, and that the quorum shall include at least one member with recent relevant financial experience.

Activities of the Audit Group

Reports from the Chief Risk Officer and from the Head of Internal Audit

The Audit Group has four standard scheduled meetings each year and receives a report from the Chief Risk Officer and from the Head of Internal Audit at each meeting. Prior to each meeting, I also meet privately with the Chief Risk Officer and with the Head of Internal Audit to discuss their respective reports.

AUDIT GROUP REPORT (continued)

Matters reported by the Chief Risk Officer and the Head of Internal Audit and discussed by the Audit Group during the year included:

Meeting Date	Chief Risk Officer	Head of Internal Audit
12/12/2023	• Thematic review of complaints handling. • Review of regulatory permissions. • PRA and FCA joint consultation paper on diversity and inclusion. • FCA guidance on supporting customers in financial difficulty.	• Planning for cyber security controls audit under way. • Planning for business continuity planning audit under way. • Operational resilience audit deferred from March 2024 to September 2024.
18/03/2024	• Two near misses recorded on the Compliance Dashboard. • A thematic review of financial crime controls. • The Prudential Regulation Authority's (PRA) Consultation Paper on 'Solvent Exit Planning for Insurers'. • The PRA's Policy Statement on major reforms to SII.	• The audit of the Association's Risk Management Framework, which was behind schedule.
18/06/2024	• The Compliance plan for 2024/25 was approved. • A member complaint. • A Periodic Summary Meeting (PSM) letter from the PRA, with one firm-specific finding regarding tenure of NEDs and succession planning.	• The audit of the Risk Management Framework, held over from the last quarter was completed and the overall assessment was that the framework is appropriate, but further work was required to make it fully effective. Recommended actions have been agreed with the Managers, to be implemented by 30 September 2024. • The Corporate Governance audit. • The Business Continuity Planning audit. • Supplementary testing for the Cyber Essentials audit, the findings of which are to be incorporated into the IT General Controls audit, which was under way.
24/09/2024	• The thematic review of sanctions. • Further correspondence with the PRA in relation to the PSM letter, with a request from the PRA for the Association to provide an updated succession plan showing total tenure of each NED. The PRA has highlighted that a NED is no longer considered independent after nine years of total tenure. • Continuing work to address the findings from the financial crime and complaints handling reviews.	• The Regulatory Compliance audit fieldwork is complete and the report is being drafted. • The IT General Controls audit fieldwork is complete and the report is being drafted. • Closure of recommendation in relation to the business continuity planning audit.

Other scheduled activities

In addition to the reports from the Chief Risk Officer and the Head of Internal Audit, the Audit Group also carried out the following scheduled activities during the year:

Meeting Date	Activity
12/12/2023	• Report of the Reserving Group • Review of the draft report and financial statements for the year ended 30 September 2023. • External Auditors' review report. • Chief Actuary's report on Technical Provisions. • Review of the draft Solvency and Financial Condition Report. • Reappointment of External Auditors.
18/03/2024	• Review of the Audit Group's Terms of Reference.
18/06/2024	• Update to the Association's Whistleblowing Policy. • Review of the Whistleblowing Officer's report. • Review of a paper from the Chief Actuary setting out plans to implement the Data Governance Framework by the end of 2024.
24/09/2024	• Review and approval of the Internal Audit Plan for 2024/25, including an assessment of whether adequate resources are available. • Review of the Internal Audit function's Terms of reference. • External Auditors' Audit Strategy Memorandum.

Other activities

At its meeting held on 18 March 2024, the Audit Group considered a proposal from the Managers for changes to the Association's reserving methodology. The intention of the proposal was to reduce the confidence level (and hence the prudency) at which the reserves were set for GAAP purposes using the bootstrap method, while giving the Managers discretion to set reserves above or below the actuarially calculated amount. Because such a change would be irreversible, the Audit Group asked for more information before agreeing to the proposal.

A further paper was received at the Audit Group's meeting held on 18 June 2024, setting out the impact of the proposed new methodology had it been in place for the previous two financial years. The proposal was discussed at length and the Audit Group felt that, in practice, the proposed Managers' discretion would only work in one direction (downwards). After further discussion, the Managers agreed to amend their proposal so that the bootstrap methods (at the reduced level of confidence) would be applied to attritional claims only, while reserves for larger claims would be recommended by the Association's claims team.

The Managers presented a further update at the Audit Group's meeting held on 24 September 2024, including their recommendation on the threshold above which claims would be considered to be large. The Managers reported that results from both the proposed new methodology as well as the current methodology would be considered by the Association's Reserving Group in late October 2024 before a final decision is taken on whether the proposed new methodology should be formally adopted. A further paper summarising the results was distributed to all members of the Audit Group on 20 November 2024, following which members of the Audit Group agreed to the adoption of the new methodology for the year ended 30 September 2024. The Audit Group is satisfied that the change in reserving methodology does not amount to a change in accounting policy and is therefore accounted for in the current year, rather than as an adjustment to previously reported results.

External Audit

To fulfil its responsibility regarding the independence of the External Auditors, the Audit Group reviewed a report from the External Auditors describing the arrangements that are in place to identify, report and manage any conflicts of interest and to maintain their independence.

On 6 August 2024 the Audit Group received a copy of the FRC's Audit Quality Review (AQR) Inspection Report on Forvis Mazars LLP's audit of the Association's financial statements for the year ended 30 September 2023 (part of the 2024/25 AQR cycle). I was interviewed earlier in the year by the AQR team as part of their review. The AQR team assessed the audit as requiring limited improvements There were no key findings identified, and only one other finding was identified in relation to related party disclosure, which has been addressed in this year's report and financial statements. They highlighted the audit of technical provisions as following good practice.

I met with the audit partner on 13 August 2024 to discuss the FRC Audit Quality Inspection and Supervision Report 2024 as well as the FRC's Tier 1 audit firm inspection results for the 2023/24 AQR cycle, which had also just been released and which included some critical comments on Forvis Mazars LLP. The audit of the Association was not included in the FRC's sample for 2023/24. The audit partner explained to me, and subsequently to the Audit Group, the various steps and actions being undertaken by the firm to improve audit quality at Forvis Mazars LLP, and how this applies to the audits of insurance companies. We were satisfied by their explanations.

At its meeting on 24 September 2024, the Audit Group discussed Forvis Mazars LLP's proposed fee estimate for their audit of the annual report and financial statements for the year ended 30 September 2024. The Audit Group is mindful that the right balance needs to be struck between obtaining value for money for the Association and ensuring that the fee is appropriate to enable an effective and high quality audit. The Audit Group recommended that the Board approve the proposed audit fee. Forvis Mazars LLP does not perform any non-audit work for the Association.

Conclusion

As a result of its work during the year, the Audit Group has concluded that it has acted in accordance with its Terms of Reference.

At its meeting held on 10 December 2024, the Audit Group considered the draft report and financial statements for the year ended 30 September 2024 as proposed by the Managers, including the disclosures about the changes in accounting policies for the Association's investment in the Griffin Cell and for basic financial instruments as set out in note 12 to the report and financial statements. The Audit Group reached a conclusion to recommend to the Board that the draft report and financial statements for the year ended 30 September 2024 be approved.

As the Chair of the Audit Group, I will continue, where appropriate, to be available to engage with members on significant matters related to the Audit Group's areas of responsibility and to answer any members' questions about the work of the Audit Group.

Approval

This Report was reviewed and approved by the Audit Group and signed on its behalf by:

Chetan Shah
Chair of the Audit Group
15 January 2025

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Statutory Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 *'The Financial Reporting Standard applicable in the UK and Republic of Ireland'* and FRS 103 *'Insurance Contracts'*. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Association's transactions and disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

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

INDEPENDENT AUDITORS' REPORT

To the Members of the Griffin Insurance Association Limited

We have audited the financial statements of The Griffin Insurance Association Limited (the 'Association') for the year ended 30 September 2024 which comprise the Income and Expenditure Account, the Statement of Financial Position, the Statement of Changes in Equity, 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 FRS 103 'Insurance Contracts' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 30 September 2024 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Association 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 as applied to public interest entities, 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 directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our audit procedures to evaluate the directors' assessment of the Association's ability to continue to adopt the going concern basis of accounting included but were not limited to:

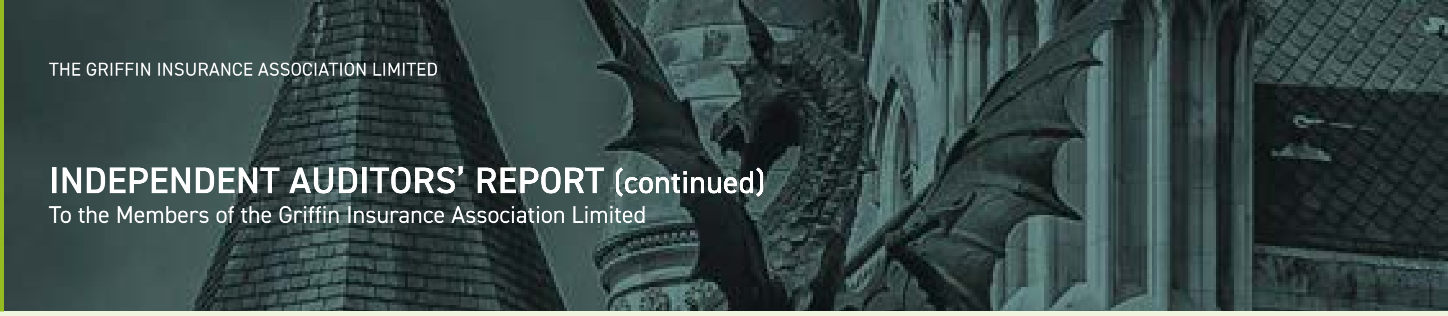
- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Association's ability to continue as a going concern;
- Obtaining and reviewing a copy of the Association's Own Risk and Solvency Assessment report ('ORSA') covering the period up to September 2027;
- Obtaining and evaluating directors' going concern assessment which included obtaining a cash flow forecast for the Association, which extends at least 12 months from the date of approval of the financial statements;
- Evaluating the appropriateness of the directors' key assumptions in their cash flow forecasts;
- Testing the accuracy and functionality of the model used to prepare the directors' cash flow forecasts;
- Assessing the historical accuracy of the cash flow forecasts prepared by the directors;
- Evaluating the key assumptions used and judgements applied by the directors in forming their conclusions on going concern; and
- Evaluating the appropriateness of the directors' disclosures in the financial statements on going concern.

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 Association'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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



INDEPENDENT AUDITORS' REPORT (continued)

To the Members of the Griffin Insurance Association Limited

We summarise below the key audit matter in forming our opinion above, together with an overview of the principal audit procedures performed to address the matter and our key observations arising from those procedures.

This matter, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

Key Audit Matter

Valuation of Technical Provisions, specifically the valuation of the provision for Incurred But Not Enough Reported reserves ('IBNER')

Technical provisions – gross outstanding claims (2024 – £36,190,469 (2023 – £40,027,421)

Refer to Note 2 'Accounting policies – Claims Outstanding' and 'Critical Accounting Judgements and Estimation Uncertainty', Note 4 'Technical Provisions' and Note 11.1.

Professional indemnity insurance is inherently more uncertain than other classes of business due to the variety of claim events that can arise. For the Association these are often complex claims given their longer tail, with some claims classed as NA 'not assessable' and NAR which are 'not assessable, but large' and therefore likely to benefit from reinsurance recovery. The long-tail claims settlement pattern and volatile nature of the Association's claims experience make it more difficult to predict, with accuracy, the estimated ultimate claims costs.

The Association underwrites professional indemnity insurance on a 'claims made' basis and recognises technical provisions made up of case reserves, a provision for IBNER claims (which includes a management derived margin) and an allowance for future claims handling costs.

The valuation of technical provisions is an area of management judgement and source of material estimation uncertainty. The provision for IBNER is the most subjective element of the technical provision balance. The IBNER is based on the estimate of the ultimate cost to settle all claims. The management margin element is set based on aligning the IBNER to a preset percentile with specific allowance for larger claims, to ensure there is no risk of adverse deviation.

Given the level of subjectivity and judgement, there is a risk that inaccurate reserve projections are made, and we therefore identified the valuation of technical provisions specially the valuation of the provision for IBNER as a significant risk and a key audit matter.

How our scope addressed this matter

With the support of our actuarial specialists, we performed the following audit procedures:

- We gained an understanding of the reserving process used by the actuaries of the Association and of the related controls;

- We assessed the design and implementation of controls relevant to the reserving process;

- We considered the Association's Reserving Paper produced by the Association's internal actuarial team as at 30 September 2024 as part of our risk assessment processes, to inform our understanding of the Association's reserving process and methodology, to assess internal consistency with other information we receive and to identify whether there were any findings that contradict our own work;

- We challenged the appropriateness of the actuarial methodologies and assumptions used by performing our own independent projections, comparing our independent best estimate reserve projections to that derived by the Association's internal actuarial team;

- We assessed the accuracy of claims estimates made in prior years vs. actual development to assess whether the valuation of the IBNER has historically been accurate; and

- We evaluated and challenged the appropriateness of the margin added to the actuarial best estimate by considering the approach taken by the Association, benchmarked the margin against margins held by other non-life insurers.

We performed the procedures described above instead of relying on the Association's controls, as the nature of the balance is such that evidence is best obtained through substantive procedures.

Our observations:
Overall, based on the audit work performed, the recorded technical provisions are fairly stated and consistent with the evidence obtained.

Our application of materiality and an overview of the scope of our audit

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

Overall materiality

£3,447,817 (2023 – 1,857,624)

How we determined it

3% (2023 – 2%) of the Association's capital and reserves

Rationale for benchmark applied

In determining our materiality, we considered financial metrics which we believed to be relevant and concluded that capital and reserves was the most relevant benchmark as the purpose of the Association is to provide cover for Members whilst holding sufficient reserves and this benchmark best represents the financial stability and solvency of the Association.

Performance materiality

Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole.

We set performance materiality at £2,413,472 (2023 – £1,393,218), which represents 70% (2023 – 75%) of overall materiality. We applied this percentage in our determination of performance materiality as we did not identify any significant factors indicating an elevated level of risk.

Reporting threshold

We agreed with The Audit Group, as the appropriate sub- committee charged with governance by the Board of Directors, that we would report to them any identified corrected or uncorrected misstatements identified during our audit above 3% of overall materiality (2023 – 3%) which equates to £103,435 (2023 – £55,729) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements, such as assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of our risk assessment, our understanding of the Association, its environment, controls, and critical business processes, to consider qualitative factors to ensure that we obtained sufficient coverage across all financial statement line items.

Other information

The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Statutory Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Statutory Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Association and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Statutory Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 10, 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 Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Association 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.

INDEPENDENT AUDITORS' REPORT (continued)

To the Members of the Griffin Insurance Association Limited

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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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.

Based on our understanding of the Association and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: the regulatory requirements of the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Gaining an understanding of the legal and regulatory framework applicable to the Association and the industry in which it operates, and considering the risk of acts by the Association which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of the directors, management and Internal Audit as to whether the Association is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with relevant licensing or regulatory authorities including the PRA and the FCA;
- Reviewing minutes of directors' meetings in the year; and
- Discussing amongst the engagement team the laws and regulations listed above, and remaining alert to any indications of non-compliance.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as UK tax legislation, and the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to the valuation of technical provisions (specifically IBNER) and significant one-off or unusual transactions.

Our procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud;
- Addressing the risks of fraud through management override of controls by performing journal entry testing;
- Critically assessing accounting estimates included in the financial statements for evidence of management bias; and
- Considering significant transactions outside the normal course of business.

Our approach included reviewing Board minutes, review of correspondence with the PRA and FCA and substantively testing the transactions and related disclosures where considered material.

The primary responsibility for the prevention and detection of irregularities, including fraud, rests with both those charged with governance and management. As with any audit, there remained a risk of non- detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit are discussed in the 'Key audit matters' section of this report.

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

Other matters which we are required to address

We were appointed by ordinary resolution at the Association's Annual General Meeting on 5 July 2018 to audit the financial statements for the year ending 30 September 2018 and subsequent financial periods. The period of total uninterrupted engagement is seven years, covering the years ending 30 September 2018 to 30 September 2024.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Association and we remain independent of the Association in conducting our audit.

Our audit opinion is consistent with our additional report to The Audit Group.

Use of the audit report

This report is made solely to the Association's Members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Association'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 Association and the Association's Members as a body for our audit work, for this report, or for the opinions we have formed.

Andrew Jones
(Senior Statutory Auditor)
for and on behalf of Forvis Mazars LLP
Chartered Accountants and
Statutory Auditor

30 Old Bailey
London
EC4M 7AU
15 January 2025

INCOME AND EXPENDITURE ACCOUNT

for the year ended 30 September 2024

Technical Account – General Business	Note		2024 £		2023 £
Earned premiums, net of reinsurance					
Calls	3	**28,996,574**		27,587,395	
Inward reinsurance premiums	3	**4,553,153**		4,604,487	
Returns of call	3	**(8,027,082)**		(8,009,224)	
Earned premiums		**25,522,645**		24,182,658	
Reinsurance premiums		**(4,687,411)**		(4,916,163)	
			20,835,234		19,266,495
Allocated investment return transferred from the non-technical account			**5,599,351**		2,630,417
			26,434,585		21,896,912
Claims paid					
Gross amount		**(6,711,260)**		(19,688,817)	
Reinsurers' share		**-**		10,217,676	
	4	**(6,711,260)**		(9,471,141)	
Change in the provision for claims					
Gross amount		**3,836,952**		18,421,333	
Reinsurers' share		**(274,500)**		(10,933,000)	
	4	**3,562,452**		7,488,333	
Claims incurred net of reinsurance			**(3,148,808)**		(1,982,808)
Net operating expenses	5		**(5,515,324)**		(4,501,470)
Balance on the technical account			**17,770,453**		15,412,634
Non-technical account					
Balance on the technical account			**17,770,453**		15,412,634
Investment (loss)/income	6		**(154,533)**		1,112,345
Investment expenses			**(157,886)**		(160,105)
Unrealised gain on investments	9		**11,959,892**		1,657,534
Allocated investment return transferred to the general business technical account	7		**(5,599,351)**		(2,630,417)
Net surplus before taxation			**23,818,575**		15,391,991
Taxation	8		**(1,910,497)**		979,222
Net surplus and total comprehensive income after taxation			**21,908,078**		16,371,213

There are no other items of comprehensive income, so no Statement of Other Comprehensive Income has been prepared. All amounts are derived from continuing operations.

The notes on pages 19 to 35 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
as at 30 September 2024

Assets	Note	2024 £	2023 £
Investment in associate	10	**3,411,027**	3,411,027
Financial investments	9	**149,572,161**	127,552,967
Reinsurers' share of technical provisions			
Claims outstanding	4	**62,500**	337,000
Debtors			
Direct insurance operations – Members		**186,608**	169,113
Reinsurance operations		**101,061**	11,374
Taxation		**–**	1,130,946
Prepayments		**6,994**	7,828
Other debtors		**1,129,422**	–
Cash at bank and in hand		**8,632,490**	9,439,642
		163,102,263	142,059,897
Equity and Liabilities			
Capital and reserves			
Investment reserve		**12,130,776**	6,922,983
General reserve		**25,000,000**	25,000,000
Reinsurance and Technical reserve		**10,000,000**	10,000,000
Income and Expenditure Account		**67,796,450**	51,096,165
		114,927,226	93,019,148
Technical provisions			
Gross outstanding claims	4	**36,190,469**	40,027,421
Creditors			
Direct insurance operations – Members		**10,278,795**	8,239,537
Taxation		**1,446,103**	–
Accrued creditors and deferred income		**108,324**	95,880
Other creditors		**151,346**	677,911
		48,175,037	49,040,749
		163,102,263	142,059,897

Approved by the Board on 10 January 2025

M R W Warren Director
Rhona Lewry Director

The notes on pages 19 to 35 form part of these financial statements.

Companies House Number 2134231

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 September 2024

	Investment reserve £	General reserve £	Reinsurance and technical reserve £	Income and expenditure £	Total £
At 30 September 2022	**5,654,248**	**25,000,000**	**10,000,000**	**35,993,687**	**76,647,935**
Surplus for the financial year	–	–	–	16,371,213	16,371,213
Transfer to investment reserve	1,268,735	–	–	(1,268,735)	–
At 30 September 2023	**6,922,983**	**25,000,000**	**10,000,000**	**51,096,165**	**93,019,148**
Surplus for the financial year	–	–	–	21,908,078	21,908,078
Transfer to investment reserve	5,207,793	–	–	(5,207,793)	–
At 30 September 2024	**12,130,776**	**25,000,000**	**10,000,000**	**67,796,450**	**114,927,226**

The Association is incorporated as a company limited by guarantee and does not therefore have share capital.

The Investment Reserve comprises the cumulative net transfers from the Income and Expenditure Account equivalent to the net unallocated return on the Association's investment portfolio.

The General Reserve has been established in accordance with Rule 26 of the Association to provide for any unforeseen contingencies, claims, expenses, losses or other outgoings of the Association. Transfers to this reserve are considered upon closure of each policy year. To date the 1987/88 to 2014/15 policy years have been closed.

The Reinsurance and Technical Reserve is limited to £10.0m and is funded by transfers from the Association's Income and Expenditure Account. The transfer is made from current surpluses in open years, apportioned between those years according to their level of surplus and the transfers are adjusted annually to keep the reserve at £10.0m but to ensure that each policy year's transfer is reflective of its current surplus. The reserve is aimed primarily at providing the Association with the means to preserve stability in the cost of insurance to Members in the event that the costs of reinsurance increase; it will allow the Association to respond to any such increase in a number of ways, including increasing its retention, participating as a co-reinsurer, or contributing to the cost. However, should the Association consider it appropriate, the reserve may also be used for other purposes.

The notes on pages 19 to 35 form part of these financial statements.

STATEMENT OF CASH FLOWS
for the year ended 30 September 2024

Cash flows from operating activities	Note	2024 £	2023 £
Net surplus before taxation		**23,818,575**	15,391,991
Adjustments for:			
Change in provisions for claims		**(3,562,452)**	(7,488,333)
(Increase)/decrease in insurance and other debtors		**(1,235,770)**	45,126
Increase in insurance and other creditors		**1,486,524**	126,277
Investment loss/(income) (net of expenses)		**312,419**	(952,240)
Unrealised gain on investments	9	**(11,959,892)**	(1,657,534)
Cash from operations		**8,859,404**	5,465,287
Income taxes received/(paid)		**666,552**	(151,724)
Net cash generated from operating activities		**9,525,956**	5,313,563
Cash flows from investing activities			
Purchase of equity shares	9	**(8,636,824)**	(10,329,220)
Purchase of fixed interest investments	9	**(16,406,089)**	(6,693,847)
Sale of equity shares	9	**-**	13,401,207
Sale of fixed interest investments	9	**11,633,525**	5,854,760
Net change to deposits with credit institutions	9	**3,358,334**	(4,284,103)
Income from bank and other cash		**73,066**	12,293
Investment management expenses paid		**(119,273)**	(166,407)
Exchange (loss)/gain on revaluation of investments when realised		**(111,704)**	43,910
Net cash from investing activities		**(10,208,965)**	(2,161,407)
Net (decrease)/increase in cash at bank and in hand		**(683,009)**	3,152,156
Cash at bank and in hand at the beginning of the financial year		**9,439,642**	6,144,466
Effect of foreign exchange rate changes		**(124,143)**	143,020
Cash at bank and in hand at the end of the financial year		**8,632,490**	9,439,642

The notes on pages 19 to 35 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30 September 2024

1 General information

The Griffin Insurance Association Limited is a company incorporated in England and Wales authorised by the PRA and FCA to carry out non-life insurance business. The address of the registered office is given on page 36. The nature of the Association's operations and its principal activities are set out in the Strategic Report on pages 1 to 6.

These financial statements represent the results of the Association and the Association is not part of a Group.

2 Accounting policies

Basis of Accounting

These financial statements have been prepared under the historical cost convention as modified to include investments at market value, in compliance with Schedule 3 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) (Regulations) made under the Companies Act 2006 and in accordance with applicable accounting standards in the UK including Financial Reporting Standard 102, *'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland'* (FRS 102). In accordance with Financial Reporting Standard 103, *'Insurance Contracts'* (FRS 103), the Association has applied accounting policies for insurance contracts. The Regulations require the use of the term 'Profit and Loss Account' as a heading. The Statutory 'Profit and Loss Account' is replaced by an 'Income and Expenditure Account' in these financial statements, consistent with the mutual status of the Association.

Going Concern

In accordance with the requirements of FRS 102, the Board of Directors has assessed the Association's ability to continue as a going concern. The Association's financial position, its cash flows and liquidity position all form part of these financial statements. Principal risks and uncertainties are set out in Note 11 to the Financial Statements and include reference to the Group's objectives for managing capital in line with its financial risks as set out in its Solvency and Financial Condition Report (SFCR).

The Association's most recent ORSA was completed during June 2024. An important component of the ORSA process is an assessment of the Association's projected future Solvency Capital Requirement (SCR) and its projected own funds available to meet its SCR. These forward-looking assessments project the Association managing its risks successfully and maintaining sufficient financial resources to meet its SCR over the period assessed. The Association has adequate resources to continue in operational existence for the foreseeable future which includes the renewing 2024/25 policy year and the business planning horizon included in the ORSA covering a further two years to 30 September 2027 which included the impact of stress scenarios and a significant reverse stress test. This provided the directors with comfort that the Association will continue to meet its strategic objectives and all capital requirements over the planning horizon. They therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Statement of Compliance

These financial statements have been prepared in compliance with United Kingdom Accounting Standards, including FRS 102 and FRS 103, and the Companies Act 2006.

Calls and reinsurance premiums

Calls and inwards reinsurance premiums are credited to the Income and Expenditure Account as and when charged to Members. Since all policies are coterminous with the Association's financial year, there are no unearned calls or inwards reinsurance premiums at the year-end date.

Returns of call are accounted for when approved by the directors, but credited to the Members' account on renewal at the start of the new policy year on 1 October. Returns of call are made where a policy year is in surplus and of sufficient maturity. Returns of call are calculated in proportion to the Calls and inward reinsurance premiums that Members originally paid in the policy year from which the return is to be made and are paid based on that proportion.

Outward reinsurance premiums are accounted for in the same period as Calls and inwards reinsurance premiums for the related insurance.

Claims and reinsurance recoveries

Claims incurred include all claims and claims settlement expense payments made during the year and the movement in the provision for outstanding claims.

Reinsurance recoveries and reinstatement premiums are accrued to match the relevant claim amounts that have been charged to the Income and Expenditure Account.

Rates of exchange

The functional and presentational currency is Sterling. In preparing the financial statements, transactions in currencies other than the Association's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the date of the transaction. All assets and liabilities, excluding the investment in the associate, denominated in currencies other than Sterling are monetary items and translated into Sterling at the rates of exchange ruling at the Statement of Financial Position date. In accordance with FRS 103 para 2.26, the Association treats all assets and liabilities arising from an insurance contract as monetary items. The investment in the associate is a non-monetary item and was translated into Sterling at the date of acquisition and is not revalued annually. Exchange differences are recognised in the Income and Expenditure Account in the period in which they arise.

NOTES TO THE FINANCIAL STATEMENTS
30 September 2024

2 Accounting policies (continued)

Investment income
Investment income includes interest and dividends receivable for the year. Dividend income is recognised when the right to receive payment is established.

Net gains or losses on the disposal of investments (representing the difference between net proceeds and purchase cost, as adjusted for the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investments disposed in the current period) are credited or charged to the Income and Expenditure Account as and when realised. Unrealised gains and losses represent the difference between the fair value of investments at the Statement of Financial Position date and their purchase price or previous valuation. Unrealised gains and losses are recognised in the Income and Expenditure Account.

The transfer to/from the investment reserve represents the difference (net of tax) between the actual investment income for the year and the investment return allocated to the Technical Account - General Business.

Allocation of investment return
An allocation is made from the non-technical account to the Technical Account - General Business in respect of the longer-term investment return on the total investment portfolio, since these investments relate wholly to the technical provisions and Members' funds held for mutually insured risks.

Claims outstanding
The Association underwrites professional liability risks on a 'claims made' basis. The provision for claims outstanding in the financial statements comprises the directors' estimate of the ultimate outcome of all reported claims based on current information, plus their forecast of the ultimate cost of claims incurred but not enough reported (IBNER) and a margin of prudence. The provision also includes an allowance for future claims handling costs.

The Association reserves individual claims notified on a 'worst likely outcome' basis. Estimates for the cost of claims are made by legally experienced claims handlers who base their estimates on the information available about the individual claim and experience of similar cases.

The IBNER provision for claims within the Association's retention is determined by the directors based on standard actuarial projection techniques supported by stochastic modelling. The model uses historical information on claims development, adjusted for inflation and other variables, to project the ultimate cost of claims. In applying standard actuarial projection techniques, the IBNER provision for large claims is regarded separately.

The provision for outstanding claims is based on information available at the Statement of Financial Position date. The majority of claims are settled only after extensive investigation and negotiation, which can take a number of years to complete. Accordingly, the ultimate cost of such claims cannot be known with certainty at the Statement of Financial Position date. Subsequent information and events may result in the ultimate liability being greater or less than the amount provided. Any differences between provisions and subsequent settlements are dealt with in the Technical Account - General Business in later years. The provision for outstanding claims is not discounted for time.

Financial instruments
The Association has chosen to adopt the provisions of Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets
Basic financial assets, including debtors and cash and bank balances are initially recognised at transaction price. Such assets are subsequently carried at amortised cost using the effective interest method.

Financial investments, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. These assets are subsequently carried at fair value and the changes in fair value are recognised in the Income and Expenditure Account.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities
Basic financial liabilities, creditors, are initially recognised at transaction price.

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

2 Accounting policies (continued)

Acquisition costs

Acquisition costs represent underwriting management costs, costs associated with renewal of existing Members, negotiation with potential Members, the processing of documentation, the renewal of the Association's reinsurance programme and ceding commission on the inward reinsurance premiums. As Calls and premiums are fully earned in the year, acquisition costs are debited to the Income and Expenditure Account and not deferred.

Investment in associate

Investment in associate is held at cost less accumulated impairment losses.

Taxation (current and deferred)

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Income and Expenditure Account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively. Current or deferred taxation assets and liabilities are not discounted.

Current tax

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

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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.

Critical accounting judgements and estimation uncertainty

The Association makes estimates and assumptions that affect the reported amounts of assets and liabilities. The estimation of the ultimate liability arising from claims made under insurance contracts is the Association's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the amount that the Association will ultimately pay for such claims. Estimates are made of the expected ultimate cost of claims at the end of the reporting period and these could be significantly different in future accounting periods once those claims are settled. The estimate of IBNER is generally subject to a greater degree of uncertainty than that for reported claims. In calculating the estimated liability, the Association uses a variety of estimation techniques based upon actuarial analyses of historical experience which assumes that past trends can be used to project future developments. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Large claims are usually separately addressed using input from the claims handlers. Further disclosure can be found in notes 4 and 11.1.

The judgement made by the Association regarding the treatment of the Griffin Cell has a significant effect on the basis upon which these financial statements are prepared. The Association is required to determine whether it controls its investment in the Griffin Cell and is therefore required to prepare consolidated financial statements under the requirements of FRS 102 Section 9. The Association has reviewed the requirements of this Section and concluded that its investment in the Griffin Cell, as disclosed in note 10, does not result in the control of the operations of the cell because of the cell host Board's ability to override the financial, operational and strategic decisions of the cell committee by virtue of its casting vote on the cell committee and various powers contained in the cell host's articles of association. Therefore consolidated financial statements are not prepared.

The Association exercises significant influence over the Griffin Cell by virtue of its ownership of all the cell's ordinary shares, its participation on the cell committee, and it being a counterparty on transactions that are material to the cell. The cell has therefore been accounted for as an associate (see notes 10 and 12).

NOTES TO THE FINANCIAL STATEMENTS
30 September 2024

3 Net calls and premiums

	2024 £	2023 £
Advance calls and premiums	**28,996,574**	27,587,395
Inward reinsurance premiums	**4,553,153**	4,604,487
	33,549,727	32,191,882
Returns of call – 2015/16	**(3,585,615)**	–
Returns of call – 2014/15	**(2,377,756)**	(8,009,224)
Returns of call – 2013/14	**(2,063,711)**	–
	(8,027,082)	(8,009,224)

Policy year accounting

The Association's business is accounted for on an annual basis. For the purposes of reporting to mutual Members, all transactions, including Calls, reinsurance premiums payable, claims and reinsurance recoveries are allocated to the policy year to which they relate. In the case of claims and reinsurance recoveries, the appropriate year is decided by the date on which the notification (of either a claim or a circumstance) is made to the Association. Other Income and Expenditure is allocated to the current policy year.

Members remain liable for their rateable proportions of any excess of claims and expenses over income for any open policy year and may, at the discretion of the directors, have returned to them any balance not retained and applied for the purposes of the Association. Underwriting years are closed only when the directors are satisfied that the information on claims payable is sufficiently reliable to enable the outcome of that year to be determined with reasonable accuracy.

The Income and Expenditure Account presents the aggregate of changes during the financial year on all policy years, both open and closed.

4 Technical provisions

Net claims movement	2024 £	2023 £
Net provision at beginning of year	**39,690,421**	47,178,754
Net current year provision	**12,864,033**	19,355,275
Net claims paid in year	**(6,711,260)**	(9,471,141)
Movement in prior years' net claims provisions	**(11,261,375)**	(19,000,275)
Claims expenses	**1,546,150**	1,627,808
	36,127,969	39,690,421

Exchange rate adjusted triangles are used for the projections. The adjusted triangles were calculated by converting the underlying currency amounts into GBP at 30 September 2024 exchange rates rather than the historic rates in force at the time of payments or when the claims handler set the outstanding reserve. As at 30 September 2024 – 52% of the claims outstanding estimates are in GBP, compared with 40% as at 30 September 2023.

Movement in prior years' claims provisions

Included within the net change in provision for claims is a credit of £11,261,375 (2023 credit £19,000,275) relating to prior years made up as follows:

	2024 £	2023 £
Net provision at beginning of year	**39,690,421**	47,178,754
Net payments during the year in respect of these provisions	**(5,019,141)**	(2,581,641)
Net provision carried forward in respect of claims provided for at the end of the previous year	**(23,409,905)**	(25,596,838)
	11,261,375	19,000,275

Claims development tables

The claims development tables provide a measure of how the Association's estimate of the ultimate value of claims changes with the growth in knowledge about reported claims. The top half of each table below illustrates how the Association's estimate of ultimate claims cost for each policy year has changed at successive year ends. The bottom half of each table reconciles the cumulative claims to the amount appearing in the Statement of Financial Position.

Insurance claims – gross

Estimate of ultimate cost attributable to the policy year.

Reporting year	2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £	2022/23 £	2023/24 £
End of reporting year	13,790,000	11,595,000	10,100,000	9,540,711	8,830,000	11,046,000	11,200,000	31,670,000	29,909,951	12,864,033
One year later	7,428,000	6,647,000	14,945,975	8,376,090	8,830,000	8,296,000	8,700,000	8,400,000	22,671,380	
Two years later	4,087,000	3,786,999	14,073,407	3,126,090	4,330,000	9,296,000	5,200,000	9,400,000		
Three years later	1,142,167	1,707,733	10,323,407	1,176,090	4,330,000	9,296,000	2,700,000			
Four years later	585,568	1,207,733	5,323,407	1,176,090	2,830,000	9,396,000				
Five years later	585,568	957,733	5,398,820	976,090	2,430,000					
Six years later	485,568	957,733	4,998,820	876,090						
Seven years later	485,568	419,788	4,898,820							
Eight years later	321,523	419,788								
Nine years later	321,523									
Current estimate of ultimate claims	321,523	419,788	4,898,820	876,090	2,430,000	9,396,000	2,700,000	9,400,000	22,671,380	12,864,033
Cumulative payments to date	321,523	419,788	4,327,415	685,581	1,896,990	6,488,287	1,121,525	1,968,796	15,828,261	145,969
Liability recognised at the end of the year	–	–	571,405	190,509	533,010	2,907,713	1,578,475	7,431,204	6,843,119	12,718,064
Total liability relating to the last ten policy years										32,773,499
Other claims liabilities older than ten years and future claims handling costs										3,416,970
Total reserve included in the Statement of Financial Position										**36,190,469**

Insurance claims – net

Estimate of ultimate cost attributable to the policy year.

Reporting year	2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £	2022/23 £	2023/24 £
End of reporting year	13,790,000	11,595,000	10,100,000	9,540,711	8,830,000	11,046,000	11,200,000	20,400,000	19,355,275	12,864,033
One year later	7,428,000	6,647,000	14,945,975	8,376,090	8,830,000	8,296,000	8,700,000	8,400,000	12,377,020	
Two years later	4,087,000	3,786,999	14,073,407	3,126,090	4,330,000	9,296,000	5,200,000	9,400,000		
Three years later	1,142,167	1,707,733	10,323,407	1,176,090	4,330,000	9,296,000	2,700,000			
Four years later	585,568	1,207,733	5,323,407	1,176,090	2,830,000	9,396,000				
Five years later	585,568	957,733	5,398,820	976,090	2,430,000					
Six years later	485,568	957,733	4,998,820	876,090						
Seven years later	485,568	419,788	4,898,820							
Eight years later	321,523	419,788								
Nine years later	321,523									
Current estimate of ultimate claims	321,523	419,788	4,898,820	876,090	2,430,000	9,396,000	2,700,000	9,400,000	12,377,020	12,864,033
Cumulative payments to date	321,523	419,788	4,327,415	685,581	1,896,990	6,488,287	1,121,525	1,968,796	5,596,401	145,969
Liability recognised at the end of the year	–	–	571,405	190,509	533,010	2,907,713	1,578,475	7,431,204	6,780,619	12,718,064
Total liability relating to the last ten policy years										32,710,999
Other claims liabilities older than ten years and future claims handling costs										3,416,970
Total reserve included in the Statement of Financial Position										**36,127,969**

NOTES TO THE FINANCIAL STATEMENTS
30 September 2024

5 Operating expenses

	2024 £	2023 £
Acquisition costs	**1,629,639**	1,437,270
Administrative expenses	**3,885,685**	3,064,200
	5,515,324	4,501,470

Included in acquisition costs are:
i) An allocation of the management fee (excluding risk management) amounting to £1,045,284 (2023 – £848,911).
ii) Reinsurance commissions of £220,000 (2023 – £220,000) payable for the placement of the reinsurance programme.
iii) 8.0% (2023 – 8.0%) commission payable to Griffin Cell of £364,355 (2022 – £368,359).

Included in administrative expenses are:
i) Risk management fees of £2,054,000 (2023 – £1,777,107) payable to the Managers in respect of the conduct of the Association's risk management programme.
ii) Directors' remuneration of £227,347 (2023 – £158,521).
iii) Auditor's remuneration of £88,500 payable for the audit of the Association (2023 – £79,900) which is presented excluding VAT.

The Association has no employees. Management services are provided by Tindall Riley & Co Limited (trading as Griffin Managers). See note 13.

6 Investment (loss)/income

	2024 £	2023 £
Bank and other interest	**73,066**	12,293
(Loss)/gain on the realisation of investments	**(330,820)**	1,245,116
Accumulated realised losses/(gains) recognised as unrealised in prior years	**339,068**	(331,994)
Exchange (loss)/gain	**(235,847)**	186,930
Investment (loss)/income	**(154,533)**	1,112,345

7 Allocated investment return

	2024 £	2023 £
Allocated investment return	**5,599,351**	2,630,417

Investment income is allocated to the Technical Account - General Business from the non-technical account on the basis of longer-term rates of investment return. The longer-term return is based on historical real rates of return and current inflation expectations adjusted for consensus economic and investment forecasts. The return is calculated by applying these rates to the investible assets held during the period on a monthly basis. The following average rates have been used:

	2024 GBP	2023 GBP	2024 USD	2023 USD	2024 EUR	2023 EUR
Government bonds	**3.00%**	1.90%	**–**	–	**3.45%**	3.45%
Corporate bonds	**–**	–	**3.90%**	1.60%	**–**	–
Equities	**5.90%**	2.23%	**–**	–	**–**	–
Cash	**3.00%**	1.00%	**3.90%**	1.90%	**–**	–

A transfer of £5,207,793 has been made to the investment reserve from the income and expenditure account equivalent to the surplus of actual return against the longer-term return for the year (net of tax) during the year (2023 – transfer to the investment reserve £1,268,735 to the Income and Expenditure account).

Comparison of longer-term return with actual returns over 10 years	2024 £	2023 £
Actual net investment return	**30,030,888**	21,142,836
Longer-term rate of return	**34,144,581**	31,717,859
Deficit of actual return above allocated return	**(4,113,693)**	(10,575,023)

8 Taxation

By virtue of its mutual status the Association is not liable to tax on its insurance operations. It is liable to tax on its income and net gains from investments. The (credit)/charge in the Income and Expenditure Account represents:

Analysis of charge in period	2024 £	2023 £
UK corporation tax	**2,676,205**	312,629
Over provision in previous years	**(765,708)**	(1,291,851)
Total tax charge/(credit)	**1,910,497**	(979,222)

Factors affecting tax charge for period

The tax assessed for the period is different from the standard rate of corporation tax in the UK of 25% (2023 – 22%) mainly due to the impact of non-taxable mutual insurance operations (balance on the technical account gross of the allocated investment return). The differences are explained below:

	2024 £	2023 £
Surplus before tax	**23,818,575**	15,391,991
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK	**5,954,644**	3,386,238
Effects of:		
Non-taxable mutual insurance operations	**(3,042,776)**	(2,812,088)
Prior year losses relieved in the year	**(312,634)**	(220,396)
Prior year losses carried back to previous years	**(765,708)**	(1,291,851)
Non tax deductible expenditure	**18,009**	–
Exchange loss/(gain) not taxable	**58,962**	(41,125)
Total tax charge/(credit) – see above	**1,910,497**	(979,222)

As at 30 September 2024, the Association has no unutilised tax losses that are available for offset against future taxable profits. When the financial statements for the year ended 2023 were approved, the Association had also assessed that no unutilised tax losses were available as at 30 September 2023. However, during the preparation of the tax return for the year ended 30 September 2023, but after the approval of the financial statements for that year, the Association identified a further assessed tax loss of £3.1m relating to 2023. This loss was relieved partly by offsetting it against the taxable surplus for 2023 and earlier years, and the remainder by carrying it forward and offsetting it against the taxable surplus of the current year. The effect of relieving this further assessed loss has been recognised in full in the current year. The availability of unutilised tax losses for offsetting against future taxable profits of the Association is subject to the relevant provisions of the Income Tax Act 2007 and agreement of the tax authorities.

9 Investments

Investments comprise fixed interest investments (government and corporate bonds), equities and other investments, and deposits with credit institutions. Gains and losses on investments are carried through the Income and Expenditure Account using the fair value methodology.

	Deposits with credit institutions £	Fixed interest investments £	Equity and other investments £	Total £
Purchase of investments	2,354,235	16,406,089	8,636,824	27,397,148
Sale of investments	(5,712,569)	(11,633,525)	–	(17,346,094)
Realised gain/(loss)	318,178	(648,998)	–	(330,820)
Net portfolio investment/disinvestment	(3,040,156)	4,123,566	8,636,824	9,720,234
Unrealised gain/(loss)	154,638	4,685,861	7,458,461	12,298,960
Change in value of portfolio	(2,885,518)	8,809,427	16,095,285	22,019,194
Market value at 30 September 2023	22,998,657	49,382,579	55,171,731	127,552,967
Market value at 30 September 2024	**20,113,139**	**58,192,006**	**71,267,016**	**149,572,161**
Cost at 30 September 2023	21,926,310	52,754,561	55,289,845	129,970,716
Cost at 30 September 2024	**18,886,154**	**56,878,127**	**63,926,669**	**139,690,950**
Unrealised (gains)/losses recognised in prior years on investments sold in the year	(483,407)	822,475	–	339,068
Unrealised gains/(losses) in the year on investments held at the end of the year	638,045	3,863,386	7,458,461	11,959,892
Change in unrealised gains/(losses)	154,638	4,685,861	7,458,461	12,298,960
Unrealised gains/losses at 30 September 2023	1,072,347	(3,371,982)	(118,461)	(2,417,749)
Unrealised gains/losses at 30 September 2024	**1,226,985**	**1,313,879**	**7,340,347**	**9,881,211**

NOTES TO THE FINANCIAL STATEMENTS
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10 Investment in associate

The carrying value of the Association's investment in an associate was as follows:

	2024 £	2023 £
At 1 October		
Cost	3,411,027	3,411,027
Less: Accumulated impairment	–	–
Net book amount	3,411,027	3,411,027
Year ended 30 September		
Opening net book amount	3,411,027	3,411,027
Acquisitions at cost	–	–
Impairment	–	–
Closing net book amount	**3,411,027**	**3,411,027**
At 30 September		
Cost	3,411,027	3,411,027
Less: Accumulated impairment	**-**	–
Net book amount	**3,411,027**	**3,411,027**

The Association holds 100% of the Griffin Cell shares as detailed in the table below. The investment is accounted for using cost less accumulated impairment losses.

	Country of incorporation	Share held	Class of shares	Principal activity
Atlas Insurance PCC Limited –Griffin Cell	Malta	100%	Ordinary	Insurance

Registered address 48–50 Ta' Xbiex, Seafront, Ta' Xbiex XBX, 1021, Malta
Atlas Insurance PCC Limited (Atlas) is a protected cell company registered in Malta.

The Griffin Cell which is incorporated within Atlas, was approved by the Malta Financial Services Authority on 31 December 2020. The Griffin Cell's asset and liabilities are separate from those of Atlas and from those of the other cells hosted by Atlas. The net asset value of the Griffin Cell as at 30 September 2024 is €4.7m (2023 – €4.4m). This would result in a cumulative fair value adjustment to other comprehensive income of €0.9m (2023 – €0.7m) had the investment in associate been valued using the equity method. This follows the critical accounting judgement, in note 2, that there is not 'overall control of the Giffin Cell'.

The following tables summarises the financial statements for the period ended 30 September 2024 and has been presented in Euros, the functional and reporting currency of the Griffin Cell and is provided for information purposes only.

Income Statement	€
Revenue	
Net earned premium	445,592
Other income	320,826
Underwriting expenses	(531)
Losses incurred	(140,468)
Net underwriting income	**625,419**
Other income and expenses	
Total other income and expense	(200,243)
Income tax expenses	(148,812)
Net income	**276,364**

10 Investment in associate (continued)

Statement of financial position	€
Assets	
Unrestricted Cash and Cash Equivalents	6,568,737
Accounts Receivable	92,229
Premiums Receivable	(851)
Reinsurance Recoverable Outstanding	3,641,625
Prepaid Expenses	43,638
Deferred Tax Asset	414
Total assets	**10,345,793**
Equity and Liabilities	
Liabilities	
Accrued Expenses	38,384
Reinsurance Premium Payable	1,152,868
Income Tax Payable	340,087
Premium Tax Payable	98,901
Total Liabilities	**1,630,240**
Technical Reserves	
Outstanding Loss Reserves	374,423
Incurred But Not Enough Reported	3,671,828
Total Technical Reserves	**4,046,251**
Shareholder's Equity	
Ordinary Cell Shares of The Griffin Cell	3,750,000
Retained Earnings	642,938
Net Income	276,364
Total Shareholder's Equity	**4,669,302**
Total Equity and Liabilities	**10,345,793**

11 Risk Management Framework

The Association is governed by a Board comprising a non-executive Chair, nine non-executive directors, and two executive directors who are also directors of the Managers. There are five sub-groups of the Board, the Audit Group, the Remuneration Group, the Nominations Group, the Investment Strategy Group and the Emerging Risks Group. The Board has explicitly retained risk as their function rather than delegate to a sub-group.

The duties of the **Audit Group** are to review and advise the Board in relation to the report and financial statements; the Solvency and Financial Condition Report to the Prudential Regulation Authority; internal and external audit; the robustness of internal financial systems and controls; and to maintain oversight responsibility for monitoring compliance and regulatory matters. The Audit Group meets at least four times a year and receives regular reports from the Managers, including the Chief Risk Officer and Chief Actuary, and from the Association's internal and external auditors.

The **Remuneration Group** meets annually to review proposals put forward in relation to the fee paid to the Managers and the remuneration paid to non-executive directors, and to agree the recommendations to be put to the Board for approval.

The **Nominations Group** is responsible for reviewing and making recommendations to the Board in relation to suitable candidates for appointment or re-appointment as directors of the Association, candidates for appointment to regulatory roles and the appointment and re-appointment of the Chair of the Association. The Nominations Group also monitors the overall performance and collective skills of the Board and its sub-groups.

The **Investment Strategy Group** meets at least once a year to review the Association's overall strategic asset allocation, the performance of the Association's investments against an agreed benchmark, and the performance and remuneration of Association's fiduciary investment managers.

The **Emerging Risks Group** meets annually to discuss emerging risks to the Association and the risk scenarios to be considered as part of the ORSA process.

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11 Risk Management Framework (continued)

The Association complies with the requirements of the Senior Managers and Certification regime (SMCR) and maintains a Management Responsibilities Map which sets out the governance structure of the Association and identifies senior management functions, the notified non-executive directors and other significant roles that carry additional responsibility, called Certification Functions. It also shows reporting lines and the allocation of prescribed responsibilities. Changes to the Management Responsibilities Map are reviewed and approved by the Board.

Each Member firm is entitled to nominate one of its partners or directors to sit on the Association's Committee. All Member directors of the Association are also members of the Committee and firms represented on the Board are entitled to nominate a second Committee Representative, should they wish to do so. The Committee meets at least twice each year to receive reports on major decisions made by the Board. The Committee does not have authority to make decisions, but provides an opportunity for Members to ask questions and exchange views with the Managers and the Board on matters relating to the running of the Association and on matters of general commercial interest.

The Association is managed on a day-to-day basis by Tindall Riley & Co Limited, trading as Griffin Managers (the Managers). Tindall Riley & Co Limited is a private company owned principally by its directors and senior staff.

The Association has a robust risk management framework in place that is the responsibility of the Board. The Risk Register sets out in detail the risks faced by the Association and the internal controls that mitigate those risks. It is reviewed and updated in April and October to reflect any changes to the risk profile and any identified Risk Incidents (adverse events outside expectation) or Emerging Risks (changes in the internal or external environment that change the nature of the Association's risk profile).

The key areas of risk to the Association are set out below:

- **Underwriting risk** – incorporating premium and reserving risk;
- **Market risk** – incorporating interest rate risk, equity risk, spread risk and currency risk;
- **Counterparty risk** – being the risk that a counterparty is unable to pay amounts in full when due; and
- **Operational risk** – being the risk of failure of internal processes or controls.

The Association assesses a wider set of risks, including Reputational and Strategic Risk, as well as the maintenance of risk capital in excess of the regulatory minimum, through its Own Risk and Solvency Assessment (ORSA) process.

The Board monitors the development and operation of the risk management framework through the establishment of Risk Appetite Statements that set the amount of risk exposure that is acceptable and the expectation of key control performance. These are given further clarity through policies and procedures, including controls, which are then independently assessed and tested by the Risk, Compliance and Internal Audit functions.

The Association manages the risks relating to the operation of the Association through the Risk Register, which analyses exposures by degree and magnitude of risk. There have been no changes in the methods or assumptions used to calculate these risks. The Association uses a 5% movement (3% for interest rates) as a reasonable benchmark to measure the impact of market risk.

11.1 Underwriting risk

The Association adopts a conservative approach to underwriting, characterised by selectivity of membership and prudent rating, allied to commercial awareness.

The terms of cover provided by the Association for professional indemnity risks are fixed by the Rules and therefore individual underwriters have no discretion to vary terms or to breach maximum limits of cover.

There are detailed procedures, documented in the Griffin Procedures Manual, for the selection of new Members, which reinforce the risk tolerances in terms of the types of intermediaries the Association wishes to attract, and their size, type and the nature of business undertaken. This maintains an appropriate mix and balance of Members. There are also procedures for renewing Members. While the Association is always open to approaches from intermediaries, the active marketing of the Association consists of a targeted approach to certain firms identified as potential Members. These firms are identified from the Managers' and/or the Members' knowledge of the insurance industry together with personal introductions by existing Members and/or other contacts.

11 Risk Management Framework (continued)

11.1 Underwriting risk (continued)

Monitoring of compliance with the risk tolerances within underwriting is undertaken by the Senior Underwriting Director, the Chair of Griffin Managers, the directors of Griffin Managers and the Board of the Association, supported by analysis from the Chief Actuary and the wider actuarial function.

Due to the nature of the Association's business, insurance risk is wholly concentrated on professional indemnity risks. The business is all written in the UK but the Association has exposure to claims liabilities worldwide and in currencies other than Sterling.

Reinsurance

The reinsurance programme reduces the impact of individual large losses on the Association. The Association retains the first £5.0m per Member (the Association's retention, which is inclusive of the retention within the Griffin Cell), above which the market reinsurance arrangements respond up to the £30.0m maximum limit of cover on any one claim. These risk tolerances are set by the Board.

Claims reserves

The Association's risk appetite in respect of claims reserves is low, characterised by prudent estimation of individual claims (on a 'worst likely outcome basis') and IBNER reserves set at an appropriate level of confidence above the best estimate.

The Association targets a GAAP IBNER which should be appropriate to cover significant adverse claims development. To do this it targets the 95th percentile for attritional claims and then specific loadings for large losses and non-assessable reinsurance (NAR) notifications. The resulting GAAP IBNER is reviewed by the Audit Group and Board and where deemed insufficient (or excessive) changes can be made.

The adequacy of reserves is monitored by senior management quarterly and by the directors of Griffin Managers, the Audit Group and the Board of the Association at each year end, when a formal report is prepared by the Chief Actuary, setting out the reserves for each policy year, the percentage of confidence on an overall basis and an explanation as to how these have moved since the last formal review.

Sensitivity

The Association carries out sensitivity testing on its claim reserves. The results of sensitivity testing are set out below, showing the impact on the surplus before tax, gross and net of reinsurance, and equity. The sensitivity analysis assumes that a change in loss ratio is driven by a change in claims incurred, and has been calculated excluding the impact of returns of call.

Impact on surplus before tax and equity Increase in loss ratio by 5%	2024 £	2023 £
Gross	**1,677,486**	1,609,594
Net	**1,443,116**	1,363,786

A 5% decrease in loss ratios would have an equal and opposite effect.

Impact on surplus before tax and equity Increase in loss ratio by 30%	2024 £	2023 £
Gross	**10,064,918**	9,657,565
Net	**8,658,695**	8,182,716

A 30% decrease in loss ratios would have an equal and opposite effect.

11.2 Market risk

Market risk is the risk of adverse financial impact as a consequence of market movements such as currency exchange rates, interest rates and equity price changes. Market risk arises due to fluctuations in the value of both assets and liabilities.

The investment strategy, which is reviewed periodically by the Investment Strategy Group, is set by the Board with the assistance of external investment consultants and the investment managers. The strategy reflects the risk appetite of the Association and is designed to maximise return whilst holding a risk level deemed acceptable. The policy allows the investment managers to invest a proportion of the portfolio in assets which carry a greater risk but potentially higher return, such as equities, with the majority being held in investments such as government bonds, corporate bonds and cash.

The asset allocation of the investment portfolio is monitored by the Managers. Where an asset class exceeds its permitted range, the investment managers will be instructed to carry out a rebalancing exercise, in order to restore the allocation to within its strategic range.

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11 Risk Management Framework (continued)

11.2 Market risk (continued)

The Association is exposed to currency risk in respect of liabilities under insurance denominated in currencies other than Sterling. The most significant currencies to which the Association is exposed are Euro and US dollars. In order to manage this risk, the Association holds a proportion of its investments in each currency at a level to match expected future claim payments in those currencies.

The Association uses 5% as a reasonable benchmark to measure the impact of market risk.

The table below shows the effects of a 5% increase or decrease in foreign exchange rates on the surplus before tax and equity:

	2024 USD	2024 Euro	2023 USD	2023 Euro
Foreign currency bond holdings:				
Effect of 5% (2023 – 5.0%) increase in foreign exchange rates	**156,602**	**67,749**	401,949	21,590
Effect of 5% (2023 – 5.0%) decrease in foreign exchange rates	**(156,602)**	**(67,749)**	(401,949)	(21,590)
Foreign currency cash holdings:				
Effect of 5% (2023 – 5.0%) increase in foreign exchange rates	**224,896**	**3,616**	507,627	29,624
Effect of 5% (2023 – 5.0%) decrease in foreign exchange rates	**(224,896)**	**(3,616)**	(507,627)	(29,624)

Interest rate risk management

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market rates. Interest rate risk arises primarily from the nature and term of investments held and is managed through the buying and selling of appropriate fixed interest securities of different durations.

The table below shows the effects of a 3.0% (2023 – 3.0%) increase or decrease in interest on earnings from debt securities and the anticipated change in investment market values:

	2024 £	2023 £
3.0% (2023 – 3.0%) increase in interest rates	**2,272,928**	2,240,426
3.0% (2023 – 3.0%) decrease in interest rates	**(2,272,928)**	(2,240,426)

The table below shows the anticipated change in investment market values from a 5% increase or decrease in price:

	2024 £	2023 £
5% (2023 – 5.0%) increase in fixed interest rates	**2,909,600**	2,469,129
5% (2023 – 5.0%) decrease in fixed interest rates	**(2,909,600)**	(2,469,129)

Equity price sensitivity analysis

The Association is exposed to price risk through its holding of equities. The exposure through equities is limited to a controlled proportion of the overall portfolio. At the year end, the holding in equities was 48% (2023 – 43%) of the investment portfolio. The value of the equity holding at the year-end amounted to £71.3m (2023 – £55.2m).

The table below shows the anticipated change in investment market values from a 5% increase or decrease in price:

	2024 £	2023 £
5% (2023 – 5.0%) increase in equity price	**3,563,351**	2,758,587
5% (2023 – 5.0%) decrease in equity price	**(3,563,351)**	(2,758,587)

11 Risk Management Framework (continued)

11.3 Counterparty risks

11.3.1 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Association.

The key areas where the Association is exposed to credit risk are:

- **Amounts recoverable from reinsurance contracts**
- **Amounts due from Members**
- **Counterparty risk with respect to cash and investments**

Amounts recoverable on reinsurance contracts

The Association is exposed to credit risk from a counterparty failing to comply with its obligations under a contract of reinsurance. The excess of loss reinsurance programme is placed through a Lloyd's broker. The Association has set selection criteria whereby each reinsurer is required to hold a credit rating of at least 'A-' at the time the contract is made; a substantial part of the reinsurance programme is placed with Lloyd's underwriters ('AA-' rated). Reinsurer credit risk is monitored by the Board.

Amounts due from Members

Amounts due from Members represent Calls owing to the Association in respect of insurance business written. The Association manages the risk of Member default through a screening process to ensure the quality of new entrants to the Association and the ability to suspend cover and outstanding claims recoveries to Members that fail to settle amounts payable. The Association's policy is that Members should have paid all outstanding Calls within 30 days. Amounts written off as bad debts have been minimal over recent years. The Association has no debtor balances that are past due.

Counterparty risk with respect to cash and investments

The majority of the Association's investments are invested in funds managed by Schroders and are not rated by external rating agencies. The policy allows for investment in equities, fixed interest (government and corporate) securities and cash.

The average ratings of the funds are monitored by the Association's Investment Strategy Group, with assistance from Schroders. The fund credit ratings allocated by Schroders and the underlying credit ratings of the investments held within the funds are reviewed by the Group to ensure that materially all investments are at least rated as investment grade. The Group also ensures that Schroders monitors the underlying investments to limit the risk of default.

The following tables provide information regarding credit risk exposure for financial assets with external credit ratings (S&P or equivalent).

	2024 £	2023 £
Fixed interest investments	58,192,006	49,382,579
Equity and other investments	71,267,016	55,171,731
Taxation	–	1,130,946
Reinsurers' share of technical provisions	62,500	337,000
Member and other debtors	1,424,085	188,315
Deposits with credit institutions	20,113,139	22,998,657
Cash at bank and in hand	8,632,490	9,439,642
Investment in associate	3,411,027	3,411,027
Total financial assets bearing risk	**163,102,263**	**142,059,897**

None of the balances listed in the table above is past due or impaired.

An analysis of this exposure by credit rating is shown below	2024	2023
AAA	–	–
AA	51,250	–
A	8,643,740	9,776,642
BBB+ and below	–	–
No rating	154,407,273	132,283,255
Total financial assets bearing risk	**163,102,263**	**142,059,897**

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30 September 2024

11 Risk Management Framework (continued)

11.3.2 Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations as they fall due at a reasonable cost. The Association has adopted an investment policy which requires the maintenance of significant holdings in cash funds and short-term deposits to ensure sufficient funds are available to cover anticipated liabilities and unexpected levels of demand. Short-term cash needs are monitored to ensure the most efficient investment of cash balances.

The following table provides a maturity analysis of the Association's financial assets representing the date that a contract will mature, amounts are due for payment or the asset could be realised without significant additional cost (there is no maturity date for equities):

As at 30 September 2024	Within 1 year £	1-2 years £	2-5 years £	Over 5 years £	Total £
Equities and other investments	71,267,016	–	–	–	71,267,016
Debt securities and other fixed income securities	58,192,006	–	–	–	58,192,006
Deposits with credit institutions	20,113,139	–	–	–	20,113,139
Direct insurance operations – Members	186,608	–	–	–	186,608
Reinsurers' share of technical provisions	3,545	8,002	30,829	20,124	62,500
Reinsurance debtors, other debtors and prepayments	1,237,477	–	–	–	1,237,477
Cash at bank and in hand	8,632,490	–	–	–	8,632,490
Investment in associate	–	–	–	3,411,027	3,411,027
Total assets	**159,632,281**	**8,002**	**30,829**	**3,431,151**	**163,102,263**

As at 30 September 2023					
Equities and other investments	55,171,731	–	–	–	55,171,731
Debt securities and other fixed income securities	49,382,579	–	–	–	49,382,579
Deposits with credit institutions	22,998,657	–	–	–	22,998,657
Direct insurance operations – Members	169,113	–	–	–	169,113
Reinsurers' share of technical provisions	18,094	23,791	183,892	111,223	337,000
Taxation	1,130,946	–	–	–	1,130,946
Reinsurance debtors, other debtors and prepayments	19,202	–	–	–	19,202
Cash at bank and in hand	9,439,642	–	–	–	9,439,642
Investment in associate	–	–	–	3,411,027	3,411,027
Total assets	**138,329,964**	**23,791**	**183,892**	**3,522,250**	**142,059,897**

The following is an analysis of the estimated timings of net cash flows by financial liability. The timing of cash flows is based on current estimates and historic trends. The actual timing of cash flows may be materially different from those disclosed below:

As at 30 September 2024					
Gross outstanding claims	4,105,345	5,162,226	18,734,843	8,188,055	36,190,469
Direct insurance operations – Members	10,278,795	–	–	–	10,278,795
Accrued creditors and accrued income	108,324	-	-	-	108,324
Taxation	1,446,103	-	-	-	1,446,103
Other creditors	151,346	–	–	–	151,346
Total liabilities	**16,089,913**	**5,162,226**	**20,752,469**	**9,325,121**	**49,040,749**

As at 30 September 2023					
Gross outstanding claims	4,298,358	5,651,473	20,752,469	9,325,121	40,027,421
Direct insurance operations – Members	8,239,537	–	–	–	8,239,537
Accrued creditors and accrued income	95,880	-	-	-	95,880
Other creditors	677,911	–	–	–	677,911
Total liabilities	**13,311,686**	**5,651,473**	**20,752,469**	**9,325,121**	**49,040,749**

The assets of the Association, other than reinsurers' share of claims and the Association's investment in associate, are highly liquid and generally available to settle any potential liability that falls due on the Association within a trading range of less than 5 days.

11 Risk Management Framework (continued)

11.4 Operational risk

Operational risk relates to the failure of internal processes, systems or controls due to human or other error.
In order to mitigate such risks the Association documents all key processes and controls in a procedures manual. This manual is embedded into the organisation, updated on a continuous basis by senior staff and is available to all staff. Compliance with the procedures and controls documented within the manual is audited on a regular basis through quality control checks and the internal audit function, which is directed and reviewed by Tindall Riley & Co Limited and the Audit Group. A staff handbook contains all key policies that have also been documented. Operational risk is quantified in both the SFCR and ORSA.

11.5 Limitation of the sensitivity analyses

The sensitivity analyses in sections 11.1, 11.2 and 11.3 above show the impact of a change in one input assumption with other assumptions remaining unchanged. In reality, there is normally correlation between the change in certain assumptions and other factors which would potentially have a significant impact on the effect noted above including management actions that will be considered at the time.

11.6 Capital risk management

The Association maintains an efficient capital structure, consistent with the Association's risk profile. The Association's capital is represented by net assets. The Association's objective is to maintain sufficient capital to ensure it is able to continue as a going concern and meet regulatory requirements.

The Association is subject to the Solvency II regime. The Association is required to meet a SCR which is calibrated to seek to ensure a 99.5% confidence of the ability to meet obligations over a 12-month time horizon. The Association calculates its SCR in accordance with the standard formula prescribed in the Solvency II regulations as the assumptions underlying the standard formula are considered to be appropriate for the Association's risk profile.

The Association is regulated by the PRA and FCA. The Board's policy is to develop and maintain a strong and flexible capital base in order to meet the capital requirements of the PRA. The Association's compliance with the SCR is monitored and updated annually, although if anything significant (such as a large claim or investment movement) occurs in the year, it is updated immediately. Other capital measures used by the Board include an Economic Capital Benchmark, which is also monitored against actual capital resources.

In order to monitor capital requirements, the Board and the Managers review the capital position on a quarterly basis at a high level.

Throughout the period the Association complied with the regulators' capital requirements. At 30 September 2024 the Association's Solvency II own funds exceeded the SCR with a solvency ratio of 454.1% (2023 – 462.6%).
In accordance with the PRA rulebook, the Association has taken benefit of the audit exemption of the SCR and the SFCR and therefore the current and prior year SCR, SFCR and solvency ratios are unaudited.

NOTES TO THE FINANCIAL STATEMENTS
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11 Risk Management Framework (continued)

11.7 Fair value hierarchy

Fair value is the amount for which an asset or liability could be exchanged between willing parties in an arm's length transaction. Fair values are determined at prices quoted in active markets. In some instances, such price information is not available for all instruments and the Association applies valuation techniques to measure such instruments. These valuation techniques make maximum use of market observable data but in some cases the Managers estimate unobservable market inputs within the valuation model. There is no standard model and different assumptions would generate different results.

Fair values are subject to a control framework designed to ensure that input variables and outputs are assessed independently of the risk taker. These inputs and outputs are reviewed and approved by the Managers. The Association has no exposure to financial assets or liabilities which are valued at other than quoted prices in an active market.

The classification criteria and their application to the Association can be summarised as follows:

- The unadjusted quoted price in an active market for identical assets or liabilities that the Association can access at the measurement date (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable (i.e., developed using market data) for the asset or liability, either directly or indirectly (Level 2)
- Inputs are unobservable (i.e., for which market data is unavailable) for the asset or liability (Level 3)

Group	Deposits with credit institutions 2024 £	Deposits with credit institutions 2023 £	Fixed interest 2024 £	Fixed interest 2023 £	Equity and other investments 2024 £	Equity and other investments 2023 £
Level 1	**20,113,139**	22,998,657	**58,192,006**	49,382,579	**71,267,016**	55,171,731
Level 2	**-**	–	**-**	–	**-**	–
Level 3	**-**	–	**-**	–	**-**	–
	20,113,139	22,998,657	**58,192,006**	49,382,579	**71,267,016**	55,171,731

12 Change in accounting policy

Previously, the Association's investment in the Griffin Cell was classified as an available for sale asset within basic financial instruments and was measured at cost less impairment.

The business transacted by the Griffin Cell has grown much faster than was envisaged by the directors when the Association made its investment in the Griffin Cell in 2020. This has meant the Association has been more actively involved in the financial and operating decisions of the Griffin Cell than initially envisioned. As a result, the directors have re-evaluated the influence that the Association exerts over the cell and have concluded that the Griffin Cell meets the definition of an associate as set out in sections 14.2 to 14.3A of FRS 102. The directors have therefore re-classified the Association's investment in the Griffin Cell as an investment in associate.

The directors have chosen to measure the investment in associate at cost less accumulated impairment losses, in accordance with sections 14.4(a), 14.5, and 14.6 of FRS 102. This basis of measurement results in the same value as under the previous method, so there is no restatement of the prior amount, although, in accordance with the retrospective application requirements of sections 10.11(d) and 10.12 of FRS102, the prior period amount has been reclassified and is shown under investment in associate.

The directors have also reviewed their previous accounting policy choice of using the provisions of IAS 39 (Financial Instruments: Recognition and Measurement) for the recognition and measurement of basic financial instruments (in accordance with section 11.2(b) of FRS 102). IAS 39 has now largely been replaced the directors have decided to apply the provisions of FRS 102 in full to basic financial instruments (in accordance with section 11.2(a)), notwithstanding that there is no change in the valuation of financial instruments, so as to rationalise the accounting policy choices under which these financial statements are prepared.

This basis of measurement results in the same values for all basic financial instruments as under the previous accounting policy choice, so there is no restatement of the prior period amounts or descriptions.

13 Related party transactions

The Board, comprising up to 12 representatives of the membership of the Association and two Manager nominees, is appointed to oversee the management of the Association on behalf of the Members. However, because of the mutual nature of the Association, all Members, being both insurer and insured, are in effect related parties.

The aggregate of transactions with Members is disclosed in the financial statements and these are the only transactions between the Association and the Members.

The Association's reinsurance programme is placed by a Member of the Association and the Member earned reinsurance commission of £220,000 (2023 – £220,000) for placing the programme.

Tindall Riley & Co Limited (trading as Griffin Managers) manages the Association and received £5,926,000 (2023 – £5,131,325) in respect of management fees and risk management services.

As detailed in note 10, the Association has an investment in the Griffin Cell, which provides professional indemnity insurance to Members' EU-based operations. The Association provides reinsurance to the Griffin Cell. The following is a list of the related party transactions and balances with the Griffin Cell:

Related party transactions	2024 £	2023 £
Inwards reinsurance premium	**4,553,153**	4,604,487
Commission payable (8.0%)	**(364,355)**	(368,359)
Paid claims	**-**	2,487
Movement in outstanding claims	**(1,450,992)**	(896,248)
Gross outstanding claims	**(2,347,241)**	(896,248)
Amount due from/(to) the Griffin Cell	**916,715**	(193,514)
Investment in the Griffin Cell	**3,411,027**	3,411,027

14 Subsequent events

There are no subsequent events which require adjustment or disclosure in the financial statements. The financial statements were authorised for issue by the Board on 10 January 2025.

DIRECTORS AND COMPANY INFORMATION

The Griffin Insurance Association Limited, Limited by Guarantee

Board of Directors
Mark Warren (Chairman)
Hugh Armytage
Maryse Hazell
Andrew Hedger
Rhona Lewry
Gary Masters
Julian McGuiggan
Duncan McKechnie
Rebecca Scott
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Finlay Smith
Adam Stafford

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