



THE
GRIFFIN
INSURANCE ASSOCIATION

SOLVENCY AND FINANCIAL CONDITION REPORT

Year Ended 30 September 2024

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Directors responsibility statement

We acknowledge our responsibility for preparing the Association's Solvency and Financial Condition Report (SFCR) in all material respects in accordance with the PRA Rules and the Solvency II Regulations as applicable to the Association.

We are satisfied that:

- throughout the financial year in question, the Association has complied in all material respects with the applicable requirements of the PRA Rules and the Solvency II Regulations as applicable to the Association; and
- it is reasonable to believe that, at the date of the publication of this SFCR, the Association has continued so to comply, and will continue so to comply in future.

For and on behalf of the Board of The Griffin Insurance Association Limited

R M Lewry
Director

C K Shah
Director

19 December 2024

A. Summary

The structure of the Solvency and Financial Condition Report (SFCR) follows the public disclosure requirements of Articles 290 to 303 of the Commission Delegated Regulation (EU) 2015/35 (Solvency II regulations).

This is the SFCR for The Griffin Insurance Association Limited (Griffin or the Association) based on the financial position as at 30 September 2024.

The report sets out different aspects of the Association's solvency and financial condition, specifically its business and performance, system of governance, risk profile, valuation methods used for solvency purposes and its capital management practices. The Association's financial year runs to 30 September each year and it reports its results in Sterling.

The ultimate Administrative Body that has the responsibility for all of these matters is the Board of Directors of the Association, with the help of various governance and control functions that it has put in place to monitor and manage the business.

In accordance with the Prudential Regulation Authority (PRA) rulebook the Association has taken the benefit of the audit exemption of the SFCR. On 17 October 2018 the PRA published Policy Statement – PS25/18 Solvency II: External audit of the public disclosure requirement. This should be read in conjunction with the Supervisory Statement SS11/16 and the External Audit Part of the PRA rulebook.

The Association's approach to capital management and valuation for solvency purposes remains stable and this is demonstrated through its capital ratios summarised below. The capital requirements are calculated in accordance with the Solvency II standard formula which the Association has determined to be appropriate for its risk profile.

For Solvency Capital Requirement (SCR) purposes the total eligible own funds stood at £137.1 million (2023: £113.6 million). Eligible own funds cover the SCR of £30.2 million (2023: £24.6 million) with a capital adequacy ratio of 454.1% (2023: 462.6%). The Minimum Capital Requirement (MCR) is £7.6 million (2023: £6.1 million) leading to an MCR capital adequacy ratio of 1,816.3% (2023: 1,850.2%).

B. Business and performance

B.1. Business

The Griffin Insurance Association Limited is a mutual insurance company. The Association is registered in England and Wales as a company limited by guarantee without share capital. The Association was founded in 1988 and currently has 81 Members. As a mutual insurance company the liability of its Members is limited to the calls and premiums set by its Directors.

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

The Association is regulated by the PRA and the Financial Conduct Authority (FCA). Both the PRA and the FCA operate a risk-based approach to supervision, which places emphasis on the need for regulated firms to have in place robust risk management frameworks. The PRA is the lead supervisor for the purposes of Solvency II regulation.

Contact details for the PRA and the FCA can be found on their respective websites:

www.bankofengland.co.uk/pr

www.fca.org.uk

The Association's external auditor is Forvis Mazars LLP, whose address is 30 Old Bailey, London, EC4M 7AU.

The Association is owned 100% by the Mutual Membership.

The Association 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 (Griffin Cell), which provides professional indemnity insurance to Members' EU-based operations. The Association currently underwrites all business in the United Kingdom and underwriting is carried out from the Association's office in London.

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 €5.5 million (approximately £5.0 million) 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 £5.0 million.

B.2. Underwriting performance

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 £25.8 million. The table below shows the underwriting results for the past five years, including the impact of returns of call:

Table 1: Underwriting performance (excluding returns of call)

	2024 £m	2023 £m	2022 £m	2021 £m	2020 £m
Balance on the technical account before return 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
	%	%	%	%	%
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 extracted from the annual financial statements for the year ended 30 September. 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 £8.0 million (2023: £8.0 million), the sixth successive year in which the return of call has been at this level. Returns of call amounting to approximately £60.0 million 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 £32.2 million to £33.5 million.

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 £4.7 million (2023: £4.9 million). However, the prior year included a reinstatement premium of £0.6 million 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 £15.0 million xs £5.0 million layer and the £10.0 million xs £20.0 million 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 £5.0 million. 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 £6.7 million (2023: £19.7 million) with reinsurance recoveries of £Nil (2023: £10.2 million). The provision for gross outstanding claims decreased by £3.8 million partially offset by decrease in reinsurers' share of gross outstanding claims of £0.3 million. The claims position in older policy years showed an improvement of £11.3 million (2023: £19.0 million). Overall, the level of claims incurred in the financial year was £3.1 million (2023: £2.0 million).

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

The following table shows a summary of the technical (underwriting) account for the year ended 30 September 2024 (based on UK GAAP).

Table 2: Recent underwriting performance

	2024 £m	2023 £m
Calls and premiums	33.5	32.2
Return calls	(8.0)	(8.0)
Reinsurance premiums	(4.7)	(4.9)
Investment income (LTIR* basis)	5.6	2.6
Net claims incurred	(3.1)	(2.0)
Net operating expenses	(5.5)	(4.5)
Balance on the technical account	17.8	15.4

* Long-term rate of investment return

The Association's market excess of loss reinsurance was renewed on 1 October 2024 with an as expiry rate on the £15.0 million xs £5.0 million layer and a flat premium renewal on the £10.0 million xs £20.0 million layer.

B.3. Investment performance

In accordance with the investment policy, the investment mandate is updated on a regular basis. The asset allocation established within the mandate is principally determined to ensure that future cash flows arising from liabilities (principally claims reserves) are matched by available assets of the correct currency and duration. Effective risk management is therefore the principal driver of investment allocation.

Having established a matched portfolio, limited investment risk is accepted to achieve the best return available from the surplus assets.

Some factors that may influence future investment return are:

- Market performance: as affected by macro-economic, political or other factors
- Capital allocation and risk profile: determining the risk accepted into the portfolio
- Portfolio management: including asset allocation (both strategic and tactical)

The Association's investment strategy is the responsibility of the Board, assisted by its investment managers, Schrodgers. 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 £11.6 million (while the portfolio increased by £12.0 million 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.

The return on investments comprises:

Table 3: Investment portfolio by asset class

Asset class	2024		2023	
	Amount £m	% of portfolio	Amount £m	% of portfolio
Equities	71.3	48%	55.2	43%
Fixed interest investments	58.2	39%	49.4	39%
Deposits with credit institutions	20.1	13%	23.0	18%
	149.6	100%	127.6	100%

Table 4: Investment return by asset class

Asset class	2023/24 Total (£)	2022/23 Total (£)
Equities	7,458,463	212,798
Fixed interest investments	4,036,865	1,833,411
Deposits with credit institutions	310,031	723,670
Investment management expenses*	(157,886)	(160,105)
	11,647,473	2,609,774

* Investment management expenses are charged to the Association on an annual basis based on the total value of investments under management.

B.4. Performance from other activities

As noted in B.1., the Association is not involved in any other activities.

B.5. Any other information

The Association considers no other information material to be disclosed.

C. System of Governance

C.1 General information on the system of governance

C.1.1. Overview

C.1.1.1. Board structure

The Board

The Board of Directors of the Association is responsible for all strategic aspects of the business of the Association. In practice, it delegates some of its authority to sub-groups, and delegates responsibility for the day-to-day management of the Association to the Managers. The Managers are responsible for ensuring that appropriate information, which is adequate to enable the Board to discharge its duties and to oversee the business effectively, is provided on a timely basis. There are nevertheless a number of matters that are reserved exclusively for the Board, set out below, which are reviewed and updated at least annually.

Decisions regarding the following matters are reserved for the Board:

- policy year and call recommendations;
- rule changes;
- reinsurance;
- membership;
- risk and compliance;
- release calls;
- report and financial statements;
- appointment of Auditor;
- remuneration of Auditor, Directors and Management Fee;
- D&O insurance;
- appointment and retirement of Directors; and
- approval of critical and important outsourcing arrangements and regulated roles that are specific to the Association.

The Board meets four times a year and comprises an independent non-executive chair, up to twelve non-executive directors drawn from its broker Members, and two executive directors nominated by the Managers.

The Board's Terms of reference are reviewed and updated at least annually.

The Committee

Each Member Firm is entitled to nominate one of its partners or directors to sit on the Association's Committee. Members of the Committee meet twice each year, in February and July. All non-executive directors of the Association are also members of the Committee. Firms represented on the Association's Board are entitled to nominate a second Committee Representative should they wish to do so. The Committee does not carry out any regulated functions.

Sub-Groups of the Board

There are five sub-groups of the Board: the Audit Group, the Remuneration Group, Nominations Group, the Investment Strategy Group and the Emerging Risks Group.

Audit Group

The Audit Group comprises four non-executive directors of the Association (not being directors nominated by the Managers). 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, compliance monitoring, and the robustness of internal financial systems and controls. The Audit Group meets four times a year and receives regular reports from the Managers, and from the Association's internal and external auditors.

Remuneration Group

The Remuneration Group consists of the Chair of the Association, the Chair of Audit and at least one other non-executive director of the Association (not being directors nominated by the Managers). 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.

Nominations Group

The Nominations Group comprises the Chair of the Association 'ex officio', two other non-executive directors of the Association and one of the directors nominated by the Managers. 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 Nominations Group meets at least annually.

Investment Strategy Group

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.

Emerging Risks Group

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.

The Association's Board and sub-group structure is supported by the effective distribution of responsibilities across holders of Senior Management Functions (SMFs) and other Certification Functions (CFs). The Association's integrated responsibility and corporate governance model is recorded in its Management Responsibilities Map.

The Association's governance map and organisational chart provide a pictorial representation of the information described above (see **Appendix A**).

C.1.1.2. Key functions

The Managers

The Association has no direct employees and as such the Board relies on the Managers for day-to-day management duties. In accordance with the rules in the Conditions Governing Business part of the PRA Rulebook and the Solvency II Directive, the following business functions have been designated as Key Functions: Compliance, Risk Management, Internal Audit and Actuarial. All of these functions are provided by the Managers.

Compliance function

The Compliance function is responsible for:

- identifying, assessing, monitoring and reporting on the Association's regulatory risk exposures;
- assessing the possible impact of legislative change and conducting assurance activity to monitor the appropriateness of compliance procedures against market good practice; and
- assisting, supporting and advising the Association in fulfilling its responsibilities to manage compliance risks.

The Chief Risk Officer (CRO) is responsible for day-to-day monitoring of, and reporting to the Board on, all compliance related matters.

Risk Management function

The risk management function is responsible for:

- setting the overall risk management and strategic framework;
- identifying, managing, monitoring and reporting on current and emerging risks; and
- monitoring and assisting in the effective operation of the Association's risk-management framework and maintaining an accurate view of the Association's risk profile.

The CRO manages the day-to-day risk monitoring of, and reports to the Board on all aspects of risk management.

Internal Audit function

The Association's internal audit function operates a risk-based internal audit cycle to provide assurance over the appropriateness, operation and effectiveness of the system of governance including the internal control system.

Internal Audit's remit covers review of the Association's processes and controls, how these are being adhered to and implemented by all business areas and the timing and frequency of management reporting. Corporate governance is also subject to an annual review by internal audit.

The Internal Audit function reports findings and recommendations, deadlines for and progress with completion and assigned action owners, to the Audit Group.

Actuarial function

The Association has an in-house actuarial team which carries out the day-to-day actuarial activity, including claims reserving and maintenance of the Association's internal models. The Chief Actuary reports to the Board and the Audit Group on technical provisions, reinsurance and underwriting policy, and also contributes to the risk management function.

Segregation of responsibilities

All the designated key functions are provided with the necessary authority, resource and independence that they require to effectively fulfil their roles. They each report to the Association's Board either directly or through designated Board sub-groups. Their reports are standing items on the Board and sub-groups' agendas.

The Investment Managers

Investment of the Association's funds is conducted by the Investment Managers in accordance with the Board's Investment Policy and is subject to internal compliance procedures.

C.1.2. Material changes to the system of governance

There have been no material changes to the system of governance during the reporting period.

C.1.3. Remuneration

The Association has a Remuneration Policy which sets out the principles and procedures under which the Remuneration Group operates.

The Association's key functions and services, with the exception of those provided by the non-executive directors, are provided by the Managers.

The Association's Remuneration Group agrees the fee in accordance with the provisions of the Management Agreement. The fee is paid on a quarterly basis and no element of it is variable by reference to the Association's financial performance. TRC received £5,926,000 (2023: £5,131,325) in respect of management fees and risk management services.

The Association's Chair receives a fixed fee paid monthly in arrears. Other non-executive directors (except for the two Manager directors) receive an annual fee, with the non-executive directors who serve on any of the sub-groups receiving additional fees to reflect their additional responsibilities. These fees are paid in arrears at the end of each financial year. The level of remuneration is considered annually by the Remuneration Group, which makes recommendations to the Board. The two Manager directors receive no remuneration directly from the Association but are remunerated by the Managers.

No remuneration paid by the Association to its non-executive directors is based on the performance of the Association. The non-executive directors of the Association received remuneration of £227,347 (2023: £158,521) for services rendered to the Association during the year. There have been no material changes to the remuneration policy compared to the prior year.

C.1.4. 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 Association, which is limited by guarantee, has no share capital and is controlled by the Members, who are also its insureds. All Members enter into insurance contracts negotiated with the Association's managers on arm's length terms. These transactions are therefore with related parties and are the only transactions between the Association and its 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.

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:

	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	(2,247,658)	(99,583)
Gross outstanding claims (Including IBNER)	(2,347,241)	(99,583)
Amount due from/(to) the Griffin Cell	916,715	(193,514)
Investment in the Griffin Cell	3,411,027	3,411,027

C.2. Fit and proper requirements

The Association has well established procedures in place to ensure that all Certification Function holders remain fit and proper to carry out their duties and to discharge their responsibilities. In particular these individuals must:

- meet the requirements of the Managers' 'fit and proper' test and ethics policy;
- be capable of meeting their Prescribed Responsibilities; and
- report anything that could affect their ongoing suitability.

When considering an individual's fitness and propriety the following factors are considered:

- their competence and capability;
- their integrity and reputation; and
- their financial soundness.

When assessing an individual's competence and capability to take on a Certification Function role, all relevant matters are considered prior to their appointment. These include a review and assessment of:

- the competencies and capabilities required to fulfil the intended role. This is assessed throughout the recruitment process, particularly through interviews and using a Skills Matrix;
- the experience of the candidate and any additional training required; and
- whether the candidate's reputation would suit the role for which they are being considered, bearing in mind the factors set out within the FCA Handbook section 2.1.3 on fitness and propriety.

Fitness and propriety checks are made before an individual is appointed to carry out a Certification Function and periodically thereafter. These include:

- with the consent of the candidate, the completion of civil and criminal record checks through the use of a third-party provider;
- checking the veracity of any professional or other qualifications that are relevant to the role being applied for;
- obtaining references from the candidate's former employers; and
- consideration of any disclosures made by candidates (full supporting documentation will also be requested).

In determining a candidate's financial soundness, the following factors will be taken into account:

- any judgment debt or award in the United Kingdom or elsewhere;
- whether this remains outstanding or was not satisfied within a reasonable period; and
- whether the individual has made any arrangements with creditors, filed for bankruptcy, had a bankruptcy petition served on them, been the subject of a bankruptcy restriction order or any other related matter.

Prior to consideration for appointment, all directors of the Association complete a self-assessment of their skills, experience and capabilities relative to the responsibilities assigned to them under the new role. The results, which are added to the Skills Matrix maintained for all Directors, are reviewed by the CRO, discussed as necessary with the individuals concerned and fed into individual training and further recruitment plans.

Refer to **Appendix A** for a listing of the persons of the Association that are responsible for the key functions.

C.3. Risk management system

The oversight of risk and the underlying corporate culture is fundamental to the future operations and success of the Association. It is an integral part of this approach that each individual is aware of the Association's aims and objectives and how they are achieved. The Board of the Association has a clear responsibility to understand the risk management activities of executive management.

It is a primary function of the Association Board and senior management to establish the Association's risk appetite and tolerances and to put in place the philosophy, structures, tools and methods to drive the risk management approach throughout the Association. It is vital in the discharge of its governance responsibilities that the Board understands inherent risks and the way these are measured, monitored, assessed and mitigated by management.

The Audit Group has delegated responsibilities from the Board to oversee the Internal Control Framework including the oversight of Internal Audit, External Audit, Compliance and Financial Reporting.

All individuals involved with business operations that allow the Association to manage risk, including control owners, are expected to be aware of the Association's approach to risk management. This is also the expectation of regulators and so those individuals that lead risk assessments or manage material controls or outsourced activities are considered by the Association to be certification functions (roles that could cause significant harm) and are consequently subject to enhanced due diligence by the Managers.

Key Risks and Mitigants

The key risks faced by the Association and the associated mitigants will be as follows:

Underwriting Risk

Underwriting risk which arises from two sources – adverse claims development (reserve risk) and inappropriate underwriting (premium risk). Reserve risk is managed by the Association's policy of setting prudent reserves for individual claims (evidenced by the release of redundant reserves shown in the financial statements) and frequent reviews of estimates, including oversight of large claims by senior claims directors. Prudent IBNER reserves are also maintained at confidence levels consistent with the Association's risk appetite.

Premium risk is managed by having in place a clear underwriting philosophy, procedures and controls in relation to pricing, rigorous selection criteria for the admission of new Members and diversification of risks. Reinsurance is also used to mitigate underwriting risk. Reinsurance may also be used in respect of certain risks where additional protection is deemed appropriate.

Market Risk

Market risk refers to the risk of losses on the Association's investment portfolio arising from fluctuations in the market value of the underlying investments. There is a clear investment strategy which is subject to regular review. The principal objectives are to match investments with the claims liabilities in terms of duration, to hold a diversified portfolio of investment types with high quality fixed interest government securities and hold appropriate levels of corporate bonds and equities and, within that overall context, to maximise the return generated at an agreed level of risk.

Credit Risk

Credit risk arises from the possibility of default by one or more counter-parties which may include, reinsurers, deposit takers and Members. This risk is managed by undertaking appropriate due diligence on prospective counterparties. This may include carrying out financial checks on prospective Members, looking at credit ratings for reinsurers and monitoring these over time, restricting exposure to individual deposit takers and operating a robust credit control regime.

Operational Risk

Operational risk covers the risks arising from the failure of internal processes, people or systems or from external events. A comprehensive Procedures Manual covers every aspect of management of the Association.

Risk Management Framework

The risk management framework helps the Board deliver the Association's strategic objectives; it is managed by the Risk function and overseen by the Association's Board.

The Risk function is responsible for:

- identifying, managing, monitoring and reporting on current and emerging risks;
- setting the overall risk management and strategic framework; and
- monitoring and assisting in the effective operation of the Association's risk management framework and maintaining an accurate view of the Association's risk profile.

The Association's risk management policy sets out how the risk management framework supports the principles and characteristics of the Association when managing its strategic objectives, risk appetite and capital needs along with the necessary supporting culture. The policy also sets out how operational elements are devolved to the Managers while oversight is retained by the Directors.

The Association exists to benefit its Members which requires maintenance of financial strength to ensure that claims can be met in extreme circumstances and that unbudgeted Calls are not required.

The Association needs to be measured when taking, managing and monitoring risks that pose a threat to its longevity, strategic objectives and capital position.

It is important that the Association's risk management framework considers:

- the wider risks to its Members business model as well as the more traditional risk management considerations expected from insurers under Solvency II;
- a proportionate approach to risk management that is reflective of the nature, scale and complexity of the Association's operations, especially considering the monoline nature of its business; and
- transparency and accountability between the Association and the Managers.

This policy sets out a number of standards that help the Association achieve these targeted outcomes:

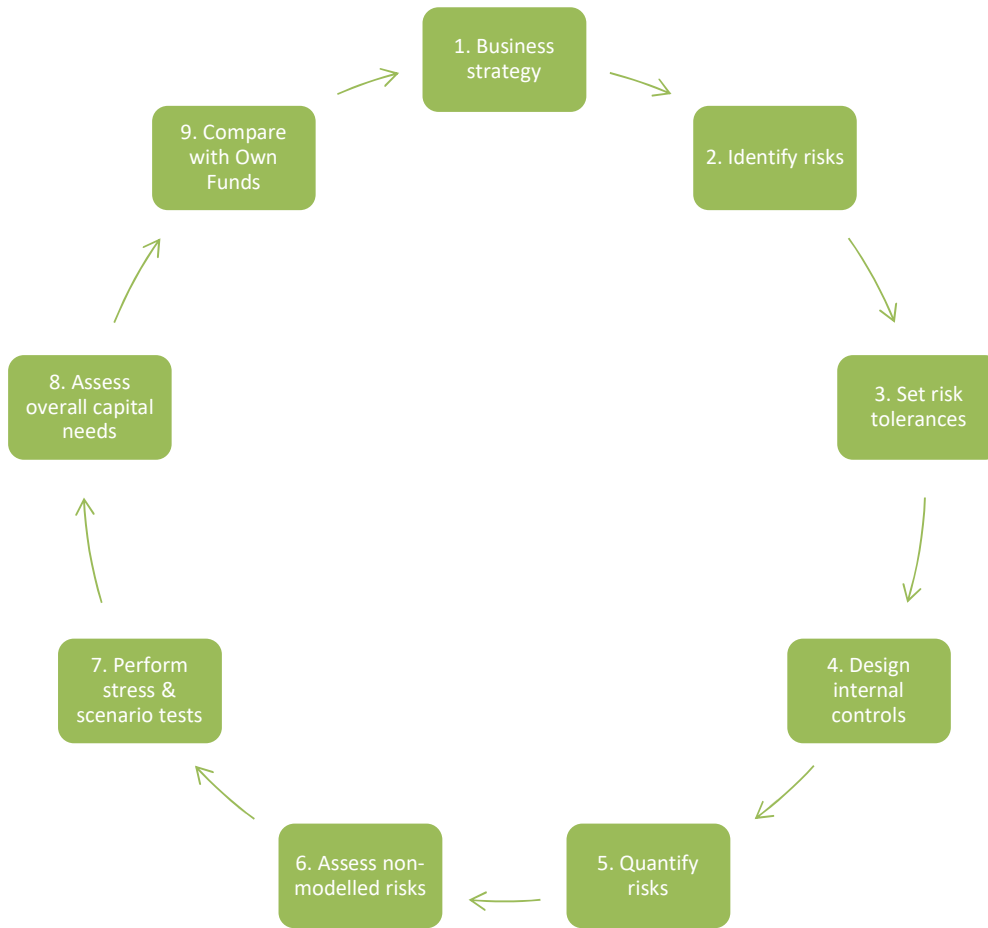
- **Identify** - Maintain a risk register of all significant risks to the Association aligned with one of the available risk categories and the "material" / "important" controls that are used to manage these risks. Ensure completeness of the risk universe and the controls environment, regularly back testing against results and reviewing risk incidents. The main management tool used by the Association to assist in assessing the systems and controls is a comprehensive risk register.
- **Assess** - Assess the impact of all risks in the Risk Register at the 1-in-10 and 1-in-200 confidence level using a score of 1 - 5. Assess the effectiveness of the controls supporting risks (through self-attestation).
- **Monitor** - Measure the current risk exposure against the Board's risk appetite as set out in the Risk Appetite Statements and as devolved into Risk Limits, Key Control and Key Risk Indicators.
- **Respond** - Where there are instances of risk taking outside the Board's expectations (outside risk appetite), ensure Board approved remediation actions are executed in a timely manner.
- **Report** - Report exceptions to the Board where the risk profile is outside the Board's Risk appetite or material controls are not operating in line with expectation. The reporting should also consider risk incidents, emerging risks and updates on remediation actions. At least annually, prepare an Own Risk and Solvency Assessment (ORSA) report, summarising the results of all risk management activities (ORSA process).
- **Risk Incidents** - Capture all risk incidents (unexpected events that cause, or nearly cause, a financial or reputational impact due to a failed control or unforeseen exposure) and update the processes and control environment in order to avoid repetition.
- **Emerging risks** - Be forward looking in our risk identification and consider risks that may emerge for the business due to internal or external change.

C.4. Own Risk and Solvency Assessment

The ORSA is carried out in accordance with the Association's ORSA Policy ("the Policy"). The Policy sets out required standards and guidance for conducting the ORSA process and reporting to ensure all relevant regulatory and business requirements are continuously met. The purpose of the Policy is to assist the Board in implementing consistent processes to demonstrate the link between business strategy, risk appetite, risk profile and solvency needs. The Policy is reviewed and approved annually by the Board.

The ORSA process, which incorporates the risk monitoring and reporting activities performed by the Association's Key Control Functions, operates continuously throughout the year as part of day-to-day business operations. Outcomes of the process and conclusions drawn are recorded in an annual report presented to and signed off by the Board. Key steps within the ORSA process are set out in Chart 1.

Chart 1: Summary of ORSA process



From a strategic perspective, the annual ORSA report provides the Board with a comprehensive assessment of the capital required to meet the Association’s strategic objectives over the next three years, based on its projected business plan and the risk profile this generates. From an operational point of view, ORSA processes and results are used to inform and support the Board when making key decisions, for example on calls on Members, returns of call, pricing, reinsurance purchase and investment strategy.

The 2024 ORSA includes an assessment of both the economic and regulatory capital position of the business projected to 30 September 2024 and for the next three years by reference to the Economic Capital Benchmark (ECB), SCR and MCR.

The ECB defines the amount of capital that must be held to implement the business strategy for the next three years to cover the risk of losses from all potential sources that exceed risk appetite up to the 99.5th level of confidence.

The SCR defines the amount of capital that the Association must hold to satisfy regulatory requirements. The benchmark set for the SCR is also at the 99.5th level of confidence, but measured over a one-year period.

The MCR, which represents the absolute minimum level of capital that the Association must hold to avoid regulatory action, is also measured over a one-year period but reflects the 85th level of confidence.

The Association has used the Solvency II Standard Formula to calculate its SCR and MCR.

The annual ORSA report is reviewed by the Board to ensure that it is accurate and provides the necessary information for capital allocation and strategic planning purposes. Once the Board is satisfied, it approves the report which is then submitted to the PRA.

The ORSA report is produced annually, which is consistent with the stable nature of the Association's capital needs over time. The ORSA may be undertaken more frequently if specific triggers occur which are set out in the Policy. However, none of these events has occurred since the last ORSA was prepared.

C.5. Internal control system

The Association's internal control system refers to a combination of activities carried out to eliminate or reduce the likelihood of risks materialising that are beyond the level of risk appetite considered within business plans and strategy.

Activities include:

- control management undertaken by the business, including half-yearly control attestations provided to the CRO as part of the risk register update. Each identified control owner attests to the performance and effectiveness of their control environment over the previous six months. The CRO reports the results and any associated recommendations every six months to the meetings of Griffin Managers and to the Board at the corresponding meeting;
- annual review and re-assessment of the Association's key risks by relevant risk owners, independently challenged by the CRO and reported to Griffin Managers half-yearly and to the Board;
- annual stress and scenario testing (including reverses stress tests) of the assumptions within the business plan to determine the financial, reputational, operational and capital impact of extreme adverse events. An agreed set of tests relevant to the Association's business plan and strategy are run by relevant members of the Finance and Actuarial Functions, reported to the CRO and included within the annual ORSA report;
- annual review and assessment of the effectiveness of the Association's risk management framework by the CRO;
- regulatory guidance, 'horizon scanning', recording and quarterly reporting of operational losses (actual, potential and near misses) and compliance breaches to the Board;
- half-yearly compliance monitoring and reporting to Griffin Managers and the Board; and
- independent assurance reviews conducted by Internal Audit.

Where control deficiencies exist, remedial actions, the person responsible for taking them and the timeframe within which the control deficiency will be addressed, are recorded and monitored by the CRO.

The Association is required to establish and implement the compliance activities necessary to demonstrate that it meets its regulatory expectations. These activities should be proportionate to the nature, scale, risk and complexity of the business. There are seven key areas in which the Compliance Function operates:

- The compliance system must make use of the "three lines of defence" model where the:
 - 1st Line: Business roles that are primarily responsible for achieving defined regulatory outcomes;
 - 2nd Line: The Risk and Compliance function, providing an independent view on the performance against risk and compliance activities. There could be times when the Risk and Compliance team will lead on a regulatory obligations and will act as a "1st line" role, but this should be minimised;
 - 3rd Line: The Internal audit function, providing independent assurance to a Non-Executive Director via the Audit Group.
- Identify all necessary controls for the business to demonstrate compliance with the regulatory responsibilities of the Managers and the Association in a proportionate manner, in line with the nature, scale and complexity of the business.
- Establish processes to regularly review and update the areas in scope of the compliance manual and the business controls, as necessary while allowing for regional variances, to reflect

- any changes in the regulatory requirements, statutory requirements or changes in the nature, scale or complexity of the business activities.
- Create awareness of the business controls expected to be operated by various business teams, particularly following a change in the controls listed.
- Integrate controls within the Risk Registers for the Managers and the Association as appropriate.
- Perform on-going compliance monitoring and report findings to the senior management and the Board via the Compliance Dashboard.
- Escalate exceptions to the Manager's Board or the Association's Board.

The key elements of the compliance system are:

- Identifying internal (following projects) and external change (horizon scanning) to the status quo.
- Assessing the updates required from time to time to compliance activities
- Monitoring the effectiveness of the compliance activities as part of the compliance dashboard
- Responding to exceptions in a timely manner through appropriate management action.

C.6. Internal audit function

Internal Audit, provided by the Managers on behalf of the Association, provides independent assurance, advice and insight to the Board, designed to add value to the business and improve its operational effectiveness. It helps the Association to accomplish its objectives by bringing a systematic, disciplined approach to the evaluation of the effectiveness of its governance, risk management and control processes.

The Internal Audit Function is governed by written Terms of Reference, setting out the function's role, mandate, independence and authority to act. The internal audit function is responsible for preparing:

- an internal audit universe based on the risks within the Association's risk register;
- a five-year strategic internal audit plan using a risk based approach for the timing and frequency of intended reviews; and
- an annual internal audit programme taking into consideration previous audit findings or those arising from the occurrence and cause of material unexpected losses, regulatory breaches or incidents involving financial crime as well as in response to feedback from regulators and management.

Internal audit and the annual internal audit programme are presented at each meeting of the Audit Group.

The internal audit function and holder of the associated regulatory role for the Association under the Senior Managers Regime, reports all findings and recommendations arising from the review work performed to the Audit Group at each meeting and has regular discussions with the chair of the Audit Group between meetings. Included within the internal audit function's reports is an update on the implementation by assigned individuals of previous recommendations. Material issues not addressed within agreed timescales are escalated to the Board.

The internal audit function has no direct operational responsibility or authority over any of the activities audited and is not permitted to implement internal controls, develop operational procedures, prepare records or engage in any other activity that may impair its judgement. The internal audit function is obligated to report to the Audit Group any interference and related implications in determining the scope of internal audit reviews, performing work and communicating results.

The internal audit function is independent from the organisational activities audited and free to exercise its assignments without impairment and on its own initiative in all areas. The internal audit function reports directly to the Chair of Audit Group.

C.7. Actuarial Function

The Association's Actuarial Function is made up of an internal actuarial team headed by a Chief Actuary employed by the Managers.

The internal actuarial team reports to the Managers' CFO. The Actuarial Function has responsibilities for the calculation of the Association's reserves and Solvency II technical provisions, its capital modelling, risk pricing and for providing analytical support to underwriters.

In accordance with Article 48 of the Solvency II Directive, The Chief Actuary has four main duties:

- to assess the appropriateness and adequacy of the Association's Solvency II technical provisions;
- to provide an opinion on the underwriting policy;
- to provide an opinion on the adequacy of reinsurance arrangements; and
- to contribute to the Association's risk management.

C.8. Outsourcing

Outsourcing is the use of a third party (either an affiliated entity within the same group or an external entity) to perform activities on a continuing basis that would normally be undertaken by the Association. The third party to whom an activity is outsourced is a 'service provider'.

The Association's approach to outsourcing is governed by the principles and standards set out in its Outsourcing Policy. This Policy acts as a guide to the Managers for assessing the materiality of risks associated with outsourcing any given activity or service and the steps that must therefore be taken to mitigate and manage this risk effectively.

The Policy establishes two fundamental principles:

- that the decision to outsource activities assessed as Critical (C) or Important (I) to the Association will be reserved for the Board; and
- the control framework through which outsourcing benefits and risks are assessed, controlled and monitored will be sufficiently robust to ensure that the Association's outsourcing arrangements will give advantage in practice.

Outsourcing is categorised as C or I if it would jeopardise adherence to the regulators' Threshold Conditions, which are required for the Association to maintain its UK regulatory authorisation. The assessment of materiality determines at the outset whether the nature of the outsourced arrangement will make it C or I, after which the same stages for approval will be followed, although proportionate to the nature and materiality of the activities to be outsourced.

The starting point is to compare the potential benefits with the foreseeable risks, to see whether there is sufficient value in the proposition to go through a tender process. The scoring used in this viability check to assess whether the benefits outweigh the risk, is set out as an appendix to the Outsourcing Policy.

Once the viability check is passed, the business sponsor will arrange for specific due diligence on a number of providers before presenting a value proposition and preferred service provider to either Griffin Managers' Board or, for C and I arrangements, the Board of the Association, for consideration and approval. The necessary due diligence, minimum contractual terms and approval process to be followed are set out in various appendices to the Outsourcing Policy and designed to ensure that:

- adequate review and assessment has been carried out on the impact of the outsourcing on the Association's risk profile and contingency plans in the event of service failure by the selected provider;
- the selected service provider has the ability, capability and legal authority to meet the Association's business requirements and is free of any conflicts of interest relevant to the outsourcing;
- the service provider is financially sound, professionally competent, appropriately experienced and has adequate insurance cover to meet its contractual obligations;

- contracts between the service provider and the Association setting out the duties and responsibilities of both parties are signed-off by appropriately authorised signatories and comply with all relevant legal and regulatory requirements;
- control mechanisms established by the Managers for monitoring the performance and quality of services provided by a third party are commensurate with the nature and materiality of the risk to which they expose the Association; and
- the outsourcing does not impair the Association's systems of governance or increase the level of operational risk.

The Association's C and I outsourcing arrangements relate to:

- the appointment of its Managers (United Kingdom); and
- the management of its investments by Schroders (United Kingdom).

The Board bears ultimate responsibility for outsourced functions, services, or activities and related governance.

C.9. Adequacy of system of governance

The Board considers that the System of Governance is appropriate for the nature, scale and complexity of the inherent risks facing the Association.

C.10. Any other information

The Association considers no other information material to be disclosed.

D. Risk profile

The Association is focused on the identification and management of exposure to risk through its core activity as a provider of insurance services. The key areas of risk faced by the Association can be classified as follows:

- Underwriting risk – incorporating premium and reserving risk;
- Market risk – incorporating equity risk, interest rate risk, spread risk and currency rate risk;
- Counterparty default risk – being the risk that a counterparty is unable to pay amounts in full when due;
- Liquidity risk - being the risk that cash may not be available to pay obligations as they fall due;
- Operational risk – being the risk of failure of internal processes or controls; and
- Strategic risk – being the risk that strategy is poorly set, executed or is unresponsive to external developments.

The Association manages these risks through the half-yearly Risk Register update, which uses metrics to monitor risk outcomes and control effectiveness and receives attestation on less significant controls from Risk Owners. Risk outcomes are compared with the results of the Association's SCR, outcomes of stress and scenario testing, self-reported Risk Incidents and Internal Audit findings to ensure that a rounded consideration of the Association's risk profile is provided to Griffin Managers and to the Board.

The assumptions underlying the Solvency II Standard Formula SCR are considered to be appropriate for the Association's risk profile. The Association's objective is to ensure that underwriting risk generally makes up 50% or more of the overall SCR split. However, as the Association's capital currently exceeds the SCR by a capital adequacy ratio of 456.62% a significant portion of free reserves are invested and attracting a market risk charge. The Association is in the process of managing down the excess capital which will increase underwriting risk and reduce market risk but this would be done over a phased process in accordance with the Association's capital management policy.

Table 5: Split of SCR by risk category

Key areas	2024	2023
	% of SCR	% of SCR
Underwriting risk	44.6%	49.0%
Market risk	51.1%	45.4%
Credit risk	2.3%	3.2%
Operational risk	2.0%	2.4%

D.1. Underwriting risk

The Association provides Members with cover for professional indemnity risks. The Association sets a projected level of Call based on a target confidence level, such that the call and investment income will be sufficient to meet net claims incurred over the full development of the policy year. The development of claims is monitored on a quarterly basis by Griffin Managers and the Board of the Association.

Reinsurance

The establishment of the Association's reinsurance programme is driven by the Board's objective of managing risk to an acceptable level and to optimise the Association's capital position. The programme comprises excess of loss reinsurance cover from reputable reinsurers in the London Market covering various reinsurance layers between £5.0 million and £30.0 million.

Management of claims cost – Loss Prevention

The Association's strategy is to help its Members to prevent and avoid the occurrence of incidents while ensuring the efficient handling and management of claims when they do occur. To facilitate this strategy, the Association has established programmes to ensure high levels of claims management and

to reduce claims risk. This includes an extensive loss prevention programme comprising a regular cycle of visits and reviews, where potential risk areas are identified, particularly those arising from new areas of practice, and measures are recommended for their control.

Reserving process

The Association establishes provisions for unpaid claims, both reported and unreported, and related expenses to cover its expected ultimate liability. These provisions are established through the application of actuarial techniques and assumptions and the key methods used by the Association in estimating liabilities are the chain ladder, Bornhuetter-Ferguson and collaboration with the claims' department to understand individual extreme claims. The adequacy of reserves is monitored by senior management quarterly and by the directors of Griffin Managers and the Audit Group, when a formal report is prepared by the Chief Actuary, setting out the reserves for each policy year and the calculation of the prudence margin held in the GAAP Financial Statements, and an explanation as to how these have moved since the last formal review.

The Association considers that the liability for insurance claims recognised in the statement of financial position is prudent and the Solvency II balance sheet is as a best estimate, understanding that actual experience will differ from the expected outcome.

Sensitivity testing of Underwriting risk

The Association carries out sensitivity testing on its claims reserves. The results of sensitivity testing are set out below, showing the impact on surplus/(deficit) before tax, gross and net of reinsurance. For each sensitivity, the impact of a change in a single factor is shown, with other assumptions unchanged. 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.

Table 6.1: Impact of an increase in loss ratio by 5 percentage points

	2024	2023
	£	£
Gross	1,677,486	1,609,594
Net of reinsurance	1,443,116	1,363,786

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

Table 6.2: Impact of an increase in loss ratio by 30 percentage points

	2024	2023
	£	£
Gross	10,064,918	9,657,565
Net of reinsurance	8,658,695	8,182,716

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

D.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. 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.

The prudent person principle

Under the Association's investment policy, all of its investments are invested and managed in accordance with the 'prudent person principle', meaning the duties of the Investment Managers are discharged with the care, skill, prudence and diligence that a prudent person acting in a like capacity would use in the conduct of an enterprise of like character and aims. More specifically the portfolio:

- is invested in assets and instruments whose risk can properly be identified, measured, monitored, managed, controlled and reported;
- ensures the security, quality and liquidity of the portfolio as a whole;
- is appropriate to the nature, currency and duration of the Association's insurance liabilities;
- includes derivative instruments only where they contribute to a reduction of risks or efficient portfolio management; includes only a prudent level of unlisted investments and assets;
- is diversified to avoid excessive reliance on any asset, issuer or group, or geographical area.

The funds are invested by the Investment Managers in accordance with parameters set by an Investment Mandate. The Investment Mandate provides a framework to the Investment Managers for the management and stewardship of the investment assets in conformity with the business and investment objectives and sets the parameters within which the Association's assets may be invested. It is considered and approved by the Board on an annual basis and ad hoc as required and is subject to the Association's Investment Policy. The Investment Managers report to the Board at each meeting.

Currency risk

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 5.0% as a reasonable benchmark to measure the impact of market risk.

Table 7: Impact of an increase or decrease in foreign exchange rates on surplus/(deficit) before tax and equity

	2023/24		2022/23	
	USD	Euro	USD	Euro
Foreign currency bond holdings:				
Effect of 5.0% (2023: 5.0%) increase in foreign exchange rates	156,602	67,749	401,949	21,590
Effect of 5.0% (2023: 5.0%) decrease in foreign exchange rates	(156,602)	(67,749)	(401,949)	(21,590)
Foreign currency cash holdings:				
Effect of 5.0% (2023: 5.0%) increase in foreign exchange rates	224,896	3,616	507,627	29,624
Effect of 5.0% (2023: 5.0%) decrease in foreign exchange rates	(224,896)	(3,616)	(507,627)	(29,624)

Interest rate risk

Interest rate risk is the risk that the fair value of future cashflows of a financial instrument will fluctuate because of changes in interest 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 Association uses a number of sensitivity management tools to understand volatility of surpluses/deficits.

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:

Table 8.1: Impact of an increase or decrease in interest rates

	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)

Table 8.2: Impact of 5.0% change in investment market values from a 5.0% increase or decrease in underlying prices

	2024	2023
	£	£
5.0% (2023: 5.0%) increase in Fixed Interest price	2,909,600	2,469,129
5.0% (2023: 5.0%) decrease in Fixed Interest price	(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 £71.3 million (2023: £55.2 million).

Table 9: Impact of 5% change in investment market values from a 5% increase or decrease in underlying prices

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

The tables above demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. It should be noted that these sensitivities are non-linear, and larger or smaller impacts should not be extrapolated or interpolated from these results. Management actions could include selling investments, changing investment portfolio allocation and taking other protective action. In addition, the financial position of the Association may vary at the time that any actual market movement occurs.

D.3. 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 under reinsurance contracts;
- amounts due from Members; and

- 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 securities, corporate bonds 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.

Table 10: Credit risk exposure by asset category

	2023/24 £	2022/23 £
Fixed interest investments	58,192,006	49,382,579
Equity 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 credit risk	163,102,263	142,059,897

Table 11: Credit risk exposure by rating band

	2023/24 £	2022/23 £
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

D.4. 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):

Table 12: Maturity bands by asset category

	Within 1 year £	1-2 years £	2-5 years £	Over 5 years £	Total £
At 30 September 2024					
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
	Within 1 year £	1-2 years £	2-5 years £	Over 5 years £	Total £
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 cashflows by financial liability. The timing of cashflows is based on current estimates and historic trends. The actual timings of cashflows may be different from those disclosed below:

Table 13: Maturity bands by liability category

	Within 1 year £	1-2 years £	2-5 years £	Over 5 years £	Total £
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 deferred income	108,324	-	-	-	108,324
Other Creditors	1,597,449	-	-	-	1,597,449
Total liabilities	16,089,913	5,162,226	18,734,843	8,188,055	48,175,037
	Within 1 year £	1-2 years £	2-5 years £	Over 5 years £	Total £
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 deferred 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

Expected profit in future premiums

The Association calculates the value of expected profit in future premiums by comparing the present value of expected future cash inflows with the present value of expected future cash outflows in respect of the same business. These cashflows are evaluated in accordance with the technical provisions calculation basis requirements set out in the Solvency II Directive and Commission Delegated Regulation. As at 30 September 2024, the Association's expected profit in future premium is £11.5 million (2023: £7.3 million).

D.5. Operational risk

Operational risk relates to the failure of internal processes, systems or controls due to human or other error. Operational risk is tolerated, but minimised by the Managers on behalf of the Association through the application of key mitigating controls. The Association documents all key procedures and controls in a procedures manual, which is embedded into the organisation, updated on a continuous basis and is available to all staff. Compliance with the procedures and controls documented within the manual is audited on a regular basis through the internal audit function which is directed and reviewed by the Managers and the Audit Group. A staff handbook contains all key policies that have been documented. The assessment of key operational risks and associated controls is recorded in the Association's Risk Register which is updated and reported to the Board on a quarterly basis.

Operational risk is also measured through a set of risk scenarios – those scenarios used in the Association's most recent ECB calculation relate to the following operational aspects of the strategy and business model:

- reliance on third parties;
- compliance failure;
- loss of key staff;
- underwriting;
- reinsurance;
- claims;
- business interruption;
- inaccurate management information; and

- internal or external fraud.

Operational risks relating to 'people' are controlled by the Managers through succession planning; staff training; having adequate professional indemnity insurance; validation of references; background checks and the segregation of duties.

Systems are controlled through data back up; Disaster Recovery design and regular testing of the Association's Business Continuity Plan.

All key control processes are documented in the Association's various operational policies and procedure manuals. Compliance is tested and monitored by the Association's Compliance, Risk Management and Internal Audit functions and reported to the Board by the CRO and Internal Audit respectively.

D.6. Other material risks

The Association has not identified any other material risks that it considers necessary for disclosure.

D.7. Any other information

The Association considers no other information material to be disclosed.

E. Valuation for solvency purposes

This section provides information on the valuation of assets, technical provisions and other liabilities within the Association's SII balance sheet at 30 September 2024.

In accordance with SII valuation regulations the Association has valued its assets and liabilities at fair value. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

The Association applies the methodology and valuation hierarchy in accordance with Article 75 of the Level 1 Directive (or where specifically provided for by Delegated Acts):

- As the default valuation method the Company values assets and liabilities using quoted market prices in active markets for the same assets or liabilities;
- Where the use of quoted market prices in active markets for the same assets or liabilities is not possible, assets and liabilities are valued using quoted market prices in active markets for similar assets and liabilities with adjustments to reflect differences;
- Where these criteria are not met, alternative valuation methods are used.

E.1. Valuation of assets

The following table sets out the value of the Association's assets at 30 September 2024 and 2023.

Table 14: Valuation difference between assets held on a GAAP basis and SII basis

	2024			2023		
	Assets per GAAP £m	Assets per Solvency II £m	Variance £m	Assets per GAAP £m	Assets per Solvency II £m	Variance £m
Financial investments	153.0	153.0	0.0	131.0	131.0	0.0
Reinsurance recoverable	0.1	(0.7)	0.7	0.3	1.0	(0.7)
Other assets	10.0	10.1	-	10.8	10.8	-
Total Assets	163.1	162.4	0.7	142.1	142.8	(0.7)

In general, the valuation method of assets is aligned with the statutory accounts and so the basis of preparation aligns with the accounting policies outlined in the Association's annual Report and Financial Statements in note 2. Exceptions to these methods are outlined in the relevant sections below.

Investments

The Association's investments are valued for Solvency II purposes on the same basis as the annual financial statements, which follow UK GAAP. All of the Association's investments are traded on mainstream exchanges.

Reinsurers' share of technical provisions

In the Solvency II balance sheet, the reinsurers' share of technical provisions is valued on a best estimate basis and also include the BBNI business (allowing for the expected recoveries and the cost of the reinsurance programme).

Other assets

The differences in the valuation between UK GAAP and Solvency II relates to the recognition of accrued interest, if any accrued interest has been accounted for, which has been recognised for Solvency II purposes under Investments and for UK GAAP purposes under other assets. All other assets are valued for Solvency II purposes on the same basis as the GAAP financial statements.

There were no changes to any of the recognition criteria or valuation methods during the year.

E.2. Technical provisions

At 30 September 2024, the Association held gross technical provisions (including risk margin), valued for Solvency II purposes, of £13.2 million (2023: £20.0 million). This decrease is predominately due to higher expected surplus for the BBNI than at the previous year end.

The assessment of these technical provisions is based on commonly accepted actuarial techniques applied in a consistent manner. Whilst professional judgement has been exercised in all instances, projections of future ultimate losses and loss expenses are inherently uncertain due to the random nature of claim occurrences. The accuracy of the results is dependent upon the accuracy of the underlying data and additional information supplied to the actuarial teams.

The following table shows the analysis of these provisions between best estimate and risk margin at 30 September 2024 and 2023:

Table 15: Valuation difference between technical provisions held on a GAAP basis and SII basis

	2024			2023		
	Gross £m	RI £m	Net £m	Gross £m	RI £m	Net £m
Balance per UK GAAP	36.2	0.0	36.2	40.0	0.3	39.7
Prudence Margin (GAAP to BE)	(12.9)	0.0	(12.9)	(15.2)	0.0	(15.2)
Bound but not incepted ("BBNI") business	(12.1)	(0.6)	(11.5)	(6.0)	1.3	(7.3)
Non-investment expenses	0.2	0.0	0.2	0.0	-	0.0
RI credit default	0.0	(0.0)	0.0	-	-	-
ENID	2.5	0.5	2.0	2.3	0.5	1.7
Investment expenses	0.1	0.0	0.1	0.2	-	0.2
Discounting	(4.6)	(0.6)	(3.9)	(6.0)	(1.1)	(5.0)
Balance per Solvency II before risk margin adjustment	9.5	(0.7)	10.2	15.2	1.0	14.1
Risk Margin	3.8	-	3.8	4.9	-	4.9
Balance per SII	13.2	(0.7)	14.0	20.0	1.0	19.0
Variance between SII and GAAP	23.0	0.7	22.2	20.0	(0.7)	20.7

Since the Solvency II technical provisions figure is a best estimate, the UK GAAP technical provisions are adjusted for the following items:

- all margins for prudence are removed;
- a provision is made for events not in data (ENID) to represent a true average of future outcomes;
- technical provisions are stated both gross and net of reinsurance;
- an allowance is made for Bound But Not Incepted (BBNI) business; and
- an additional Solvency II risk margin which is intended to represent a notional market value adjustment.

The Association values technical provisions (TPs) using the regulations and methodology prescribed by the Solvency II Directive.

Solvency II Technical Provisions methodology

Technical provisions (TPs) for Solvency II purposes are made up of a best estimate of claims, premiums and expense cashflows, which are then discounted. Finally, a risk margin is added. The best estimate cashflows are the amounts expected to be paid/received in the future without any margin of prudence. Each element of the TPs is described in more detail below.

Homogeneous risk groups

The Association uses one homogeneous risk group for TPs as it writes only professional indemnity cover for intermediaries.

Gross claims cashflows and reinsurance recoveries

Gross claims are projected to ultimate cost using standard actuarial techniques including Bornhuetter-Ferguson and chain ladder with some judgement overlaid. This judgement is important because the low volume of claims causes the data to be volatile. The key assumptions made include the best estimate for individual large claims, initial expected claims estimates for recent policy years and the projected incurred development pattern.

These methods are considered appropriate given that the data includes years which are fully run off, the business written has been stable and there have been no material changes in the way claims are handled.

At the valuation date, 30 September 2024, the Association had no unearned business except for BBNI. This is because all coverage is annual, renews prior to year end and incepts on the first day of the policy year. For the purposes of Solvency II any business that is bound to be written before the beginning of the Association's financial year (i.e. from 1 October 2024) is included in the calculation of TPs. However this concept is not applicable under UK GAAP where only business that has incepted is included in the TPs at the valuation date. BBNI includes all cash inflows as well as outflows and in the Association's case this includes advance call, acquisition and administration expenses, reinsurance premiums, projected gross claims and corresponding reinsurance recoveries. The BBNI cashflow inputs of premiums and associated expenses are obtained from the renewal result; and the ultimate gross claims and reinsurance recoveries are outputs from the Association's premium risk model. This is a stochastic model which projects future gross claims by applying a statistical distribution (based on historical claims experience) to the exposure. The gross claims are then subjected to the reinsurance programme to obtain the expected reinsurance recoveries.

A percentage loading is added to both earned and BBNI business to allow for ENIDs, which allows for severe events to which the Association could be exposed but which are absent from the historical data.

Projected cashflows are estimated by applying payment patterns to the estimates of the ultimate gross claims and recoveries. The assumed payment patterns are derived using chain ladder methodology on historical gross paid claims triangles.

Premiums

There are no further premium cashflows expected relating to prior years.

Each of the Association's policy years is coterminous with its corresponding financial year. The consequence is that a full year's worth of business is recognised as BBNI business. A provision on the Solvency II balance sheet, known as the premium provision, is thus made for future premiums, claims and expenses that relate to BBNI business. Gross and reinsurance premiums for the BBNI business are taken from the renewal result.

Expenses

Acquisition and administrative expenses

There are no acquisition or administrative expenses relating to unearned business.

For BBNI business, acquisition costs and internal administrative costs are calculated as a percentage of the total operating costs from the business plan for the forthcoming policy year. The operating costs from the business plan are set assuming a percentage increase in operating costs from 2023/24 plus some specific additional costs. The external administrative costs are consistent with the business plan.

Claims handling expenses

Allocated claims handling expenses are assumed to be included in the best estimate claims reserves and, therefore, no explicit allowance is made.

Unallocated claims handling expenses payable in future years are split between expenses paid for the 2024/25 policy year and claims relating to prior policy years.

Investment management expenses

The investment management expenses are calculated as an assumed percentage of the sum of the discounted TPs (excluding investment expenses) at each future valuation date. The assumed percentage is calculated as the annual investment management expenses divided by funds under management.

Discounting

Claims, premium and expense cashflows have been discounted using the weighted average yield curve based on the GBP, USD and EUR PRA yield curves and an assumed mix of cashflows in GBP, USD and EUR as at 30 September 2024.

Risk Margin

The method used to calculate the risk margin is to:

- calculate the SCR for the Association using the standard formula;
- project the future SCRs using different run off patterns for different elements of the SCR as follows:
 - Non-life premium risk and operational risk are combined and run off in proportion to the square root of the percentage of future gross claims cashflows.
 - Counterparty default risk is run off in proportion to the square root of the percentage of future reinsurance recovery cashflows.
- discount and sum the projected SCRs and multiply by the cost of capital. The cost of capital has decreased since last year end from 6% to 4% because of changes brought about by Solvency UK.

Uncertainty associated with the value of technical provisions

The estimate of the Solvency II TPs is considered to be an assessment of future obligations. However, it remains an approximation. Factors affecting the level of uncertainty are both internal and external and the nature of these factors is such that they are difficult to quantify in both likelihood and magnitude. The issues that affect the certainty of the technical provisions include:

- The projection of numerous cashflows, including future premiums, claim payments and reinsurance recoveries on these payments. None of these will develop exactly as projected and deviations from these projections are normal and to be expected.
- The assumptions used to calculate the Premium Provision are based on the expectation of an 'average year'. Actual underwriting performance for that business may vary significantly from the assumed position at the outset.
- The yield curves used to discount future cashflows can vary from one year to the next which introduces additional balance sheet volatility that does not exist on a UK GAAP balance sheet.
- There is greater uncertainty associated with more recent policy years as these are still in an early stage of development.

- For certain elements of the technical provisions, for example ENID, very little data exists on which to base the assumptions and hence a high degree of judgement is required, which could lead to increased uncertainty in the estimates.

Data adjustments and recommendations

The Association uses various sources of data for the calculation of the Solvency II technical provisions and the Standard Formula. The majority of the data used is taken from the internal claims handling and policy system, CLUB. A data governance framework has been put in place to support the data used is complete, accurate and appropriate. In addition to the data governance framework, validation tests are performed throughout the technical provisions calculation which includes reconciliation tests to ensure the data is consistent and reconcilable to data used for other purposes around the business for example, the Association's year-end financial statements.

No other adjustments have been applied to the technical provisions such as the matching adjustment or volatility adjustments. Neither have any transitional arrangements been applied, for example on the risk free interest rate term structures. There were no data deficiencies for which an adjustment was necessary.

Changes since the last reporting period

There have been no material changes in the TPs methodology since the previous period.

E.3. Other liabilities

The following table sets out the value of the Association's other liabilities at 30 September 2024 and 2023.

Table 16: Valuation difference between other liabilities held on a GAAP basis and SII basis

	2024			2023		
	Liabilities per GAAP	Liabilities per Solvency II	Variance	Liabilities per GAAP	Liabilities per Solvency II	Variance
	£m	£m	£m	£m	£m	£m
Member creditors	10.3	10.3	-	8.2	8.2	-
Other creditors	1.7	1.7	-	0.8	0.8	-
Reinsurance creditors	0.0	0.0	-	0.0	0.0	-
Total liabilities	12.0	12.0	-	9.0	9.0	-

The Association's other liabilities are recognised and valued for Solvency II purposes on the same basis as the annual financial statements, which are based on UK GAAP and there are no differences between the two.

E.4. Alternative methods of valuation

The Association does not use any alternative valuation methods.

E.5. Any other information

The Association considers no other information material to be disclosed.

F. Capital management

F.1. Own funds

The Association's Business Plan and ORSA process measure the Association's current and projected capital and solvency position over a three-year time horizon. The core capital management objective over this time horizon is for the Association to maintain Tier 1 basic own funds at a level which provides a capital buffer in excess of the higher of its SCR and its ORSA derived solvency needs.

The Association has a simple capital structure, with balance sheet reserves comprising a single item derived from past underwriting and investment surpluses.

The Association's objective is to maintain its total capital resources (own funds) in line with its risk appetite statement over the insurance cycle. The Association forecasts its capital over a three-year planning horizon as part of its ORSA process.

At 30 September 2024 and 2023, the Association held the following own funds, on a Solvency II basis.

Table 17: Breakdown of total reconciliation reserve for SII

	2023/24 £m	2022/23 £m
Income and expenditure account	67.8	51.1
Investment reserve	12.1	6.9
General reserve	25.0	25.0
Reinsurance reserve	10.0	10.0
Total resources	114.9	93.0
Solvency II adjustment	22.2	20.6
Total adjusted resources	137.1	113.6

As a mutual insurer with no share capital the capital structure consists of only one type of own fund. This consists of the reconciliation reserve. The reconciliation reserve equals the total excess of assets over liabilities. This item is available to fully absorb losses both on a going concern basis and in the case of winding up. The item also satisfies the criteria in Delegated Regulation (EU) 2015/35 and therefore is included in Tier 1. There are no items that are foreseen to reduce the reconciliation reserve.

Table 18: Analysis of total SII own funds by tier

	2023/24 £m	2022/23 £m
Tier 1	137.1	113.6
Tier 2	-	-
Tier 3	-	-
Eligible own funds	137.1	113.6

Analysis of significant changes during the period

The following table shows the reconciliation between UK GAAP total resources and Solvency II reconciliation reserve at 30 September 2024.

Table 19: Reconciliation of total resources per UK GAAP to reconciliation reserve per SII

	£m
Total resources – UK GAAP	114.9
Asset valuation difference	(0.7)
Gross technical provisions valuation difference	23.0
Liability valuation difference	-
Reconciliation reserve – Solvency II	137.1

Differences between capital and reserves in the UK GAAP financial statements and the excess of assets over liabilities as calculated for SII purposes mainly stem from the revaluation of technical provisions. Liabilities arising from insurance contracts also need to be recognised at market consistent values. The value of technical provisions under SII is equal to the sum of the best estimate of the liabilities and the risk margin. To calculate the best estimate of the liabilities a deterministic approach is taken, whereas the risk margin represents the capital costs of the non-hedgeable risks included in the best estimate.

The following table shows the movement in own funds between 30 September 2023 and 30 September 2024:

Table 20: Movement in reconciliation reserve

	£m
Own funds at 30 September 2023	113.6
Decrease in net technical provisions	5.0
Increase in investments	22.0
Increase in other assets	(0.7)
Increase in other liabilities	(2.9)
Own funds at 30 September 2024	137.1

F.2. Solvency Capital Requirement and Minimum Capital Requirement

F.2.1. Solvency capital requirement

The following table shows an analysis of the Association's SCR split by risk modules and comparison to the previous year end.

Table 21: Analysis of SCR

Heads of risk	SCR		
	2023/24 £m	2022/23 £m	Movement £m
Underwriting risk	17.1	15.3	1.8
Market risk	19.6	14.2	5.4
Counterparty default risk	0.9	1.0	(0.1)
Operational risk	0.8	0.8	-
Aggregate SCR	38.3	31.2	7.1
Correlation credit	(8.1)	(6.7)	(1.4)
Aggregate SCR net of correlations	30.2	24.6	5.6

The Association has not used any simplified calculations as set out in Article 304 of Directive 2009/138/EC in the calculation of the SCR. The Association has not used undertaking-specific parameters in any of the risk modules described below.

The main changes in the SCR since 30 September 2023 reflect the following factors.

Underwriting risk

The SCR underwriting risk capital requirement calculation is made up of three elements, premium risk, reserve risk and catastrophe (CAT) risk. Premium risk is based on the higher of either the expected value of net premiums over the next 12 months or the value of net premiums earned over the last 12 months, whilst reserve risk is based on the valuation of net technical (claims) provisions. CAT risk is based on a prescribed scenario-based approach of one claim from a Member resulting in one full claim on the Association.

The Association has experienced a significant growth in membership in recent years resulting in an increase in the Association's underlying exposure and premiums. This ongoing increase in premiums is the predominant reason for increased premium risk. Reserve risk has decreased slightly due to lower claims provisions, compared to this time last year. However, the increase in premium risk outweighs the reduction in reserve risk, resulting in an overall increase.

CAT risk remains largely unchanged. This is because it is calculated as a loss equal to the forthcoming year's premium with the current reinsurance programme applied. As the reinsurance programme is largely unchanged the catastrophe risk charge is similar.

There is an overall increase in underwriting risk of 12%.

Market risk

Market risk reflects a combination of areas - interest rate risk, equity risk, currency risk, spread risk and concentration risk. Overall, market risk has increased from £14.2 million to £19.6 million (a 38% increase) since last year. The largest factor in this increase is equity risk. Equity investments have increased from £8.2 million last year end to £17.9 million at the current year end causing a significant increase. In addition, the treatment of the Malta Cell has been revised and now the £3.4 million capital provided to the Malta cell has been considered as a strategic equity, attracting a 22% capital charge. The revised approach to the Malta Cell has also resulted in concentration risk increasing from £0.8

million to £1.3 million. Additionally, the Association's assets and liabilities are less well matched by currency compared to last year, resulting in an increase in currency risk.

Counterparty default risk

The counterparty default risk charge has decreased by £0.1 million since last year. This is due to a decrease in reinsurance recoveries as well as an improvement to the S&P credit rating of the Lloyd's of London.

Operational risk

There has been a negligible change in the operational risk since last year.

Overall SCR movement

Overall, the SCR has increased by £5.6 million year on year, from £24.6 million last year to £30.2 million this year. This represents a 22% increase.

F.2.2. Minimum capital requirement

The MCR calculation is based on the net value of technical provisions and the expected level of retained premiums over the next 12 months. The result of the calculation is then subject to a floor and a cap, of 25% and 45% of the SCR respectively. As at 30 September 2024, the MCR continues to be set at the minimum level, i.e. equal to 25% of the SCR. The MCR as at 30 September 2024 is £7.6 million, which is an increase of £1.5 million from last year. This also represents a 22% increase.

F.2.3 Overall capital position

The following table shows the Association's capital position in relation to the SCR and the MCR at 30 September 2024.

Table 22: Overall capital position

	SCR £m	MCR £m
Capital requirement	30.2	7.6
Own funds available	137.1	137.1
Headroom	106.9	129.6
Solvency ratio	454%	1816%

By reference to the SCR and MCR, the Solvency II own funds substantially exceed the capital requirements. By these measures, the Association remains in a satisfactory capital position and the Board will therefore have considerable flexibility in some of the key decisions to be made over the next 12 months.

F.3. Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

The Association does not use this sub-module.

F.4. Difference between standard formula and any internal model used

No internal or partial internal model has been used in the calculation of the SCR.

F.5. Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

The Association has fully complied with the SCR and MCR requirements during the period under review. The calculation of the SCR and MCR is subject to supervisory assessment and may change following the review of the SCR and MCR calculation by the Regulator

F.6. Any other information

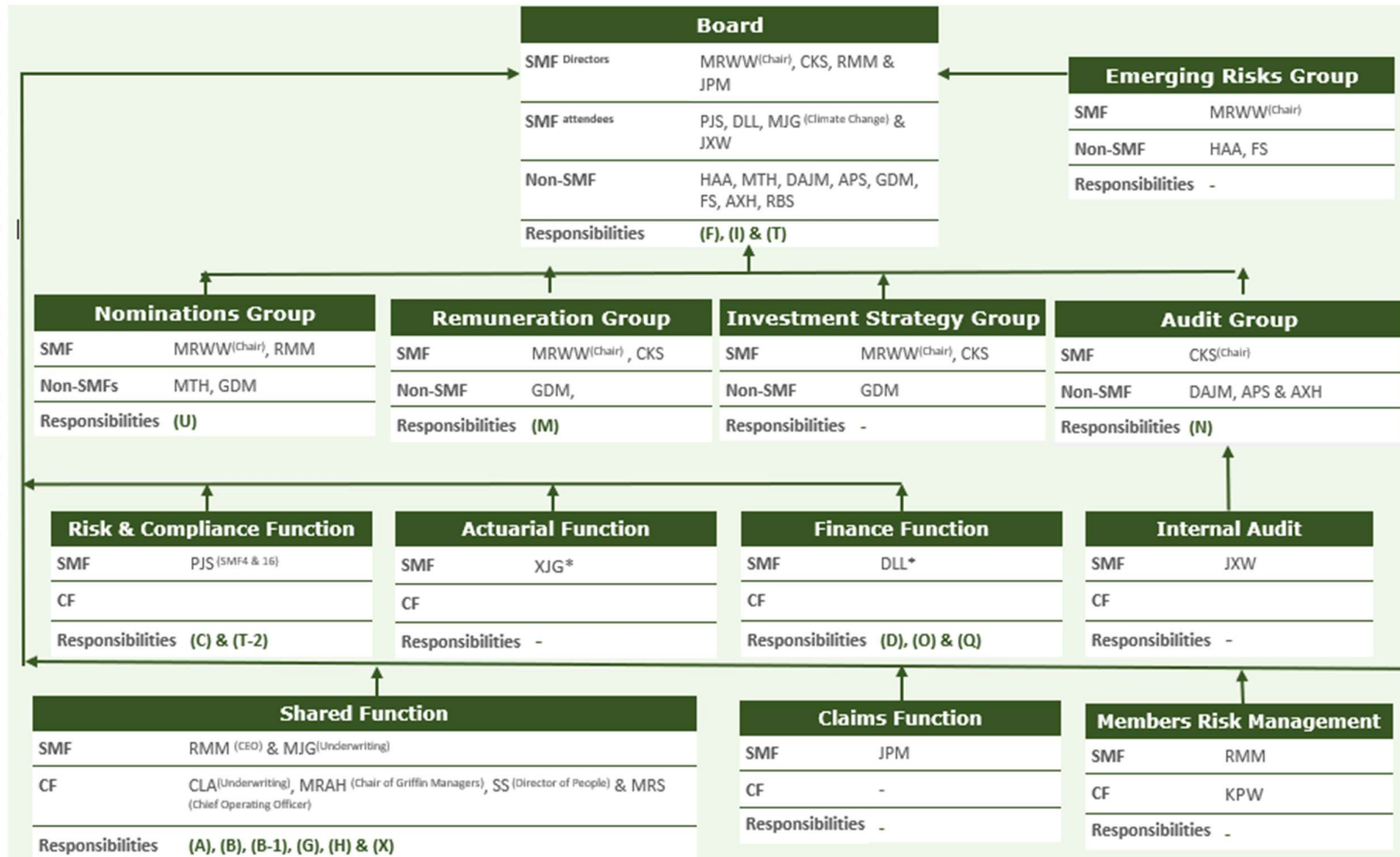
There is no other information to report regarding the Association's capital management.



Appendix A: Governance map and organisational chart

Initials	Name
Senior Managers Function. (SMF)	
CKS	Chetan Shah
DLL	Dave Lamb*
JXW	Jennifer Wright
JPM	Julian McGuiggan
MJG	Matthew Grover
MRWW	Mark Warren
PJS	Phillippa Smith
RMM	Rhona May
XJG	Ximena Gill*
Certification Function (CF)	
CLA	Claire Alexander
KPW	Kerri Whitehouse
MRAH	Mike Hall
MRS	Michael Stevenson
SS	Samira Shafi
Notified NEDs (non-SMF)	
APS	Adam Stafford
AXH	Andrew Hedger
DAJM	Duncan McKechnie
FS	Finlay Smith
GDM	Gary Masters
HAA	Hugh Armytage
MTH	Maryse Hazell
RBS	Rebecca Scott

* Subject to Regulatory Process





Appendix B: Solvency II quantitative reporting templates

The Griffin Insurance

Solvency and Financial Condition Report

Disclosures

30 September

2024

(Monetary amounts in GBP thousands)

General information

Undertaking name	The Griffin Insurance Association Limited
Undertaking identification code	213800HUU1N8T1R5KG21
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	30 September 2024
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

- S.02.01.02 - Balance sheet
- S.05.01.02 - Premiums, claims and expenses by line of business: Non-life insurance and reinsurance obligations
- S.05.02.01 - Premiums, claims and expenses by country: Non-life insurance and reinsurance obligations
- S.17.01.02 - Non-Life Technical Provisions
- S.19.01.21 - Non-Life insurance claims
- S.23.01.01 - Own Funds
- S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
- S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.02.01.02

Balance sheet

		Solvency II value
		C0010
Assets		
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	152,974
R0080	<i>Property (other than for own use)</i>	0
R0090	<i>Holdings in related undertakings, including participations</i>	0
R0100	<i>Equities</i>	3,411
R0110	<i>Equities - listed</i>	
R0120	<i>Equities - unlisted</i>	3,411
R0130	<i>Bonds</i>	0
R0140	<i>Government Bonds</i>	0
R0150	<i>Corporate Bonds</i>	0
R0160	<i>Structured notes</i>	0
R0170	<i>Collateralised securities</i>	0
R0180	<i>Collective Investments Undertakings</i>	149,563
R0190	<i>Derivatives</i>	
R0200	<i>Deposits other than cash equivalents</i>	0
R0210	<i>Other investments</i>	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	<i>Loans on policies</i>	0
R0250	<i>Loans and mortgages to individuals</i>	
R0260	<i>Other loans and mortgages</i>	
R0270	Reinsurance recoverables from:	-680
R0280	<i>Non-life and health similar to non-life</i>	-680
R0290	<i>Non-life excluding health</i>	-680
R0300	<i>Health similar to non-life</i>	0
R0310	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	0
R0320	<i>Health similar to life</i>	
R0330	<i>Life excluding health and index-linked and unit-linked</i>	
R0340	<i>Life index-linked and unit-linked</i>	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	187
R0370	Reinsurance receivables	101
R0380	Receivables (trade, not insurance)	1,136
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	8,642
R0420	Any other assets, not elsewhere shown	
R0500	Total assets	162,360

S.02.01.02

Balance sheet

Solvency II value	
C0010	
Liabilities	
R0510 Technical provisions - non-life	13,232
R0520 <i>Technical provisions - non-life (excluding health)</i>	13,232
R0530 <i>TP calculated as a whole</i>	0
R0540 <i>Best Estimate</i>	9,466
R0550 <i>Risk margin</i>	3,766
R0560 <i>Technical provisions - health (similar to non-life)</i>	0
R0570 <i>TP calculated as a whole</i>	0
R0580 <i>Best Estimate</i>	0
R0590 <i>Risk margin</i>	0
R0600 Technical provisions - life (excluding index-linked and unit-linked)	0
R0610 <i>Technical provisions - health (similar to life)</i>	0
R0620 <i>TP calculated as a whole</i>	
R0630 <i>Best Estimate</i>	
R0640 <i>Risk margin</i>	
R0650 <i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	0
R0660 <i>TP calculated as a whole</i>	
R0670 <i>Best Estimate</i>	
R0680 <i>Risk margin</i>	
R0690 Technical provisions - index-linked and unit-linked	0
R0700 <i>TP calculated as a whole</i>	
R0710 <i>Best Estimate</i>	
R0720 <i>Risk margin</i>	
R0740 Contingent liabilities	
R0750 Provisions other than technical provisions	
R0760 Pension benefit obligations	
R0770 Deposits from reinsurers	
R0780 Deferred tax liabilities	
R0790 Derivatives	
R0800 Debts owed to credit institutions	
R0810 Financial liabilities other than debts owed to credit institutions	
R0820 Insurance & intermediaries payables	10,279
R0830 Reinsurance payables	
R0840 Payables (trade, not insurance)	1,706
R0850 Subordinated liabilities	0
R0860 <i>Subordinated liabilities not in BOF</i>	
R0870 <i>Subordinated liabilities in BOF</i>	0
R0880 Any other liabilities, not elsewhere shown	
R0900 Total liabilities	25,217
R1000 Excess of assets over liabilities	137,143

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020 Accident year / underwriting year

Gross Claims Paid (non-cumulative)														
(absolute amount)														
Year	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180	
	Development year										In Current year	Sum of years (cumulative)		
	0	1	2	3	4	5	6	7	8	9	10 & +			
R0100	Prior											232	232	232
R0160	-9	24	67	228	3	0	0	0	0	0	0	0	0	322
R0170	-8	6	256	94	61	3	0	0	0	0	0	0	0	420
R0180	-7	429	1,297	1,716	412	501	13	-39	-1					4,327
R0190	-6	74	32	579	0	0	0	0						686
R0200	-5	349	400	752	87	256	53							1,897
R0210	-4	62	158	2,307	252	3,710								6,488
R0220	-3	33	180	877	32									1,122
R0230	-2	156	1,167	646										1,969
R0240	-1	15,480	349											15,828
R0250	0	146												146
R0260														
												Total	5,165	33,436

Gross Undiscounted Best Estimate Claims Provisions													
(absolute amount)													
Year	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360	
	Development year											Year end (discounted data)	
	0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											25	24
R0160	-9	0	4,688	1,286	250	89	71	34	46	0	0	0	0
R0170	-8	12,292	4,636	1,682	731	512	441	56	0	0			0
R0180	-7	9,214	9,287	7,530	5,283	834	1,016	681	544				489
R0190	-6	5,555	4,101	682	41	29	43	83					72
R0200	-5	4,736	6,863	2,669	2,251	161	59						50
R0210	-4	7,293	8,384	6,752	6,634	3,321							3,002
R0220	-3	4,279	4,915	1,287	205								188
R0230	-2	18,053	5,698	5,963									5,418
R0240	-1	9,933	5,383										4,868
R0250	0	8,417											7,459
R0260													
												Total	21,572

S.23.01.01

Own Funds

Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35

R0010	Ordinary share capital (gross of own shares)
R0030	Share premium account related to ordinary share capital
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings
R0050	Subordinated mutual member accounts
R0070	Surplus funds
R0090	Preference shares
R0110	Share premium account related to preference shares
R0130	Reconciliation reserve
R0140	Subordinated liabilities
R0160	An amount equal to the value of net deferred tax assets
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above
R0220	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds
R0230	Deductions for participations in financial and credit institutions
R0290	Total basic own funds after deductions

Ancillary own funds

R0300	Unpaid and uncalled ordinary share capital callable on demand
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
R0320	Unpaid and uncalled preference shares callable on demand
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0390	Other ancillary own funds
R0400	Total ancillary own funds

Available and eligible own funds

R0500	Total available own funds to meet the SCR
R0510	Total available own funds to meet the MCR
R0540	Total eligible own funds to meet the SCR
R0550	Total eligible own funds to meet the MCR

R0580 SCR

R0600 MCR

R0620 Ratio of Eligible own funds to SCR

R0640 Ratio of Eligible own funds to MCR

Reconciliation reserve

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

Expected profits

R0770	Expected profits included in future premiums (EPIFP) - Life business
R0780	Expected profits included in future premiums (EPIFP) - Non- life business
R0790	Total Expected profits included in future premiums (EPIFP)

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
0	0		0	
0	0		0	
0	0		0	
0		0	0	0
0	0			
0		0	0	0
0		0	0	0
137,143	137,143			
0		0	0	0
0				0
0	0	0	0	0
0				
0				
0				
0			0	0
0				
137,143	137,143	0	0	0

0				
0				
0				
0				
0				
0				
0				
0				
0				
0				
0			0	0

137,143	137,143	0	0	0
137,143	137,143	0	0	
137,143	137,143	0	0	0
137,143	137,143	0	0	
30,204				
7,551				
454.06%				
1816.25%				

C0060
137,143
0
0
0
137,143

11,489
11,489

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0120
R0010 Market risk	19,564		
R0020 Counterparty default risk	876		
R0030 Life underwriting risk	0		
R0040 Health underwriting risk	0		
R0050 Non-life underwriting risk	17,097		
R0060 Diversification	-8,098		
R0070 Intangible asset risk	0		
R0100 Basic Solvency Capital Requirement	29,438		
Calculation of Solvency Capital Requirement			
R0130 Operational risk	766		
R0140 Loss-absorbing capacity of technical provisions	0		
R0150 Loss-absorbing capacity of deferred taxes			
R0160 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0		
R0200 Solvency Capital Requirement excluding capital add-on	30,204		
R0210 Capital add-ons already set	0		
R0220 Solvency capital requirement	30,204		
Other information on SCR			
R0400 Capital requirement for duration-based equity risk sub-module	0		
R0410 Total amount of Notional Solvency Capital Requirements for remaining part	0		
R0420 Total amount of Notional Solvency Capital Requirements for ring fenced funds	0		
R0430 Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0		
R0440 Diversification effects due to RFF nSCR aggregation for article 304	0		
Approach to tax rate			
R0590 Approach based on average tax rate	0		
Calculation of loss absorbing capacity of deferred taxes			
	LAC DT		
	C0130		
R0640 LAC DT			
R0650 LAC DT justified by reversion of deferred tax liabilities	0		
R0660 LAC DT justified by reference to probable future taxable economic profit	0		
R0670 LAC DT justified by carry back, current year	0		
R0680 LAC DT justified by carry back, future years	0		
R0690 Maximum LAC DT	0		

USP Key

For life underwriting risk:

- 1 - Increase in the amount of annuity benefits
- 9 - None

For health underwriting risk:

- 1 - Increase in the amount of annuity benefits
- 2 - Standard deviation for NSLT health premium risk
- 3 - Standard deviation for NSLT health gross premium risk
- 4 - Adjustment factor for non-proportional reinsurance
- 5 - Standard deviation for NSLT health reserve risk
- 9 - None

For non-life underwriting risk:

- 4 - Adjustment factor for non-proportional reinsurance
- 6 - Standard deviation for non-life premium risk
- 7 - Standard deviation for non-life gross premium risk
- 8 - Standard deviation for non-life reserve risk
- 9 - None

S.28.01.01

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

Linear formula component for non-life insurance and reinsurance obligations

R0010 MCR_{NL} Result

C0010

4,826

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
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C0020

C0030

C0020	C0030
0	
0	
0	
0	
0	
0	
0	
0	
10,146	28,862
0	
0	
0	
0	
0	
0	
0	
0	

- R0020 Medical expense insurance and proportional reinsurance
- R0030 Income protection insurance and proportional reinsurance
- R0040 Workers' compensation insurance and proportional reinsurance
- R0050 Motor vehicle liability insurance and proportional reinsurance
- R0060 Other motor insurance and proportional reinsurance
- R0070 Marine, aviation and transport insurance and proportional reinsurance
- R0080 Fire and other damage to property insurance and proportional reinsurance
- R0090 General liability insurance and proportional reinsurance
- R0100 Credit and suretyship insurance and proportional reinsurance
- R0110 Legal expenses insurance and proportional reinsurance
- R0120 Assistance and proportional reinsurance
- R0130 Miscellaneous financial loss insurance and proportional reinsurance
- R0140 Non-proportional health reinsurance
- R0150 Non-proportional casualty reinsurance
- R0160 Non-proportional marine, aviation and transport reinsurance
- R0170 Non-proportional property reinsurance

Linear formula component for life insurance and reinsurance obligations

R0200 MCR_L Result

C0040

0

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
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C0050

C0060

C0050	C0060

- R0210 Obligations with profit participation - guaranteed benefits
- R0220 Obligations with profit participation - future discretionary benefits
- R0230 Index-linked and unit-linked insurance obligations
- R0240 Other life (re)insurance and health (re)insurance obligations
- R0250 Total capital at risk for all life (re)insurance obligations

Overall MCR calculation

- R0300 Linear MCR
- R0310 SCR
- R0320 MCR cap
- R0330 MCR floor
- R0340 Combined MCR
- R0350 Absolute floor of the MCR
- R0400 Minimum Capital Requirement

C0070

4,826
30,204
13,592
7,551
7,551
2,359
7,551