THE GRIFFIN INSURANCE ASSOCIATION

ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2023

CONTENTS

STRATEGIC REPORT

The directors present their Strategic Report for the year ended 30 September 2023.

The Griffin Insurance Association Limited (Griffin or the Association) is a mutual insurance company which provides professional indemnity insurance to a select group of insurance intermediaries, which includes both brokers and Managing General Agents, (the Members). The Association was founded in 1988 and currently has 71 (2022 – 71) Members.

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

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

Financial review

The Association's financial statements for the year ended 30 September 2023 have been prepared at a time of increased geo-political uncertainty and continuing global supply side issues. Inflation, at levels not seen for a generation, has prompted Central Banks across the world raising interest rates to levels last seen before the start of the financial crisis in 2008. The Association has seen the effect of this environment in increased costs, claims inflation and latterly increased investment returns.

The Association continues to remain in a strong financial position, with capital resources in excess of the target set by the Board. The result for the year to 30 September 2023 shows a surplus on the technical account before returns of call of £23.4m. The underwriting result for the past five years and the impact of returns of call is shown in the table below:

	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Balance on the technical account before returns of call	**23.4**	(0.9)	19.4	9.5	6.5
Returns of call	**(8.0)**	(7.8)	(7.9)	(8.1)	(7.9)
Balance as reported in the Income and Expenditure Account	**15.4**	(8.7)	11.5	1.4	(1.4)
	%	%	%	%	%
Net combined ratio (before returns of call)*	**23.8**	113.9	6.8	50.8	68.9

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

The Association has remained in a strong capital position and this capital strength allowed the Board at its meeting in June 2023 to approve a return of call of approximately £8.0m (2022 – £7.8m), the fifth successive year in which the return of call has been at this level. Returns of call amounting to approximately £52.0m have now been made to the membership over the course of the last seven financial years.

STRATEGIC REPORT (continued)

At the renewal on 1 October 2022 there was an 'as expiry' renewal. Members' commission income was significantly higher compared with the previous policy year. This resulted in Calls and premiums being higher when compared with the previous year, up from £27.1m to £32.2m.

The return of call during the current financial year was made from the 2014/15 policy year which amounted to a return of 62.0% for Members of that policy year renewing in the 2023/24 policy year.

The reinsurance premiums paid by the Association were higher than the previous year at £4.9m (2022 – £3.7m). This increase reflected the growth in Advance Call, to which reinsurance premiums are proportionate, a rate increase in underlying reinsurance rates and a reinstatement premium of £0.6m relating to the settlement of a notification during the financial year.

The number of claims notified to the Association in the 2022/23 policy year was higher than in the previous year at 194, with eight accepted after year end (2021/22 – 190, with two accepted after year end), reflecting the growth in membership during the policy year. The aggregate value of claims after 12 months was lower at the same stage. During each of the 2021/22 and 2022/23 policy years one large claim was notified to the Association which was projected to cost the Association £5.0m net of reinsurance recoveries (the retention limit of the Association); no claims of this size were reported in the preceding ten years. This highlights the significant claims volatility that the Association can experience. 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 policy year in order to absorb any future deterioration in notified claims.

Gross claims paid in the year were £19.7m (2022 – £4.7m) with reinsurance recoveries of £10.2m (2022 – £0). The provision for gross outstanding claims decreased by £18.4m offset by a decrease in reinsurers' share of gross outstanding claims of £10.9 m. The claims position in older policy years showed an improvement of £19.0m (2022 – £0.5m). Overall, the level of claims incurred in the financial year was £2.0m (2022 – £22.7m).

Net operating expenses were higher than in the previous year at £4.5m (2022 – £3.9m). The balance on the technical account, which represents the underwriting result, was a surplus of £15.4m compared with a deficit of £8.7m in the previous year.

The actual investment return (net of investment management expenses) achieved for the year was £2.6m compared with a £12.3m loss in the prior year. More detailed commentary on the investment performance is set out in the Investment Strategy and Performance section below.

The Association's net surplus after tax for the financial year was £16.4m (2022 – deficit of £23.4m).

The value of the Association's investment portfolio increased by £4.6m (2022 – decreased by £3.6m) in the year, the result of the £2.7m gain (2022 – £12.0m loss), before investment management expenses, in the invested assets referred to above, and a £2.0m net transfer to (2022 – £8.7m transfer to) the portfolio. At 30 September 2023, the value of the portfolio stood at £127.6m (2022 – £122.9m). A detailed analysis of the investments held at the year-end is shown in note 9 to the financial statements.

The free reserves of the Association at 30 September 2023 were £93.0m (2022 – £76.6m), which, as noted above, is higher than the Board's capital target which is based on its economic capital benchmark (ECB) which is set between 85% and 115% of the ECB, and the Association therefore remains financially strong.

Investment Strategy and Performance

The Association's investment strategy is the responsibility of the Board, assisted by its investment managers, Schroders. Detailed discussions are delegated to the Investment Strategy Group and recommendations for adoption are made to the Board. During the year the Association sold the units in the equity fund that it was invested in and reinvested the proceeds from this sale into the diversified growth fund in which it was already invested in.

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 investment strategy is twofold:

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

- To invest the assets in excess of the matching portfolio, in accordance with the 'prudent person principle', in such a way as 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 performance this year has experienced significant volatility. The net return from the Association's investment portfolio was broadly positive in all classes over the year and in line with market indices where available. However, the investment performance has suffered from the continued high inflation and increasing interest rate environment currently experienced in the United Kingdom and wider economies of the world.

In the year ended 30 September 2023, the overall return on investments was 2.0%, equivalent to a gain of £2.6m, compared with a long-term rate of 2.1%. The best performing asset class was fixed interest investments, with a return of 1.4% before investment management expenses, while all other investment classes contributed positively to the overall return.

Key performance indicators

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

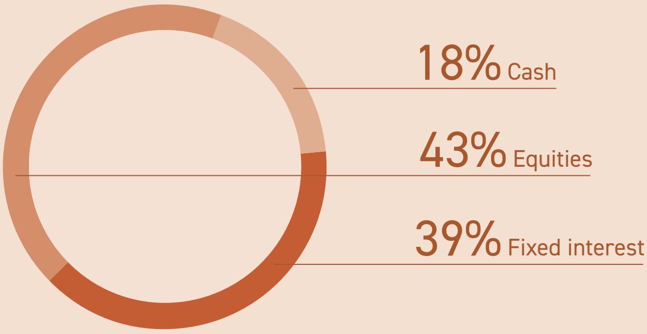
The total reserves of £93.0m (2022 – £76.6m) are sufficient to meet regulatory requirements and provide the Association with the resources required to meet its strategic objectives as set out on page 1.

Claims

In 2022/23 the number of notifications increased by 25% compared with the previous year. However, this increase in claims frequency was not matched by an increase in claims severity; most of the increase was due to lower value claims among Members in the retail sector.

During the last financial year the Association saw two reported notifications with contrasting outcomes. The first was a notification that was reported during the 2021/22 policy year which was significant and had a large reinsurance recovery attached to it. This notification went to trial and ultimately the Member was found not liable and the estimate on the file was reduced to £nil. By contrast, the other notification reported at the start of the 2022/23 policy year was settled within a matter of weeks and was the largest ever settled claim in the Association's history. Although the Association has not seen an increase in severity following the increase in the number of notifications reported significant volatility remains in the underlying reported claims.

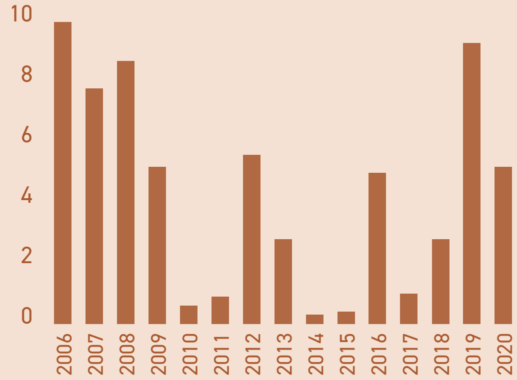
Investment holdings at 30 September 2023



The return on investments comprises:

	2023 £	2022 £
Investment income/(loss) (note 6)	**1,444,339**	(678,352)
Unrealised gain/(loss) on investments	**1,325,540**	(11,350,012)
Investment management expenses	**(160,105)**	(287,603)
Total return on investments	**2,609,774**	(12,315,967)

Net claims £m



Policy year
(Data in 2021 and 2022 policy years is insufficient to make accurate projections)

STRATEGIC REPORT (continued)

Risk Management of Members

Levels of risk continue to be monitored across the membership through the Association's risk management programme. The programme is based upon a structure of regular reviews, with a risk-based approach being applied to the review timetabling. The focus of each review is agreed with the Member in advance to ensure that any particular areas of potential risk are considered during the review. After each review, a report is produced and a plan agreed with the Member at a summary meeting, to address any issues identified. Support is provided to assist Members in implementing any recommendations arising out of the review, with presentations and workshops to staff regularly forming part of the follow-up. Much of the file review work is done remotely, through a combination of video conferencing and remote access to Members' systems. Meetings are carried out in person, where possible.

The structure of files and the quality of electronic filing remains an important focus of the programme. The ability to follow an audit trail of the handling of a piece of business is essential to the successful defence of a professional indemnity claim. The Managers also continue to stress the importance to Members of a robust peer review system which would eradicate many of the errors identified in documentation on risk management reviews. Cybercrime is currently a significant risk to Members' businesses and a thematic review has been carried out into Members' bank account verification procedures, with guidance being provided to those Members whose procedures were not sufficiently robust. The Managers have also continued to provide guidance on templates, and the standard disclosure and important provisions warnings which should be given to clients at key stages in the placement/underwriting process.

The Managers use a variety of tools to raise awareness of risk amongst the membership. External speakers are invited to present on topical issues at the quarterly Technical Forums. Recent subjects have included Social Engineering Frauds and Underinsurance; AM Best's Approach to rating Reinsurers and Assessing Delegated Underwriting Authority Enterprises; The Appointed Representatives Regime: Reforms, Liability and Agency; and Effective Governance and Good Culture in the London Market. In addition, a suite of presentations and workshops is available to the membership and these are regularly tailored to reflect the particular training needs of individual Members. The Association's website has a Member portal which gives Members access to a range of resources. This includes regularly updated MGA and Broker Risk Management Guidelines and a number of regularly published bulletins on topical market, legal and regulatory issues. These resources are all produced in accordance with the Association's objective of developing risk awareness at all levels of the business.

Rules of the Association

The Managers and the Board continue to review the cover provided by the Association to ensure that it meets the needs of the Members and responds to developments in the market, while remaining as broad as is sustainable in the long term. Amendments were made to Rule 4(7)(B) Legal Costs with effect from 1 October 2023 to ensure compliance with the Insurance Companies (Legal Expenses Insurance) Regulations 1990.

Market Conditions

The market has continued to be very challenging in the professional indemnity sector and the Managers have continued to receive a steady stream of enquiries from firms wishing to discuss membership, although not at the level experienced two or three years ago. Whilst there is no imperative for the Association to grow, its strategy is to promote sustainable growth by introducing new Members who by joining will benefit the mutual as a whole.

Eight Members joined the Association during the 2022/23 policy year with a combined commission income of £30m. The Managers have continued to adopt robust due diligence reviews before any firm is put before the Board for approval to offer terms.

Griffin Cell

The Griffin Cell established in Malta in December 2020 continues to provide cover to Members' EU operations and the risks are 90% reinsured into Griffin. 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. By the end of the 2022/23 policy year £5.1m premium was written by the Cell. This was higher than originally projected as more Members have opened offices in Europe to service existing EU clients and there have been more acquisitions of EU companies and organic growth of existing operations than originally anticipated.

Principal Risks and Uncertainties

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

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

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

Future Development

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

Climate Change

Whilst in the years ahead there may be an increase in weather/climate-related claims covered by insurance/reinsurance policies, the Association does not, at this stage, believe that climate change itself will give rise to a material increase in negligence-related claims on insurance intermediaries. Accordingly, the Association does not believe that climate change will lead to a material increase in claims payments made by the Association.

There is still some work to do in identifying metrics against which the Association's climate-related risks and opportunities are assessed and these are more likely to be quantifiable in connection with the operational activities of the Managers. To this end various steps have already been taken in terms of recycling and energy use and the Managers continue to work with the building managers of their London premises, from where the Association is managed, to set targets and to assess performance against those targets.

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

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

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

STRATEGIC REPORT (continued)

The Association's key stakeholders are the Members, who comprise insurance intermediaries and firms that have their professional indemnity insurance provided by the Association. The Association's corporate governance structure includes a Committee, which has a representative from each Member firm, and which allows wider engagement with the membership on the impacts of the main decisions of the Board. The Committee does not have authority to make decisions, but provides an opportunity for Members to ask questions and exchange views with the Managers and the Board on matters relating to the running of the Association and on matters of general commercial interest.

At the Committee meeting in July 2023 the Managers provided a briefing on the key decisions that had been taken during the year, primarily in relation to the Call setting for the policy year renewing on 1 October 2023. This included the decision to apply an rate reduction of 10% for this renewal.

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

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

The Association has built strong relationships with these stakeholders over the years. In particular, the average length of the current membership of the Association is 9.7 years, a reduction from previous years following the significant growth in membership during the last five years.

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

The relationship between the Association and the Managers, which dates back over 30 years, is symbiotic, in that the success of one is inextricably linked to the success of the other. Decisions taken by the Board that directly impact the Managers, such as the amount of the management fee, take full account of this relationship, having regard to service levels and accountability.

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

The Association's reputation is fundamental to its ability to carry out its business and it seeks to protect this reputation by sticking firmly to the principles of fairness and sound business conduct that the Board has established.

The financial statements were authorised for issue by the Board on 20 December 2023.

Mark Warren
Chair of the Association
20 December 2023

STATUTORY DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements for the year ended 30 September 2023.

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

The names of the directors are shown on page 33. At the Annual General Meeting on 4 July 2023, Duncan McKechnie, Chetan Shah and Adam Stafford retired by rotation and were reappointed. Finlay Smith, who had been appointed by the directors on 21 December 2022 to fill a vacancy on the Board, was also reappointed at the Annual General Meeting. Samantha Peat retired from the Board on 3 November 2023.

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

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

Financial Instruments

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

Future Developments

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

Directors' Indemnity Insurance

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

Audit

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

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

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

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

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

Energy and Carbon Reporting

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

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

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

Going Concern

The directors have a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. They therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements. Subsequent events have been considered and if required are disclosed in note 13.

Subsequent events

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

By order of the Board

Susie Parramore
Secretary
20 December 2023

AUDIT GROUP REPORT

The Audit Group has a particular role in ensuring that Members' interests are protected in relation to the Association's financial reporting and internal control; in this it acts independently of the Managers but is nevertheless appropriately supported by them. I am pleased to present the Audit Group's Report on how the Audit Group fulfilled that role in relation to the year ended 30 September 2023.

The Audit Group draws on the pool of senior financial and other personnel within Member firms. There were no changes to the composition of the Audit Group during 2022/23 so it continues to comprise the following non-executive directors of the Association:

Duncan McKechnie, BA FCA (member since 05/10/2017)
Anthony Phillips, BA ACA (member since 26/11/2013) (Chair)
Chetan Shah, BSc ACA (member since 05/10/2017)
Adam Stafford, BA (member since 27/05/2021)

The Audit Group meets four times each year, approximately a week before each scheduled Board Meeting, and as otherwise required. It receives regular reports from the Managers during the course of the year.

Financial reporting

In relation to financial reporting, the Audit Group advises the Board on the Association's Annual Report and Financial Statements and the Association's Solvency and Financial Condition Report to the Prudential Regulation Authority. In reaching its recommendations, the Audit Group:

- considers the independence of the Association's external auditors, Mazars LLP, and identifies any actual or perceived threats to their independence and/or conflicts of interest they may have within the regulatory or professional requirements governing them as auditors of the annual Report and Financial Statements;
- liaises closely with the Association's external auditors in the planning and conduct of the audit of the annual Report and Financial Statements;
- receives reports from the auditors, particularly in relation to their findings on key audit matters concerning the annual Report and Financial Statements;
- in conjunction with reports received from the Chief Actuary, scrutinises the methodology adopted in setting the Association's closing technical provisions and the quantum thereof as stated in the Association's annual Report and Financial Statements and the Association's Solvency and Financial Condition Report;
- considers the external audit report and the contents of the auditors' management letter in connection with the annual Report and Financial Statements; and
- meets with the auditors independently of the Managers to discuss any matters of concern.

The Audit Group is satisfied that the external auditors remain independent. During the course of 2022/23 Mazars LLP did not receive any fees from the Association in respect of non-audit work.

The valuation of the Association's technical provisions is always an area of particular focus for both the Audit Group and the external auditors; Mazars LLP concluded that the technical provisions as at 30 September 2023 are fairly stated and consistent with the evidence it had obtained.

This is Mazars LLP's sixth audit of the Association's annual Report and Financial Statements. During 2022/23 Amanda Barker stepped down as audit partner and was replaced by Andrew Jones; continuity was maintained at actuarial and audit manager level. The external audit proceeded smoothly and no matters of concern were raised by the auditors.

The Audit Group is charged to make recommendations to the Board concerning the appointment or reappointment of the external auditors. The Audit Group recommended to the Board that Mazars LLP be reappointed for 2024.

Internal audit

Internal audit submits its reports to the Chair of the Audit Group throughout the year and these submissions are followed by meetings between the Chair and the Head of Internal Audit to discuss the reports and their findings independently of the Managers. The reports are then distributed to all the other members of the Audit Group for review and comment.

Areas covered in 2022/23 were internal audit's ongoing reviews of Tindall Riley & Co Limited's IT & Data Security and the Association's Risk Management Framework; and new audit work in the fields of Finance and Member Risk Management (which included a review of the Managers' assessment of potential new Members of the Association). The scheduled internal audit of Tindall Riley & Co Limited's Business Continuity was deferred until December 2023 and is under way; and the scheduled internal audits of Tindall Riley & Co Limited's Operational Resilience and the Association's Data Governance Framework, Risk Management Framework and Corporate Governance have been deferred until 2024. The Audit Group sought and received reassurances from the Head of Internal Audit and the Managers concerning the deferral of these audits from the agreed Plan. The internal auditor's findings of the completed audits were discussed by the Audit Group and the recommendations monitored to ensure satisfactory completion and sign-off.

The Audit Group was pleased to note that the recommendations of the IT & Data Security audit outsourced to PKF Littlejohn in 2022 had been cleared. In relation to the review of the Association's Risk Management Framework, the Audit Group continued to receive updates from the Managers concerning the resourcing of the Association's risk and compliance function; recruiting and retaining good staff in this sector remains a challenge.

The Audit Group approved the *Internal Audit Plan for 2023/24 and Risk Assessment* at its meeting in September. The Head of Internal Audit has adopted a fresh approach to the *Plan* setting out the rationale for the selection and scope of planned activity for 2023/24. The *Plan* also expressly incorporates areas which members of the Audit Group have proposed for internal audit consideration.

The benefits of the 2022 External Quality Assessment (EQA) by the Chartered Institute of Internal Auditors on the Association's internal audit function continued to be seen in 2023. The final recommendation to be implemented is the application of root cause analysis to identify underlying risk and control themes from internal audit findings. Internal Audit has now developed a methodology for using root cause analysis and has formalised an approach for reporting the results and these will form part of future internal audit reports.

At its meeting in September the Audit Group also received formal notice that Simon Jones would be leaving his position on 8 December 2023. A new Head of Internal Audit has been recruited and will report at the Audit Group's next meeting in March 2024.

Compliance monitoring

The Audit Group maintains oversight responsibility for compliance on behalf of the Board under the direction and guidance of the Association's Chief Risk Officer. The Chair of the Audit Group meets with the Chief Risk Officer as the need arises before each Audit Group meeting to discuss any compliance issues, particularly in the light of matters raised by the internal audit function. This follows a recommendation from the EQA Assessor that there be greater dialogue between the internal audit and risk functions.

At its June meeting the Audit Group received the Chief Risk Officer's annual *Financial Crime Thematic Review* which identified two minor recommendations. At the same meeting the Group approved the Compliance Plan for 2023/24. Resourcing issues had meant that the thematic reviews of:

- Licence to write risks in Members' localities or broker due diligence;
- Gifts and Hospitality or Complaints;
- Cloud computing; and
- Regulatory roles held by the NEDs and the Managers

had not taken place in 2022/23 as stated so these reviews have been held over to 2023/24. The Cloud computing review has been replaced by a review of Data Protection, particularly in the light of the United Kingdom's post-Brexit requirements.

Governance

At its meetings in March and June 2023 the Audit Group considered its terms of reference. The Audit Group had asked the Managers to review the terms of reference in the light of points that had been raised during the Audit Group's performance review process as well as compare the terms of reference against the published terms of reference of other audit committees. This proved a worthwhile exercise. In particular, the Audit Group's differing and distinct responsibilities with reference to internal audit and the Association's internal control framework have been brought into better focus and the terms of reference now provide a clearer framework within which the Audit Group can operate.

For the first time, the Audit Group's performance review process employed a comprehensive questionnaire. The Audit Group scored positively across the spectrum which chimes with the feedback received from members of the Board and the Association's annual director appraisal process. Areas scoring no better than 'average' prompted useful discussion and action points.

I shall be stepping down as a director of the Association after the Committee Meeting on 1 February 2024 so this will be my last report as Chair of the Audit Group to the Members of the Association. It has been a privilege to sit on the Audit Group over the last ten years, a period over which the financial, internal audit, regulatory and compliance landscape has changed considerably. The Audit Group does a considerable amount of 'heavy lifting' on behalf of the Board and the Association, and I am grateful to the other members of the Audit Group and to the Managers for their support in this. I am succeeded by Chetan Shah who I know will bring a fresh drive and focus to the role.

The Audit Group remains mindful that the Association is a mutual with no external shareholders and that the Audit Group's principal role is to support the Board and through the Board serve the Association and its Members.

Anthony Phillips
Chair of the Audit Group
20 December 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT

To the Members of the Griffin Insurance Association Limited

We have audited the financial statements of The Griffin Insurance Association Limited (the 'Association') for the year ended 30 September 2023 which comprise the Income and Expenditure Account, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *'The Financial Reporting Standard applicable in the UK and Republic of Ireland'* and FRS 103 *'Insurance Contracts'* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 30 September 2023 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Association's ability to continue as a going concern;
- Obtaining and reviewing a copy of the Association's Own Risk and Solvency Assessment report ('ORSA');
- Evaluating the cash flow forecast for the Association, which extends more than 12 months from the date of approval of the financial statements through to December 2024;
- Evaluating the appropriateness of the directors' key assumptions in their cash flow forecasts;
- Testing the accuracy and functionality of the model used to prepare the directors' cash flow forecasts;
- Assessing the historical accuracy of the cash flow forecasts prepared by the directors;
- Evaluating the key assumptions used and judgements applied by the directors in forming their conclusions on going concern;
- Considering the consistency of the directors' forecasts with other areas of the financial statements and our audit; and
- Evaluating the appropriateness of the directors' disclosures in the financial statements on going concern.

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

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

Key audit matters

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

INDEPENDENT AUDITORS' REPORT

To the Members of the Griffin Insurance Association Limited

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

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

Key Audit Matter

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

Technical provisions – gross outstanding claims (2023 – £40,027,421 (2022 – £58,448,754))

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

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

The Association underwrites professional indemnity insurance on a 'claims made' basis and recognises technical provisions primarily made up of case reserves, a provision for IBNER claims and a management derived margin.

The valuation of technical provisions is an area of management judgement and source of estimation uncertainty, and is made up of case reserves, IBNER and a management derived margin. The provision for IBNER is the most subjective element of the technical provision balance and is based on the estimate of the ultimate cost to settle all claims, including the related costs of handling the claims. The management margin is added to align the total reserve to the 99th percentile.

Given the level of subjectivity and judgement, there is a risk that inaccurate reserve projections are made, or that appropriate disclosures relating to the margin are not provided, and we therefore identified the valuation of technical provisions specially the valuation of the provision for IBNER as a significant risk and a key audit matter.

How our scope addressed this matter

We performed the following audit procedures:

- We gained an understanding of the reserving process used by the actuaries of the Association and of the related controls, paying particular attention to the process surrounding NA/NAR claims;

- We tested and concluded on the design and implementation of controls relevant to the reserving process;

We performed the tests below rather than seeking to rely on the Association's controls because the nature of the balance is such that we would expect to obtain evidence primarily through the detailed procedures described.

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

- We reviewed the Griffin Reserving Paper produced by the Association's internal actuarial team as at 30 September 2023 as part of our risk assessment processes, to inform our understanding of the Association's reserving process and methodology, to assess internal consistency with other information we receive and to identify whether there were any findings that contradict our own work;

- We confirmed the integrity of the data used by the actuaries by agreeing it, on a sample basis, to the accounting records and testing whether the data used for reserving was complete and accurate;

- We challenged the appropriateness of the actuarial methodologies and assumptions used and performed our own independent projections, comparing our independent best estimate reserve projections to that derived by the actuaries of the Association;

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

- We evaluated the appropriateness of the margin added to the actuarial best estimate by considering the approach taken by the directors, benchmarked the margin against margins held by other non-life insurers and considered the appropriateness of the related financial statement disclosures; and

- We challenged the director's decisions to not hold specific IBNER for NA/NAR claims, including reviewing the governance around those decisions and reviewing a sample of cases.

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

INDEPENDENT AUDITORS' REPORT

To the Members of the Griffin Insurance Association Limited

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

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

Overall materiality

£1,857,624 (2022 – £1,532,959)

How we determined it

2% (2022 – 2%) of the Association's capital and reserves

Rationale for benchmark applied

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

Performance materiality

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

We set performance materiality at £1,393,218 (2022 – £1,149,719), which represents 75% (2022 – 75%) of overall materiality. We applied this percentage in our determination of performance materiality as we did not identify any significant factors indicating an elevated level of risk.

Reporting threshold

We agreed with The Audit Group, as the appropriate subcommittee charged with governance by the Board of Directors, that we would report to them any identified corrected or uncorrected misstatements identified during our audit above 3% (2022 – 3%) which equates to £55,729 (2022 – £45,989) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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

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

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

INDEPENDENT AUDITORS' REPORT

To the Members of the Griffin Insurance Association Limited

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

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

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

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

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

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

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

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

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

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

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

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

Other matters which we are required to address

We were appointed by ordinary resolution at the Association's Annual General Meeting on 5 July 2018 to audit the financial statements for the year ending 30 September 2018 and subsequent financial periods. The period of total uninterrupted engagement is six years, covering the years ending 30 September 2018 to 30 September 2023.

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

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

Use of the audit report

This report is made solely to the Association's Members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Association's Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's Members as a body for our audit work, for this report, or for the opinions we have formed.

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

30 Old Bailey
London
EC4M 7AU
20 December 2023

INCOME AND EXPENDITURE ACCOUNT
for the year ended 30 September 2023

Technical Account – General Business	Note		2023 £		2022 £
Earned premiums, net of reinsurance					
Calls	3	**27,587,395**		25,469,939	
Inward reinsurance premiums	3	**4,604,487**		1,627,235	
Returns of call	3	**(8,009,224)**		(7,844,374)	
Earned premiums			**24,182,658**		19,252,800
Reinsurance premiums		**(4,916,163)**		(3,721,881)	
			19,266,495		15,530,919
Allocated investment return transferred from the non-technical account			**2,630,417**		2,353,936
			21,896,912		17,884,855
Claims paid					
Gross amount		**(19,688,817)**		(4,670,242)	
Reinsurers' share		**10,217,676**		–	
	4	**(9,471,141)**		(4,670,242)	
Change in the provision for claims					
Gross amount		**18,421,333**		(29,305,615)	
Reinsurers' share		**(10,933,000)**		11,270,000	
	4	**7,488,333**		(18,035,615)	
Claims incurred net of reinsurance			**(1,982,808)**		(22,705,857)
Net operating expenses	5		**(4,501,470)**		(3,912,622)
Balance on the technical account			**15,412,634**		(8,733,624)

Non-technical account	Note	2023 £	2022 £
Balance on the technical account		**15,412,634**	(8,733,624)
Investment income/(loss)	6	**1,444,339**	(678,352)
Investment expenses		**(160,105)**	(287,603)
Unrealised gain/(loss) on investments	9	**1,325,540**	(11,350,012)
Allocated investment return transferred to the general business technical account	7	**(2,630,417)**	(2,353,936)
Net surplus/(deficit) before taxation		**15,391,991**	(23,403,527)
Taxation	8	**979,222**	(18,000)
Net surplus/(deficit) and total comprehensive income after taxation		**16,371,213**	(23,421,527)

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

The notes on pages 19 to 32 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
as at 30 September 2023

Assets	Note	2023 £	2022 £
Financial investments	9	**127,552,967**	122,931,108
Investment in protected cell company	10	**3,411,027**	3,411,027
Reinsurers' share of technical provisions			
Claims outstanding	4	**337,000**	11,270,000
Debtors			
Direct insurance operations – Members		**169,113**	54,620
Reinsurance operations		**11,374**	–
Taxation		**1,130,946**	–
Other debtors		**7,828**	178,821
Cash at bank and in hand		**9,439,642**	6,144,466
		142,059,897	143,990,042
Equity and Liabilities			
Capital and reserves			
Investment reserve		**6,922,983**	5,654,248
General reserve		**25,000,000**	25,000,000
Reinsurance and Technical reserve		**10,000,000**	10,000,000
Income and Expenditure Account		**51,096,165**	35,993,687
		93,019,148	76,647,935
Technical provisions			
Gross outstanding claims	4	**40,027,421**	58,448,754
Creditors			
Direct insurance operations – Members		**8,239,537**	7,977,709
Reinsurance operations		**–**	135,152
Accrued creditors and deferred income		**95,880**	84,000
Other creditors		**677,911**	696,492
		49,040,749	67,342,107
		142,059,897	143,990,042

Approved by the Board on 20 December 2023

M R W Warren Director
Rhona Lewry Director

The notes on pages 19 to 32 form part of these financial statements.

Companies House Number 2134231

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 September 2023

	Investment reserve £	General reserve £	Reinsurance and technical reserve £	Income and expenditure £	Total £
At 30 September 2021	**20,345,592**	**25,000,000**	**10,000,000**	**44,723,870**	**100,069,462**
Deficit for the financial year	–	–	–	(23,421,527)	(23,421,527)
Transfer from investment reserve	(14,691,344)	–	–	14,691,344	–
At 30 September 2022	**5,654,248**	**25,000,000**	**10,000,000**	**35,993,687**	**76,647,935**
Surplus for the financial year	–	–	–	16,371,213	16,371,213
Transfer to investment reserve	1,268,735	–	–	(1,268,735)	–
At 30 September 2023	**6,922,983**	**25,000,000**	**10,000,000**	**51,096,165**	**93,019,148**

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

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

The General Reserve has been established in accordance with Rule 26 of the Association to provide for any unforeseen contingencies, claims, expenses, losses or other outgoings of the Association. Transfers to this reserve are considered upon closure of each policy year. To date the 1987/88 to 2012/13 policy years have been closed.

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

The notes on pages 19 to 32 form part of these financial statements.

STATEMENT OF CASH FLOWS

for the year ended 30 September 2023

Cash flows from operating activities	Note	2023 £	2022 £
Net surplus/(deficit) before taxation		**15,391,991**	(23,403,527)
Adjustments for:			
Change in provisions for claims		**(7,488,333)**	18,035,615
Decrease/(increase) in insurance and other debtors		**45,126**	(147,074)
Increase/(decrease) in insurance and other creditors		**126,277**	(137,650)
Investment (income)/loss (net of expenses)		**(1,284,234)**	965,955
Unrealised (gain)/loss on investments	9	**(1,325,540)**	11,350,012
Cash from operations		**5,465,287**	6,663,331
Income taxes paid		**(151,724)**	(748,493)
Net cash generated from operating activities		**5,313,563**	5,914,838

Cash flows from investing activities			
Purchase of equity shares	9	**(10,329,220)**	(14,009,910)
Purchase of fixed interest investments	9	**(6,693,847)**	(16,726,534)
Sale of equity shares	9	**13,401,207**	–
Sale of fixed interest investments	9	**5,854,760**	21,464,510
Net change to deposits with credit institutions	9	**(4,284,103)**	765,247
Income from bank and other cash		**12,293**	1,880
Investment management expenses paid		**(166,407)**	(245,623)
Exchange loss on revaluation of investments when realised		**43,910**	9,808
Net cash from investing activities		**(2,161,407)**	(8,740,622)

Net increase/(decrease) in cash at bank and in hand	**3,152,156**	(2,825,784)
Cash and cash equivalents at the beginning of the financial year	**6,144,466**	8,938,775
Effect of foreign exchange rate changes	**143,020**	31,475
Cash and cash equivalents at the end of the financial year	**9,439,642**	6,144,466

The notes on pages 19 to 32 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
30 September 2023

1 General information
The Griffin Insurance Association Limited is a company incorporated in England and Wales authorised by the PRA and FCA to carry out non-life insurance business. The address of the registered office is given on page 33. The nature of the Association's operations and its principal activities are set out in the Strategic Report on pages 1 to 6.

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

2 Accounting policies
Basis of Accounting
These financial statements have been prepared under the historical cost convention as modified to include investments at market value, in compliance with Schedule 3 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI2008/410) under the Companies Act 2006 and in accordance with applicable accounting standards in the UK including Financial Reporting Standard 102, *'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland'* (FRS 102). In accordance with Financial Reporting Standard 103, *'Insurance Contracts'* (FRS 103), the Association has applied accounting policies for insurance contracts. The Regulations require the use of the term 'Profit and Loss Account' as a heading. The Statutory 'Profit and Loss Account' is replaced by an 'Income and Expenditure Account' in these financial statements, consistent with the mutual status of the Association.

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

The Association's most recent ORSA was completed during July 2023. An important component of the ORSA process is an assessment of the Association's projected future SCR and its projected own funds available to meet its SCR. These forward-looking assessments project the Association managing its risks successfully and maintaining sufficient financial resources to meet its SCR over the period assessed. The Association has adequate resources to continue in operational existence for the foreseeable future which includes the renewing 2023/24 policy year and the business planning horizon included in the ORSA covering a further two years to 30 September 2026 which included the impact of stress scenarios and a significant reverse stress test. This provided the directors with comfort that the Association will continue to meet its strategic objectives and all capital requirements over the planning horizon. They therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
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2 Accounting policies (continued)

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

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

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

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

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

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

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

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

Investments
The Association has chosen to apply the recognition and measurement provision of IAS39 and the disclosure requirements of FRS 102.

The Association reports its investments as financial assets at fair value, gains and losses are taken to the Income and Expenditure Account, which reflects the management of the portfolio on a fair value basis. Fair values of investments traded in active markets are measured at bid price.

Investment in protected cell company
The investment in the protected cell company in the Association's Statement of Financial Position is classified as available for sale. Available for sale assets are measured at fair value and where the fair value cannot be reliably measured it is measured at cost. As the fair value of the investment cannot be reliably measured, the basis for accounting for the investment is cost less impairment.

Cash and cash equivalents
Cash and cash equivalents are defined as cash in hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Cash equivalents are investments with original maturity of three months or less from the date of acquisition.

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

Debtors
Debtors relating to direct insurance operations are measured at the transaction amount.

Creditors
Creditors relating to direct insurance operations are measured at the transaction amount.

Taxation (current and deferred)
The charge for taxation is shown in the income and expenditure account. The tax effects of carry forwards of unused losses or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

2 Accounting policies (continued)

Critical accounting judgements and estimation uncertainty

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

The Association is required to determine whether the investment in the protected cell company is controlled by the Association and whether it should be consolidated under the requirements of FRS 102 Section 9. The Association has reviewed the requirements of this section and concluded that its investment in the protected cell company, as disclosed in note 10, does not result in the control of the operations of the protected cell company and that the restrictions included in the cell agreement further preclude overall control of the protected cell company. Therefore the protected cell company has not been consolidated.

3 Net calls and premiums

	2023 £	2022 £
Advance calls and premiums	**27,587,395**	25,469,939
Inward reinsurance premiums	**4,604,487**	1,627,235
	32,191,882	27,097,174
Returns of call – 2014/15	**(8,009,224)**	(3,884,110)
Returns of call – 2013/14	**-**	(3,960,264)
	(8,009,224)	(7,844,374)

Policy year accounting

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

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

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

4 Technical provisions

Net claims movement

	2023 £	2022 £
Net provision at beginning of year	**47,178,754**	29,143,139
Net current year provision	**19,355,275**	20,400,000
Net claims paid in year	**(9,471,141)**	(4,670,242)
Movement in prior years' net claims provisions	**(19,000,275)**	453,877
Claims expenses	**1,627,808**	1,851,980
	39,690,421	47,178,754

The methodology for reserving was refined in 2021/22 to allow for the increasing proportion of non-GBP claims and the recent significant fluctuations in exchange rates. Exchange rate adjusted triangles are now used for the projections. The adjusted triangles were calculated by converting the underlying currency amounts into GBP at 30 September 2023 exchange rates rather than the historic rates in force at the time of payments or when the claims handler set the outstanding reserve. As at 30 September 2023 40% of the claims outstanding estimates are in GBP, compared with 11% as at 30 September 2022.

Movement in prior years' claims provisions

Included within the net change in provision for claims is a credit of £19,000,275 (2022 – debit £453,877) relating to prior years made up as follows:

Net provision at beginning of year	**47,178,754**	29,143,139
Net payments during the year in respect of these provisions	**(2,581,641)**	(2,662,518)
Net provision carried forward in respect of claims provided for at the end of the previous year	**(25,596,838)**	(26,934,498)
	19,000,275	(453,877)

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Claims development tables

The development of insurance liabilities provides a measure of the Association's ability to estimate the ultimate value of claims. The top half of the table below illustrates how the Association's estimate of total claims outstanding for each policy year has changed at successive year ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the Statement of Financial Position.

Insurance claims – gross

Estimate of ultimate cost attributable to the policy year.

Reporting year	2013/14 £	2014/15 £	2015/16 £	2106/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £	2022/23 £
End of reporting year	14,280,000	13,790,000	11,595,000	10,100,000	9,540,711	8,830,000	11,046,000	11,200,000	31,670,000	29,909,951
One year later	5,374,669	7,428,000	6,647,000	14,945,975	8,376,090	8,830,000	8,296,000	8,700,000	8,400,000	
Two years later	4,107,000	4,087,000	3,786,999	14,073,407	3,126,090	4,330,000	9,296,000	5,200,000		
Three years later	2,400,000	1,142,167	1,707,733	10,323,407	1,176,090	4,330,000	9,296,000			
Four years later	2,350,114	585,568	1,207,733	5,323,407	1,176,090	2,830,000				
Five years later	2,145,904	585,568	957,733	5,398,820	976,090					
Six years later	2,145,904	485,568	957,733	4,998,820						
Seven years later	2,145,904	485,568	419,788							
Eight years later	3,345,904	321,523								
Nine years later	2,845,904									
Current estimate of ultimate claims	2,845,904	321,523	419,788	4,998,820	976,090	2,830,000	9,296,000	5,200,000	8,400,000	29,909,951
Cumulative payments to date	1,108,886	321,523	419,788	4,328,468	685,581	1,843,982	2,778,484	1,089,914	1,323,195	15,479,656
Liability recognised at the end of the year	1,737,018	–	–	670,352	290,509	986,018	6,517,516	4,110,086	7,076,805	14,430,295
Total liability relating to the last ten policy years										35,818,599
Prior year movements and claim handling costs										4,208,822
Total reserve included in the Statement of Financial Position										**40,027,421**

Insurance claims – net

Estimate of ultimate cost attributable to the policy year.

Reporting year	2013/14 £	2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £	2022/23 £
End of reporting year	14,280,000	13,790,000	11,595,000	10,100,000	9,540,711	8,830,000	11,046,000	11,200,000	20,400,000	19,355,275
One year later	5,374,669	7,428,000	6,647,000	14,945,975	8,376,090	8,830,000	8,296,000	8,700,000	8,400,000	
Two years later	4,107,000	4,087,000	3,786,999	14,073,407	3,126,090	4,330,000	9,296,000	5,200,000		
Three years later	2,400,000	1,142,167	1,707,733	10,323,407	1,176,090	4,330,000	9,296,000			
Four years later	2,350,114	585,568	1,207,733	5,323,407	1,176,090	2,830,000				
Five years later	2,145,904	585,568	957,733	5,398,820	976,090					
Six years later	2,145,904	485,568	957,733	4,998,820						
Seven years later	2,145,904	485,568	419,788							
Eight years later	3,345,904	321,523								
Nine years later	2,845,904									
Current estimate of ultimate claims	2,845,904	321,523	419,788	4,998,820	976,090	2,830,000	9,296,000	5,200,000	8,400,000	19,355,275
Cumulative payments to date	1,108,886	321,523	419,788	4,328,468	685,581	1,843,982	2,778,484	1,089,914	1,323,195	5,261,980
Liability recognised at the end of the year	1,737,018	–	–	670,352	290,509	986,018	6,517,516	4,110,086	7,076,805	14,430,295
Total liability relating to the last ten policy years										35,481,599
Prior year movements and claim handling costs										4,208,822
Total reserve included in the Statement of Financial Position										**39,690,421**

5 Operating expenses	2023 £	2022 £
Acquisition costs	**1,437,270**	1,193,051
Administrative expenses	**3,064,200**	2,719,571
	4,501,470	3,912,622

Included in acquisition costs are:
i) An allocation of the management fee (excluding risk management) amounting to £848,911 (2022 – £708,285).
ii) Reinsurance commissions of £220,000 (2022 – £200,000) payable for the placement of the reinsurance programme.
iii) 8.5% (2022 – 17.5%) commission payable to Atlas Griffin Cell of £368,359 (2022 – £284,766).

Included in administrative expenses are:
i) Risk management fees of £1,777,107 (2022 – £1,510,000) payable to the Managers in respect of the conduct of the Association's risk management programme.
ii) Directors' remuneration of £158,521 (2022 – £120,223).
iii) Auditor's remuneration of £79,900 payable for the audit of the Association (2022 – £67,200) which is presented excluding VAT.

The Association has no employees. Management services are provided by Tindall Riley & Co Limited (trading as Griffin Managers). See note 11.

6 Investment income/(loss)	2023 £	2022 £
Bank and other interest	**12,293**	1,880
Gain/(loss) on the realisation of investments	**1,245,116**	(721,515)
Exchange gain	**186,930**	41,283
Investment income/(loss)	**1,444,339**	(678,352)

7 Allocated investment return	2023 £	2022 £
Allocated investment return	**2,630,417**	2,353,936

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

	2023 UK£	2022 UK£	2023 US$	2022 US$	2023 €	2022 €
Government bonds	**1.90%**	1.20%	**-**	–	**1.55%**	1.15%
Corporate bonds	**-**	–	**1.60%**	1.00%	**-**	–
Equities	**2.23%**	3.85%	**-**	–	**-**	–
Cash	**1.00%**	0.68%	**1.90%**	0.90%	**-**	–

A transfer of £1,268,735 has been made to the investment reserve from the income and expenditure account equivalent to the deficit of actual return against the longer-term return for the year (net of tax) during the current year and a tax refund from the prior year (2022 – transfer from the investment reserve £14,691,344 to the income and expenditure account).

Comparison of longer-term return with actual returns over 10 years	2023 £	2022 £
Actual net investment return	**21,142,836**	22,117,251
Longer-term rate of return	**31,717,859**	31,582,358
Deficit of actual return above allocated return	**(10,575,023)**	(9,465,107)

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8 Taxation

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

Analysis of charge in period	2023 £	2022 £
UK corporation tax	**312,629**	–
(Over)/under provision in previous years	**(1,291,851)**	18,000
Total tax (credit)/charge	**(979,222)**	18,000

Factors affecting tax charge for period

The tax assessed for the period is different from the standard rate of corporation tax in the UK of 19% until the 31st March 2023 and 25% from the 1st April 2023 (2022 – 19%) mainly due to the impact of non-taxable mutual insurance operations (balance on the technical account) gross of the allocated investment return. The differences are explained below:

	2023 £	2022 £
Surplus/(deficit) before tax	**15,391,991**	(23,403,527)
Surplus/(deficit) on ordinary activities multiplied by standard rate of corporation tax in the UK	**3,386,238**	(4,446,670)
Effects of:		
Non-taxable mutual insurance operations	**(2,812,088)**	2,106,636
Unrelieved investment losses in the year	**–**	2,347,878
Prior year losses relieved in the year	**(220,396)**	–
Prior year losses carried back to previous years	**(1,291,851)**	–
Unrelieved investment losses in the year	**–**	18,000
Exchange gain not taxable	**(41,125)**	(7,844)
Total tax (credit)/charge – see above	**(979,222)**	18,000

As at 30 September 2023, the Association has unutilised tax losses of approximately £nil (2022 – £7.8m which was reduced from the prior year disclosed position of £12.4m due to corporate interest restriction rules) that are available for offset against future taxable profits, for which no deferred tax asset is recognised. The availability of unutilised tax losses for offsetting against future taxable profits of the Association is subject to the relevant provisions of the Income Tax Act 2007 and agreement of the tax authorities.

9 Investments

Investments comprise fixed interest investments (UK & EU government securities), UK and US corporate bonds, equities and other investments, and deposits with credit institutions. They are carried through to the Income and Expenditure Account using the fair value methodology.

	Deposits with credit institutions £	Fixed interest investments £	Equity and other investments £	Total £
Purchase of investments	12,288,839	6,693,847	10,329,220	29,311,906
Sale of investments	(8,004,736)	(5,854,760)	(13,401,207)	(27,260,702)
Realised gain/(loss)	87,475	(540,640)	1,698,281	1,245,116
Net portfolio investment/disinvestment	4,371,578	298,447	(1,373,706)	3,296,319
Unrealised gain/(loss)	436,972	2,374,051	(1,485,483)	1,325,540
Change in value of portfolio	4,808,550	2,672,498	(2,859,189)	4,621,859
Market value at 30 September 2022	18,190,107	46,710,081	58,030,920	122,931,108
Market value at 30 September 2023	**22,998,657**	**49,382,579**	**55,171,731**	**127,552,967**
Cost at 30 September 2022	17,554,732	52,456,114	56,663,551	126,674,397
Cost at 30 September 2023	**21,926,310**	**52,754,561**	**55,289,845**	**129,970,716**

10 Investment in protected cell company

	Country of incorporation	Share held	Class of shares	Principal activity	2023 £
Atlas Insurance PCC Limited – Griffin Cell	Malta	100%	Ordinary	Reinsurance	3,411,027

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

The Griffin Cell in Atlas was approved by the Malta Financial Services Authority on 31 December 2020.

11 Risk Management Framework

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11.1 Underwriting risk

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

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

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

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

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

Reinsurance

The reinsurance programme reduces the impact of individual large losses on the Association. The Association retains the first £5m per Member (the Association's retention), above which the market reinsurance arrangements respond up to the £30m maximum limit of cover on any one claim. These risk tolerances are set by the Board.

11 Risk Management Framework (continued)

Claims reserves

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

The Association targets a GAAP IBNER which should be appropriate to cover significant adverse claims development. To do this it targets the 99th percentile confidence level applied across the entire claims reserve. These reserving percentiles are monitored each quarter and in particular at each year end and where existing reserves fall short of the level acceptable to the Board, additional IBNER provisions are made.

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

Sensitivity

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

Impact on surplus/(deficit) before tax and equity Increase in loss ratio by 5%	2023 £	2022 £
Gross	**1,609,594**	1,354,859
Net	**1,363,786**	1,273,497

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

Impact on surplus/(deficit) before tax and equity Increase in loss ratio by 30%	2023 £	2022 £
Gross	**9,657,565**	8,129,152
Net	**8,182,716**	7,012,588

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

11.2 Market risk

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

The investment strategy, which is reviewed periodically by the Investment Strategy Group, is set by the Board with the assistance of external investment consultants. 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 Association is exposed to currency risk in respect of liabilities under insurance denominated in currencies other than Sterling. The most significant currencies to which the Association is exposed are Euro and US dollars. In order to manage this risk, the Association holds a proportion of its investments in each currency at a level to match expected future claim payments in those currencies.

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

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11 Risk Management Framework (continued)
11.2 Market risk (continued)
The table below shows the effects of a 5% increase or decrease in foreign exchange rates on the surplus/(deficit) before tax and equity:

	2023 US$	2023 €	2022 US$	2022 €
Foreign currency bond holdings:				
Effect of 5% increase in foreign exchange rates	**401,949**	**21,590**	184,698	25,091
Effect of 5% decrease in foreign exchange rates	**(401,949)**	**(21,590)**	(184,698)	(25,091)
Foreign currency cash holdings:				
Effect of 5% increase in foreign exchange rates	**507,627**	**29,624**	194,859	8,655
Effect of 5% decrease in foreign exchange rates	**(507,627)**	**(29,624)**	(194,859)	(8,655)

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

The table below shows the effects of a 3.0% (2022 – 0.5%) increase or decrease in interest on earnings from debt securities and the anticipated change in investment market values:

	2023 £	2022 £
3.0% (2022 – 0.5%) increase in interest rates	**2,240,426**	35,005
3.0% (2022 – 0.5%) decrease in interest rates	**(2,240,426)**	(35,005)

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

	2023 £	2022 £
5% increase in interest rates	**2,469,129**	2,335,504
5% decrease in interest rates	**(2,469,129)**	(2,335,504)

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 43% (2022 – 47%) of the investment portfolio. The value of the equity holding at the year-end amounted to £55.2m (2022 – £58.0m).

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

	2023 £	2022 £
5% increase in equity price	**2,758,587**	2,901,546
5% decrease in equity price	**(2,758,587)**	(2,901,546)

11.3 Counterparty risks

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

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

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

11 Risk Management Framework (continued)

11.3.1 Credit risk (continued)

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 ('A' 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.

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

	2023 £	2022 £
Fixed interest investments	49,382,579	46,710,081
Equity and other investments	55,171,731	58,030,920
Taxation	1,130,946	–
Reinsurers' share of technical provisions	337,000	11,270,000
Member and other debtors	188,315	233,441
Deposits with credit institutions	22,998,657	18,190,107
Cash and cash equivalents	9,439,642	6,144,466
Investment in protected cell company	3,411,027	3,411,027
Total financial assets bearing risk	**142,059,897**	**143,990,042**

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

An analysis of this exposure by credit rating is shown below	2023	2022 (Restated)
AAA	–	–
AA	–	–
A	9,776,642	17,414,466
BBB+ and below	–	–
No rating	132,283,255	126,575,576
Total financial assets bearing risk	**142,059,897**	**143,990,042**

Reinsurers' share of technical provisions were classified as unrated in the prior year, however, the balances carry an average rating of A and should have been included in the A rating line in the prior year above.

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30 September 2023

11 Risk Management Framework (continued)

11.3.2 Liquidity risk

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

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

As at 30 September 2023	Within 1 year £	1-2 years £	2-5 years £	Over 5 years £	Total £
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
Other debtors	19,202	–	–	–	19,202
Cash and cash equivalents	9,439,642	–	–	–	9,439,642
Investment in protected cell company	–	–	–	3,411,027	3,411,027
Total assets	**138,329,964**	**23,791**	**183,892**	**3,522,250**	**142,059,897**
As at 30 September 2022					
Equities and other investments	58,030,920	–	–	–	58,030,920
Debt securities and other fixed income securities	46,710,081	–	–	–	46,710,081
Deposits with credit institutions	18,190,107	–	–	–	18,190,107
Direct insurance operations – Members	54,620	–	–	–	54,620
Reinsurers' share of technical provisions	605,116	795,606	6,149,754	3,719,524	11,270,000
Other debtors	178,821	–	–	–	178,821
Cash and cash equivalents	6,144,466	–	–	–	6,144,466
Investment in protected cell company	–	–	–	3,411,027	3,411,027
Total assets	**129,914,131**	**795,606**	**6,149,754**	**7,130,551**	**143,990,042**

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

As at 30 September 2023					
Gross outstanding claims	4,298,358	5,651,473	20,752,469	9,325,121	40,027,421
Direct insurance operations – Members	8,239,537	–	–	–	8,239,537
Accrued creditors and accrued income	95,880	-	-	-	95,880
Other creditors	677,911	–	–	–	677,911
Total liabilities	**13,311,686**	**5,651,473**	**20,752,469**	**9,325,121**	**49,040,749**
As at 30 September 2022					
Gross outstanding claims	6,276,539	8,252,382	30,303,126	13,616,707	58,448,754
Direct insurance operations – Members	7,977,709	–	–	–	7,977,709
Reinsurance operations	135,152	–	–	–	135,152
Accrued creditors and accrued income	84,000	-	-	-	84,000
Other creditors	696,492	–	–	–	696,492
Total liabilities	**15,169,892**	**8,252,382**	**30,303,126**	**13,616,707**	**67,342,107**

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

11 Risk Management Framework (continued)

11.4 Operational risk

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

11.5 Limitation of the sensitivity analyses

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

11.6 Capital risk management

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

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

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

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

Throughout the period the Association complied with the regulators' capital requirements. At 30 September 2023 the Association's Solvency II own funds exceeded the SCR with a solvency ratio of 4.6 (2022 – 4.0). In accordance with the PRA rulebook, the Association has taken benefit of the audit exemption of the SCR and the SFCR and therefore the current and prior year SCR, SFCR and solvency ratios are unaudited.

11.7 Fair value hierarchy

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

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

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11 Risk Management Framework (continued)

11.7 Fair value hierarchy (continued)

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

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

Group	Deposits with credit institutions 2023 £	2022 £	Fixed interest 2023 £	2022 £	Equity and other investments 2023 £	2022 £
Level 1	**22,998,657**	18,190,107	**49,382,579**	46,710,081	**55,171,731**	58,030,920
Level 2	**–**	–	**–**	–	**–**	–
Level 3	**–**	–	**–**	–	**–**	–
	22,998,657	18,190,107	**49,382,579**	46,710,081	**55,171,731**	58,030,920

12 Related parties transactions

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

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

The Association's reinsurance programme is placed by a Member of the Association and the Member earned reinsurance commission of £220,000 (2022 – £200,000) for placing the programme.

Tindall Riley & Co Limited (trading as Griffin Managers) manages the Association and received £5,131,325 (2022 – £4,745,000) in respect of management fees and risk management services.

13 Subsequent events

There are no subsequent events which require adjustment or disclosure in the financial statements. The financial statements were authorised for issue by the Board on 20 December 2023.

DIRECTORS AND COMPANY INFORMATION

The Griffin Insurance Association Limited, Limited by Guarantee

Board of Directors
Mark Warren (Chairman)
Hugh Armytage
William Bloomer
Maryse Hazell
Rhona Lewry
Gary Masters
Duncan McKechnie
Anthony Phillips
Chetan Shah
Finlay Smith
Adam Stafford

Registered Office
Regis House
45 King William Street
London EC4R 9AN

Companies House
Number 2134231

Managers
Tindall Riley & Co Limited
Trading as:
Griffin Managers
Regis House
45 King William Street
London EC4R 9AN

Auditors
Mazars LLP
30 Old Bailey
London EC4M 7AU

THE GRIFFIN INSURANCE ASSOCIATION LIMITED
REGISTERED OFFICE:
REGIS HOUSE
45 KING WILLIAM STREET
LONDON EC4R 9AN

TELEPHONE: +44 (0)20 7407 3588